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 you should take, you should consult your licensed securities dealer or registered institution 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale 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)

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

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

SC
South China Capital Limited

A notice convening a special general meeting of Sino Union Petroleum & Chemical International Limited to be held at Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:00 a.m. on 21 December 2007 is set out on pages 78 to 79 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting or any adjournment thereof, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *For identification purpose only*

6 December 2007

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

"Acquisition"	the acquisition of equity interests and shareholder's loans of Madagascar Energy and Dolaway pursuant to the Agreement
"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 the Latest Practicable Date, 1,000 Ariary is equivalent to approximately HK$4.3647
"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 Agreement
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"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
"Experts"	Hercules, South China Capital, HLB, RHL, MCI and PAVL
"Group"	the Company and its subsidiaries
"Hercules"	Hercules Capital Limited, a licensed corporation under SFO to carry out Type 6 (advising on corporate finance) regulated activities
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HLB"	HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, the auditors of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	4 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Independent Board Committee"	the independent committee of the Board, comprising the independent non-executive Directors, namely Dr. Yu Sun Say and Mr. Ng Wing Ka, established for the purpose of advising the Independent Shareholders on the terms of the Agreement
"Independent Financial Adviser" or "South China Capital"	South China Capital Limited, being a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"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 the Company's announcement dated 12 September 2007 regarding the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Madagascar"	the Republic of Madagascar
"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
"MCI"	Madagascar Conseil International, the legal adviser of the Company in Madagascar
"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
"PAVL"	an independent valuation group registered in Mauritius
"RHL"	RHL Appraisals Limited, an independent professional valuer
"SFO"	The Securities and Futures Ordinance (Cap. 571)
"SGM"	the special general meeting of the Company to be convened at Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:00 a.m. on 21 December 2007 to approve the Agreement and transactions contemplated therein
"Share(s)"	the share(s) of HK$0.02 each in the share 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

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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)

Executive Directors:
Dr. Wang Tao
Dr. Hui Chi Ming
Mr. Cheung Shing
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
Mr. Tsang Kwok Man
Mr. Cui Yeng Xu

Non-executive Directors:
Dr. Fok Chun Wan, Ian
Mr. Chow Charn Ki, Kenneth

Independent non-executive Directors:
Dr. Yu Sun Say
Mr. Ng Wing Ka

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Units 10-12, 19th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

6 December 2007

To the Shareholders

Dear Sirs,

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

1. INTRODUCTION

On 5 September 2007, the Company and the Vendor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 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.

* *For identification purpose only*

The Acquisition constitutes a share transaction and connected transaction for the Company under the Listing Rules and thus the Agreement is subject to approval of the Independent Shareholders, by way of poll, at the SGM. The purpose of this circular is to provide you with, inter alia, (i) further details relating to the Acquisition; (ii) the letter from South China Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the Acquisition; (iii) the recommendation of the Independent Board Committee regarding the Acquisition to the Independent Shareholders; (iv) the valuation reports on Madagascar Energy and Dolaway; and (v) the notice of the SGM.

2. 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. As at the Latest Practicable Date, Dr. Hui beneficially owned as to 64.86% 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 the 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 the 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:

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

(b) 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; (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; and (iv) a premium of approximately 2.9% to the closing price of HK$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date. The total market value of the Consideration Shares amounted to approximately HK$194.4 million based on the closing price of HK$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 3.08% and 2.99% of the Company's existing share capital and enlarged share capital immediately after 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. Pursuant to the Agreement, the Vendor has agreed to distribute 50% of the profit arising from the sale of Madagascar Petroleum to the Company at no consideration. The profit distribution is conditional on the completion of the Acquisition.

Madagascar Petroleum has been granted with the license to carry on business of import, transportation and distribution of petroleum in Madagascar for seven years since 25 January 2007, with the same terms and conditions as those of the license granted to Madagascar Energy. It has also the right to establish gas stations in Madagascar. Save for the license to carry on the business of import, transportation and distribution of petroleum in Madagascar, Madagascar Petroleum did not have any other material asset as at the Latest Practicable Date.

As at the Latest Practicable Date, 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 could not be ascertained. 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 resolution(s) 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. According to the Agreement, 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) (the "Long Stop Date"), 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. On 13 November 2007, the Company and the Vendor entered into a supplemental agreement to extend the Long Stop Date to 31 December 2007. As at the Latest Practicable Date, conditions (i) and (ii) have been fulfilled.

3. 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 in respects of public safety, environmental protection, quality of services, etc.. As the renewal fee is minimal and breach of the relevant licensing requirements and laws by Madagascar Energy are not expected, 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 presently intends to establish 250 gas stations in Madagascar. Save for the license to carry on the business of import, transportation and distribution of petroleum in Madagascar, Madagascar Energy did not have any other material asset as at the Latest Practicable Date.

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, 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 did not have any other material asset as at the Latest Practicable Date.

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.

4. REASONS FOR THE ACQUISITION

The Group is principally engaged in the trading of petroleum fuel products and polyurethane materials and the business of 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 sponsor in Madagascar. The President of Madagascar granted the business license to Dr. Hui with the special approval 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 oilfield block 3113 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 implications 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 oilfield block 3113 in Madagascar and the fund raising exercises carried out by the Company during the past few 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 Minister of Ministere del'Energie et des Mines

(Ministry of Energy and Mines) 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 Directors considered that the Company has already referred to the right authority for the advice and thus it had not formally applied for the business license. 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 being 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. To the best of the knowledge of the Directors, no lands adjacent to or in close proximity to the land held by Dolaway are available for sale at the time of entering into the Agreement.

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.

Based on the negotiation between the Company and the Vendor, a discount would be given to the Company only if Dolaway and Madagascar Energy are purchased together. Furthermore, if the Company purchases Madagascar Energy only, it shall not be entitled to the 50% profit arising from the sale of Madagascar Petroleum. In view of the fact that the Company is in need of an office in Madagascar and better terms would be offered if Dolaway and Madagascar Energy are acquired as a package, the Directors consider that it is in the interest of the Company to acquire both assets together.

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.

5. 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 Latest Practicable Date and after the issue of the Consideration Shares are shown as follows:

	Shareholding structure as at the Latest Practicable Date		**Shareholding structure upon the issue of the Consideration Shares**	
	No. of Shares	*%*	*No. of Shares*	*%*
Wisdom On Holdings Limited *(Note)*	459,500,000	10.21	459,500,000	9.90
Golden Nova Holdings Limited *(Note)*	2,412,796,666	53.58	2,412,796,666	51.98
Barta Holdings Limited *(Note)*	48,340,000	1.07	48,340,000	1.04
The Vendor *(Note)*	–	–	138,888,889	2.99
Sub-total of shareholdings held by Dr. Hui and his associates	2,920,636,666	64.86	3,059,525,555	65.91
Public Shareholders	1,582,230,000	35.14	1,582,230,000	34.09
Total	4,502,866,666	100.00	4,641,755,555	100.00

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

6. MAJOR RISK FACTORS RELATING TO THE BUSINESS OF PETROLEUM IMPORT, TRANSPORTATION AND DISTRIBUTION IN MADAGASCAR

(a) Political stability in Madagascar

Political stability measures the likelihood of credible threats, including coups, domestic violence, terrorism, etc., to or changes in, the government in power. Such threats impede the ability to govern, and they also undermine peaceful changes of the government. The political stability index denotes the idea that the quality of a nation's government can be compromised by threats against it and the point estimate is measured on a scale of -2.5 to 2.5, with the higher scores indicating better governance and lower scores indicated poor governance in the countries observed.

The political stability index of Madagascar in 2000, 2002 and 2004 were 0.05, 0.22 and -0.02 respectively.

(b) Economic considerations

The petroleum distribution industry is very sensitive to the regional economic trends. Demand for petroleum product tends to decline during recessionary periods. According to the US Department of Agriculture's Economic Research Service, Madagascar's real GDP grew by 6.5% in 2006 and has an estimated growth of 5.8% in 2007.

(c) Volatility in oil prices and costing

The market price and costs of oil and petroleum products may fluctuate in response to changes in many factors beyond the control of the Group, including global demand, level of technology in producing recycle energy and general economic and political conditions around the World.

(d) Competition

Currently, there are limited competitors in the Madagascar petroleum products distribution market. However, as Madagascar Petroleum has also been granted with the license for carrying on business of import, transportation and distribution of petroleum in Madagascar, the rivalry in the market may intensify. As petroleum products are commodities and brand loyalty of petroleum products is relatively low, the Group may be susceptible to changing demand and market competition.

(e) Significant capital investment

The business of petroleum import, transportation and distribution requires the Group to make significant capital investments. The Directors expect the funding requirements to be satisfied by the Group's internal financial resources and/or any other equity or debt financing instruments available to the Group.

7. SGM

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. Dr. Hui and his associates, who are beneficially interested in and entitled to exercise control over the voting right in respect of 2,920,636,666 Shares, representing approximately 64.86% of the shareholding of the Company as at the Latest Practicable Date, will abstain from voting for the approval of the Acquisition at the SGM. Except for Dr. Hui and his associates, none of the Shareholders have a material interest in the Acquisition and required to abstain from voting in respect of the Acquisition.

Set out on pages 78 to 79 of this circular is a notice of the SGM, at which a resolution will be proposed and, if consider appropriate, passed to approve the Agreement and the transactions contemplated therein.

8. RECOMMENDATION

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Agreement.

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular and the letter of advice received from the Independent Financial Adviser on pages 15 to 36 of this circular. Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Sino Union Petroleum & Chemical International Limited
Chui Say Hoe
Executive Director

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)

6 December 2007

To the Independent Shareholders

Dear Sirs,

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

As the Independent Board Committee, we have been appointed to advise you in connection with the Agreement, details of which are set out in the letter from the Board contained in this circular to the Shareholders dated 6 December 2007, of which this letter forms part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 15 to 36 of this circular, we are of the opinion that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company. The terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favor of the resolution to be proposed at the SGM to approve the Agreement.

Yours faithfully,
Dr. Yu Sun Say **Mr. Ng Wing Ka**
Independent Board Committee

* *For identification purpose only*

Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition for the purpose of inclusion in this circular.

South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

6 December 2007

To: The independent board committee and the independent shareholders of Sino Union Petroleum & Chemical International Limited

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 6 December 2007 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 5 September 2007, the Company and the Vendor entered into the Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the entire equity interests in Madagascar Energy and Dolaway and their respective shareholder's loans for a total consideration of HK$260 million (the "Consideration"). The Consideration shall be satisfied as to (i) HK$60 million by way of cash; and (ii) HK$200 million by the issue of 138,888,889 Consideration Shares at an issue price of HK$1.44 per Consideration Share.

Pursuant to Rule 14.08 of the Listing Rules, the Acquisition constitutes a share transaction for the Company. As the Vendor is an investment holding company beneficially owned by Dr. Hui, who is the Chairman and an executive director of the Company, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Agreement is therefore subject to the approval of the Independent Shareholders by way of poll at the SGM whereby Dr. Hui and his associates shall be required to abstain from voting on the relevant resolution(s) in respect of the Agreement and the transactions contemplated therein.

An Independent Board Committee comprising Dr. Yu Sun Say and Mr. Ng Wing Ka (both being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution(s) to approve the Agreement and the transactions contemplated therein at the SGM. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us.

We have not made an independent evaluation or appraisal of the assets and liabilities of neither the Group, Madagascar Energy nor Dolaway and we have not been furnished with any such evaluation or appraisal, save and except for the valuation reports on Madagascar Energy and Dolaway prepared by RHL (the "Valuation Reports") as contained in Appendices I and II to the Circular. We are not experts in the valuation of companies in all businesses and therefore have relied solely upon the Valuation Reports for the market value of the Madagascar Energy and Dolaway as at 30 September 2007. Nevertheless, in order for us to form a better understanding on the Acquisition, we have taken various steps for our due diligence purpose, including but not limited to (i) conducting an interview with RHL on 14 November 2007 regarding the methodology, basis and assumptions on the valuation of Madagascar Energy and Dolaway; (ii) requesting for and obtaining the supporting documents in relation to the valuation of Madagascar Energy and Dolaway as available to RHL and the Company to assess the fairness and reasonableness of the terms of the Agreement; (iii) reviewing the scope of services and independency of RHL and we are of the view that RHL is suitable to provide its opinion. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation and is in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. The Agreement

On 5 September 2007, the Company and the Vendor entered into the Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the entire equity interests in Madagascar Energy and Dolaway and their respective shareholder's loans for the Consideration of HK$260 million. The Consideration shall be satisfied as to (i) HK$60 million by way of cash (the "Cash Consideration"); and (ii) HK$200 million by issue of 138,888,889 Consideration Shares at an issue price of HK$1.44 per Consideration Share (the "Issue Price").

Pursuant to the Agreement, the Company is required to settle the Consideration upon Completion. It is the intention of the Company to finance the entire Cash Consideration with its internal financial resources.

The Vendor is also 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 zero consideration. Further description of Madagascar Petroleum is included under the section headed "Other Terms" in the Board Letter.

As advised by the Directors, the Agreement was negotiated and entered into on an arm's length basis between the parties thereto and the Directors believe that the terms and conditions of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

As referred to in the Board Letter, completion of the Agreement is conditional upon, inter alia, the following conditions having been fulfilled on or before 9 November 2007:

(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 resolution(s) 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 above conditions. If the above conditions have not been fulfilled on or before 9 November 2007 (the "Long Stop Date") (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 and except for any antecedent breaches of the Agreement. On 13 November 2007, the Company and the Vendor entered into a supplemental agreement to extend the Long Stop Date to 31 December 2007. As at the Latest Practicable Date, conditions (i) and (ii) have been fulfilled.

2. Background of the Acquisition

Business overview of the Group

The Group is principally engaged in (i) the trading of petroleum fuel products and polyurethane materials; and (ii) the exploration and exploitation of oil and gas in the Republic of Madagascar ("Madagascar"). Since 2004, when Wisdom On Holdings Limited, a company which is wholly-owned by Dr. Hui, became the controlling shareholder of the Company, the Group has adopted a business strategy to diversify its business operation and position itself into the oil & gas industry.

The Group focused on the business of sale and distribution of polyurethane materials ("PU"), PU foam and PU foam products since its listing on the Main Board of the Stock Exchange in April 2001. During the financial year 2006, the Board foresaw the difficult time that the petrochemical industry would face and thus made the decision to dispose of its then petrochemical products manufacturing business in July 2005 (the "Disposal"). After the Disposal, the Board attempted to enter into the oil and gas industry by acquiring 7% equity interest in Madagascar Energy International Limited ("MEIL") in June 2006. MEIL is a company established in Madagascar which was vested with the rights to engage in (i) oil & gas exploration for eight years; and (ii) exploitation and operation for 15 years (for oil) and 35 years (for gas) at the 3113 Oilfield in Madagascar. The Chairman of the Company, Dr. Hui, is the Consulate of Madagascar. Therefore, the Board expected that the extensive networks and experience that Dr. Hui possesses in Madagascar would be highly beneficial for the Group to develop the new business of oil and gas exploration and exploitation in Madagascar. As referred to in the annual report of the Company for the year ended 31 March 2007 (the "2007 Annual Report"), the Group further acquired the remaining 93% equity interest in MEIL on 25 May 2007, and subsequently engaged BGP Inc. to provide oil exploration and oilfield development services at the 3113 Oilfield in Madagascar on 30 May 2007.

Being part of the expansion plan of the Group in the oil and gas industry, the Group further tapped into the fuel oil distribution business by entering into a supply and purchase agreement with Foshan Hua Heng Petroleum and Chemical Limited and Foshan Electricity Fuel Company in April 2007 (the "S&P Agreement"). Pursuant to the S&P Agreement, the Group agreed to supply 360,000 tons of fuel oil at the prevailing market price to Foshan Hua Heng Petroleum and Chemical Limited for its resale to Foshan Electricity Fuel Company during the contract period from 23 April 2007 to 23 April 2008. As stated in the 2007 Annual Report, the Group, while developing the aforementioned new businesses acquired, will continue to actively seek for potential investment in the oil and gas industry.

Financial information on the Group

Tabularised below is a summary of the audited consolidated financial information on the Group as extracted from the 2007 Annual Report:

Consolidated Income Statement	**For the year ended 31 March 2007**	**For the year ended 31 March 2006**	**Year on year change**
	HK$'000	*HK$'000*	%
Turnover	554,686	577,729	(3.99)
Net profit attributable to equity holders of the Company	8,063	15,567	(48.20)

Consolidated Balance Sheet	As at 31 March 2007	As at 31 March 2006	Year on year change
	HK$'000	*HK$'000*	*%*
Cash and bank balances	90,062	6,028	1,394.06
Net asset value ("NAV")	212,085	176,440	20.20
Gearing ratio (Total bank borrowings plus convertible bond and finance lease payables/ Shareholders' equity)	nil	nil	–

As depicted from the above table, the Group recorded an audited total turnover of approximately HK$554.69 million for the year ended 31 March 2007, representing a decline of approximately 3.99% as compared to the prior year. In addition, the Group's net profit dropped significantly by approximately 48.20% during the year ended 31 March 2007. According to the 2007 Annual Report, the Directors were of the view that the market of PU materials had become increasingly competitive and the demand for PU materials also showed a downward moving trend during the said financial year under review.

As at 31 March 2007, the Group had audited consolidated net assets of approximately HK$212.09 million, representing an increase of approximately 20.20%. Moreover, the Group's cash and bank balances on hand also mounted drastically by approximately 1,394.06% from approximately HK$6.03 million as at 31 March 2006 to approximately HK$90.06 million as at 31 March 2007. In this regard, we have further enquired into and the Directors confirmed that the Group had cash and bank balances of approximately HK$200 million on hand as at 30 September 2007. The Directors also further confirmed that such drastic jump in cash and bank balances of the Group was mainly generated from the various fund raising exercises of the Company which took place during 2007.

Information on Madagascar Energy

With reference to the Board Letter, Madagascar Energy was incorporated in Madagascar on 28 November 2006 with total registered capital of 10 million Ariary. Set out below are the unaudited financial results of Madagascar Energy for the period from 28 November 2006 (being the date of incorporation) to 31 December 2006 (the latest year end date) as extracted from Board Letter:

Income Statement	Period from 28 November 2006 (date of incorporation) to 31 December 2006 (the latest year end date)
	HK$
Loss before taxation	(10,000)
Loss for the period	(10,000)

Balance Sheet	**As at 31 December 2006**
	HK$
NAV	32,000

According to the Directors, 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. Under such license, Madagascar Energy also has the right to establish gas stations in Madagascar. 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 in respect of public safety, environmental protection, quality of services, etc. We have enquired into the Directors and the Directors confirmed that they are not aware of any expected impediment with respect to the renewal of the license and considered those requirements to be common and normal such that the possibility of failing in the license renewal is remote.

Upon our further enquiry, the Directors confirmed that the Group plans to establish 250 gas stations in Madagascar within eight years, and the Company will hire the necessary expertise in the business of import, transportation and distribution of petroleum to assist Madagascar Energy in such development process. In addition, the total set up costs for the opening of each gas station is estimated to be of approximately US$230,000 without taking into account the future inflation, and will be satisfied by internal financial resources of the Group and/or any other equity/debt financing instruments available to the Company. The Directors expected that Madagascar Energy will be able to breakeven in six years and start to enjoy profits thereafter. Your attention is also drawn to the letters from Hercules and HLB as contained in Appendix I to the Circular.

Save and except for the license to carry on the business of import, transportation and distribution of petroleum and right to establish gas stations in Madagascar, the Directors confirmed that Madagascar Energy did not have any other material asset as at the Latest Practicable Date.

Information on Dolaway

With reference to the Board Letter, Dolaway was incorporated in the British Virgin Islands on 16 August 2007 with total issued share capital of US$100. In addition, Dolaway is an investment holding company and its major asset is the land use right for a site of approximately 6,951 square meters located at Vilia NY Ambaniandro Prosper Emphyteose, Antananarivo, Madagascar (the "Site"). The Site is designated for commercial use with land use term of 99 years, commencing from 28 October 2005.

List out below are the unaudited financial results of Dolaway for the period from 16 August 2007 (being the date of incorporation) to 31 August 2007 (the latest accounting period end date) as extracted from the Board Letter:

Income Statement	Period from 16 August 2007 (date of incorporation) to 31 August 2007 (the latest accounting period end date)
	HK$
Loss before taxation	(8,500)
Loss for the period	(8,500)

Balance Sheet	As at 31 August 2007
	HK$
Net liabilities	(8,000)

In relation to the use of land at the Site, we have enquired into and the Directors confirmed that as at the Latest Practicable Date, no construction work has been started at the Site. The Directors further confirmed that it is the intention of the Company to establish a commercial building with total gross floor area of not less than 60,000 square meters at the Site and the Directors expected that the Company shall not occupy the entire office premises of the commercial building and shall rent out the office premises which are unoccupied. Nevertheless, we were advised by the Directors that no concrete development plan has been formulized in this respect.

3. Reasons for the Acquisition

Acquisition of Madagascar Energy

As referred to in the Board Letter, the Directors considered that the engagement in petroleum import, transportation and distribution business in Madagascar will create synergy to the Group's oil exploration and exploitation business at the 3113 Oilfield in Madagascar by providing an extensive distribution network for the wholesale and retail of the Group's petroleum product.

In addition, we have researched over the internet and noted that in accordance with the statistics available on the web site of the World Bank Group, Madagascar had a population of approximately 19.1 million as at the end of 2006. The population of Madagascar had risen by approximately 2.69% and 17.9% respectively as compared to 2005 and 2000 respectively. Moreover, the value of gross domestic product ("GDP") of Madagascar reached approximately US$5.5 billion in 2006, representing a substantial increase of approximately 10% and 41% respectively as compared to 2005 and 2000 respectively. The key indicators as just mentioned show that both the population and the economy of Madagascar are expanding. Having this being the case, the demand for fuel products in Madagascar may increase in the future. In addition, according to the Statistical Review of World Energy Full Report 2007 as released by BP Global, the world crude oil price has been increasing rapidly since 2003. The average price of the Dubai crude oil and Brent crude oil was US$61.50 per barrel and US$65.14 per barrel in 2006, representing an upsurge of approximately 15.28% and 14.78% respectively on a compound annual growth rate basis since 2000. We consider the price of the crude oil to be a key factor affecting the profitability of a company which engages in the oil and gas industry and thus the profit margin of Madagascar Energy would be affected. In light of the upsurge of the average price of crude oil in recent years and the possible growing in demand for fuel products in Madagascar as aforementioned, we are of the opinion that the future prospects of the oil and gas industry in Madagascar would be promising. For this reason, we concur with the Directors that Madagascar Energy, which has been granted with the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar, would be able to expand in business in the near future.

We are also advised by the Directors that the Company has endeavored to apply for the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar directly from the relevant government authorities in Madagascar instead of acquiring such license from the Vendor. However, the Company was advised by the minister of Ministere del's Energie et des Mines (Ministry of Energy and Mines) in Madagascar that the government would highly unlikely to 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 Directors considered that the Company has already referred to the right authority for the advice and thus it has not formally applied for the said business license. Besides that, the Directors also considered that it may jeopardize the relationship between the Company and the government of Madagascar if the Company ignores the advice from the government officials and insists on making the application.

In view of that (i) Madagascar Energy, which has been granted with the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar, would be able to expand in business in the near future leveraging on the expansion in the world oil and gas industry and the possible growing in demand for fuel products in Madagascar; (ii) the acquisition of Madagascar Energy is the best alternative currently available for the Company to obtain the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar; and (iii) the acquisition of Madagascar Energy is in line with the business strategy of the Group to actively seek for potential investment in the oil and gas industry, we consider that there is no reason for us to doubt the commercial rationale of the acquisition of Madagascar Energy by the Company. We also consider that the acquisition of Madagascar Energy is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

Acquisition of Dolaway

To cope with the Group's rising 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 at the 3113 Oilfield in Madagascar and to further enlarge the Group's business network in the region. In this regard, we were further advised by the Directors and RHL that the Group's current office in Madagascar is inadequate. The Directors considered that the acquisition of Dolaway shall provide a suitable site for the establishment of the Company's office in Madagascar. As mentioned under the paragraph headed "Information on Dolaway" in this letter, a commercial building with total gross floor area of not less than 60,000 square meters will be established at the Site. The Directors also expected that the offices premises of the commercial building not occupied by the Group shall contribute rental income to the Group. Given that (i) the Group's business activities in Madagascar are expanding and thus the Group is in need of a branch office in Madagascar in the short- to medium-term to facilitate the Group's business development in the country; (ii) it would take a long time for the Company to search for a new site and apply for the land use right in Madagascar; and (iii) the Company shall utilise the vacant office premises of the commercial building at the Site for rental income, we consider that there is no reason for us to doubt the commercial rationale of the acquisition of Dolaway by the Company. We also consider that the acquisition of Dolaway is in ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

4. Basis of the Consideration

Pursuant to the Agreement, the assets to be acquired by the Company are (a) the ME Sales 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 the 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 the Dolaway Shareholder's Loan.

The consideration for the ME Sale Shares and the ME Shareholder's Loan is HK$200 million (the "ME Consideration") while the consideration for the Dolaway Sale Shares and the Dolaway Shareholder's Loan is HK$60 million (the "Dolaway Consideration"). The Consideration will be satisfied as to (i) HK$60 million by way of cash; and (ii) HK$200 million by issue of the 138,888,889 Consideration Shares at the Issue Price of HK$1.44 per Consideration Share.

As stated in the Board Letter, 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 as estimated by the Vendor; and (ii) the business potential of the petroleum import, transportation and distribution business in Madagascar.

In addition, as mentioned under the section headed "The Agreement" in this letter, we noted from the Board Letter that the Vendor is negotiation with an independent third party for the sale of its entire equity interest in Madagascar Petroleum, which has been granted with the license to carry on business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar for seven years since 25 January 2007. According to the Directors, the terms and conditions of the license granted to Madagascar Petroleum are the same as those of the license granted to Madagascar Energy. The Vendor has agreed to distribute 50% of the profit arising from the sale of Madagascar Petroleum to the Company at nil consideration. Nevertheless, the Board Letter stated that as at the Latest Practicable Date, no concrete terms for the sale of Madagascar Petroleum have been finalised and the value of the potential gain arising from the sale of Madagascar Petroleum cannot be ascertained at the moment. We consider that such arrangement would not directly affect our view on the Acquisition even though we concur with the Directors that the one-off gain from the sale of Madagascar Petroleum is in the interests of the Company and the Shareholders as a whole in short term. In this respect, Shareholders should also note that Madagascar Petroleum may become one of the competitors of the Company in the future since it possesses the same license for import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar. As further advised by the Directors, there are currently six licenses to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar, and the licenses were granted to some famous brands within the oil and gas industry such as Shell and Total.

Valuation Methodology

We have reviewed the Valuation Reports and enquired into the RHL on the methodology adopted and the assumptions used in arriving at the market value of Madagascar Energy and Dolaway respectively. We understand that RHL carried out a site visit in Madagascar in mid-October 2007 to research for the market data and necessary information to determine which approach should be adopted in valuing the market value of Madagascar Energy and Dolaway. We were advised by RHL that there are three classical appraisal approaches available for determining the value of intangible assets namely, the income approach, cost approach and market approach.

Valuation of Madagascar Energy

In valuing the market value of Madagascar Energy, RHL had adopted the income approach. Under the income approach, RHL had applied the discounted cash flow method (the "DCF Method") for the valuation of Madagascar Energy. As advised by RHL, the DCF Method is used to estimate the present value of all cash flows expected to be derived from the business and operations of Madagascar Energy based on a series of forecasts of revenue and cost stream, over the operational period, as discounted by a suitable percentage which represents the investor's expected inflation adjusted return for investment of this type. Finally, RHL estimated the market value of Madagascar Energy by adding up the cumulative present values and further discounting the total net present value by 30% due to the lack of marketability of Madagascar Energy.

RHL considered the income approach to be the most appropriate approach in valuing the market value of Madagascar Energy since the income approach is suitable for business which is assumed to have a limited life while Madagascar Energy was granted with the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar for a period of seven years. In addition, RHL was of the view that (i) there are no recent transactions of similar business in Madagascar; (ii) there are no listed petroleum marketing company in Madagascar; and (iii) the cost of acquiring the license does not reflect the potential value of the license that will bring to Madagascar Energy. Having the above being the case, RHL adopted the income approach in valuing the market value of Madagascar Energy.

As further advised by RHL, the valuation of Madagascar Energy was made on the assumptions, amongst others, that (i) the license which was granted to Madagascar Energy 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; and (ii) the financial performance of the operation of Madagascar Energy can be based on a consistent trend of its operation. Details of the assumptions and bases of the valuation of Madagascar Energy are included in Appendix I to the Circular.

During our discussions with RHL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the valuation of Madagascar Energy. In addition, your attention is also drawn to the letters from Hercules and HLB as contained in Appendix I to the Circular.

As stated in the valuation report on Madagascar Energy, the market value of Madagascar Energy as at 30 September 2007 was approximately HK$278.36 million. The ME Consideration of HK$200 million hence represents a discount of approximately 28.15% to such value.

In addition, RHL had conducted a sensitivity analysis on the market value of Madagascar Energy based on two variables, namely (i) the growth rate of the total number of gas stations in Madagascar; and (ii) the discount rate (cost of equity). Set out below are the market values of Madagascar Energy under different scenarios as extracted from the valuation report on Madagascar Energy which is contained in Appendix I to the Circular:

Growth rate of the total number of gas stations in Madagascar	Discount rate (cost of equity)	Market value of Madagascar Energy in HK$
17%	10.0%	273,046,825.99
16%	11.0%	278,663,207.70
15%	**12.2%**	**278,356,821.20**
14%	13.0%	289,838,475.45
13%	14.0%	295,593,745.85

We noted from the above table that the value of Madagascar Energy would range from approximately HK$273.05 million to HK$295.59 million under the above scenarios. Under the worst case scenario, the value of Madagascar Energy would be amounted to approximately HK$273.05 million, the ME Consideration of HK$200 million hence represents a discount of approximately 26.75% to such value; while under the best case scenario, the value of Madagascar Energy would be amounted to approximately HK$295.59 million, the ME Consideration of HK$200 million hence represents a discount of approximately 32.34% to such value.

Valuation of Dolaway

In valuing the market value of Dolaway, RHL had adopted the market approach, whose sole asset is the land use right at the Site. As advised by RHL, the market approach provides indications of value by making reference to comparable transactions as available in the relevant market. RHL confirmed that the direct comparison method is the best valuation method as it involves less assumptions and uncertainty in the valuation. During the valuation process, RHL was aware of that no proper records are kept at the land registry in Madagascar regarding the actual sale prices of land and the sales evidence available at the land registry in Madagascar does not actually reflect the real market value as it is common in Madagascar to understate the transaction consideration in the title deed for tax benefit purposes. RHL had therefore relied on opinions from local property consultants, for example, Mr. Jose Moutou of Getim Madagascar, who are active in the industry as well as Mr. Gautum Saddul, the chartered surveyor from Mauritius, (the "Experts") for the valuation of Dolaway. Upon our enquiry, RHL confirmed that the Experts are independent third parties to the Company and that they considered the opinions from the Experts to be reliable and acceptable. RHL advised us that it is normal market practice to rely on independent professional consultants in the valuation of land in developing countries. We have no reason to doubt the professional judgment of RHL in this regard. In addition, we have also obtained the qualification certificate of Mr. Gautum Saddul. Mr. Gautum Saddul concluded that the unit land price for the Site would be ranged from US$250 to US$270 per square meter and RHL was of the opinion that US$270 per square meter is reasonable for the purpose of valuing the Site based on its professional judgment and experience. According to RHL, the valuation of Dolaway of HK$14.99 million was arrived at by multiplying the unit land price of US$270 per square meter and the area of the Site of approximately 6,951 square meters. For the purpose of assessing the market value of Dolaway, RHL considered the market approach to be the most appropriate. Details of the assumptions and bases of the valuation of Dolaway are included in Appendix II to the Circular.

During our discussions with RHL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the valuation of Dolaway.

We noted from the valuation report on Dolaway that the market value of Dolaway as at 30 September 2007 was approximately HK$14.99 million. Thus, the Dolaway Consideration of HK$60 million represents a premium of approximately 300.21% over such value.

As part of our analysis, we have also researched for similar transactions in Madagascar but to the best of our knowledge, no transaction record has been found and therefore we have to rely on the advice of RHL. We have also considered other commonly adopted valuation methodologies, namely (i) the price to earning analysis; and (ii) the price to book analysis, to access the fairness and reasonableness of the Consideration:

(i) Price to earning analysis

Due to the fact that both Madagascar Energy and Dolaway have not been recording any profit since their incorporation, the price to earning approach is not applicable in this case.

(ii) Price to book analysis

Since both Madagascar Energy and Dolaway have just been established and they have limited assets and liabilities at this stage, we consider the price to book analysis is not applicable for evaluation as well.

Given the inappropriateness of using the price to earning analysis and price to book analysis as references to assess the ME Consideration and the Dolaway Consideration, we concur with RHL that the income method and market approach are the most appropriate methods to assess the market value of Madagascar Energy and Dolaway respectively. Moreover, we noted that the Dolaway Consideration is at a premium of approximately 300.21% over the market value of Dolaway as estimated by RHL and have further enquired into the Directors for justification for such significant premium. In this respect, the Directors stated that the Group is in need of a commercial building for its future expansion and it would be difficult to acquire a land use right with substantial gross floor area in Madagascar. In addition, the acquisition of Madagascar Energy and Dolaway are inter-conditional and since the Vendor is not a professional valuer and the preliminary assessment by the Vendor may vary from the market values of Madagascar Energy and Dolaway as estimated by RHL, the Agreement includes a condition precedent that the total value of Madagascar Energy and Dolaway, to be valued by an independent professional valuer appointed by the Company, must not be less than HK$260 million. We consider that such condition precedent could safeguard the interest of the Independent Shareholders. Given also that the Consideration represents a overall discount of approximately 11.37% to the aggregate market value of Madagascar Energy and Dolaway of approximately HK$293.35 million, which was fairly and reasonably assessed by RHL, we concur with the Directors that the Consideration is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

Pursuant to the Agreement, part of the Consideration shall be satisfied by the issue of 138,888,889 Consideration Shares to the Vendors upon Completion at the Issue Price of HK$1.44 per Consideration Share.

The Issue Price represents a premium/(discount) over/to the closing price of the Shares in the following manner:

	Share price *HK$*	**Premium/(Discount) of the Issue Price over/to the closing price of the Shares** %
As at the Latest Practicable Date	1.40	2.86
As at the Last Trading Day	1.35	6.67
The average of the last five trading days up to and including the Last Trading Day	1.37	5.42
The average of the last ten trading days up to and including the Last Trading Day	1.38	4.58
The audited consolidated net asset value per Share as at 31 March 2007 (the "Latest NAV per Share") *(Note)*	0.163	782.61

Note: Based on weighted average number of Shares, being 1,299,922,000 Shares, as quoted from the 2007 Annual Report.

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 9 September 2006 up to and including the Last Trading Day (the "Review Period") are shown as follows:

Month	**Highest closing price** *HK$*	**Lowest closing price** *HK$*	**Average daily closing price** *HK$*
2006			
September	0.255	0.196	0.221
October	0.236	0.205	0.219
November	0.270	0.205	0.219
December	0.265	0.235	0.254
2007			
January *(Note (i))*	0.650	0.290	0.460
February	0.760	0.495	0.638
March	1.140	0.590	0.727
April *(Note (ii))*	2.060	1.400	1.577
May	2.370	1.900	2.122
June *(Note (iii))*	2.250	1.820	2.045
July	2.160	1.730	1.913
August	1.740	0.970	1.376
September (up to and including the Last Trading Day) *(Note (iv))*	1.390	1.260	1.333

Notes:

(i) Trading in the Shares was suspended from 4 January 2007 to 9 January 2007 (both days inclusive).

(ii) Trading in the Shares was suspended on 3 April 2007 and 4 April 2007.

(iii) Trading in the Shares was suspended from 22 June 2007 to 26 June 2007 (both days inclusive).

(iv) Trading in the Shares was suspended from 6 September 2007 to 12 September 2007 (both days inclusive).

Source: the Stock Exchange web-site (www.hkex.com.hk)

The above table illustrates that the average daily closing prices of the Shares during the Review Period ranged from HK$0.219 to HK$2.122 per Share. We noted that the Issue Price of HK$1.44 per Consideration Share was at premium over the average daily closing price of the Shares during the entire Review Period save as except for the period from April 2007 to July 2007. We have enquired into and the Directors confirmed that they are not aware of the reasons for the upsurge in the price of the Shares besides the acquisition of 93% equity interest in MEIL as announced by the Company on 4 January 2007 and which was subsequently completed on 25 May 2007. As a result, the Directors considered that such upsurge in the Share price may reflect an optimistic market response towards the Company's expansion into the oil and gas industry.

To further evaluate the fairness and reasonableness of the Issue Price, we have identified, to the best of our knowledge and as far as we are aware of, 12 connected transactions by companies listed on the Stock Exchange which involved the issue of shares from 1 July 2007 to the date of the Agreement (the "Issue Price Comparables"). The table below summarises our relevant findings:

Company name	Stock code	Date of announcement	Issue price of the consideration shares	Premium/(Discount) of the issue price over/to the closing price of the shares as at the last trading day prior to the release of the announcement
			(HK$)	*(%)*
Extrawell Pharmaceutical Holdings Limited	858	1 August 2007	2.563	(15.69)
G-Prop (Holdings) Limited	286	7 August 2007	0.162	(92.17)
Orient Resources Group Company Limited	467	15 August 2007	1.610	(8.52)
SRE Group Limited	1207	17 August 2007	3.040	10.55
China Timber Resources Group Limited	269	22 August 2007	0.253	5.86
Huali Holdings (Group) Limited	3366	24 August 2007	3.400	(10.05)
China Elegance (Holdings) Limited	476	29 August 2007	3.600	(2.17)
Vantage International (Holdings) Limited	15	30 August 2007	0.230	(14.81)
Poly (Hong Kong) Investments Limited	119	31 August 2007	6.100	(20.78)
New Universe International Group Limited	8068	31 August 2007	0.190	2.70
Kiu Hung International Holdings Limited	381	4 September 2007	0.700	(44.88)
Shogang Concord Technology Holdings Limited	521	5 September 2007	0.764	(23.60)
Average				**(17.80)**
Maximum				**10.55**
Minimum				**(92.17)**
The Company	**346**	**12 September 2007**		**6.67**

Source: the Stock Exchange web-site (www.hkex.com.hk)

As shown by the above table, the issue prices of the consideration shares of the 12 Issue Price Comparables ranged from a discount of approximately 92.17% to a premium of approximately 10.55% to/over the respective closing prices of their shares as at the last trading days prior to the release of the relevant announcements. Out of the 12 Issue Price Comparables, the issue prices of 9 of them represented discounts to the closing prices of their shares as at the last trading days. The Issue Price, which represents a premium of approximately 6.67% over the closing price of the Shares as at the Last Trading Day, hence falls within the said market range and is higher than the average of the Issue Price Comparables.

It should be noted that the businesses, operations and prospects of the Company are not the same as the Issue Price Comparables as set out in the above table. Accordingly, the Issue Price Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange involved issue of shares in connected transactions.

Conclusion

As presented in the paragraph headed "The Consideration Shares" in this letter, the Issue Price (i) is at premium over the average closing prices of the Shares most of the time during the Review Period, including the recent trading months; (ii) is at premium of approximately 782.61% over the Latest NAV per Share; and (iii) falls within the market range of the Issue Price Comparables and hence is in line with the normal market practice. In view of the above, we concur with the Directors that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have also reviewed the other terms of the Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Dilution of the shareholding interests of the public Shareholders

As at the Latest Practicable Date, there were 4,502,866,666 Shares in issue. Upon Completion, a total of 138,888,889 Consideration Shares will be issued, representing (i) approximately 3.08% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.99% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The table below demonstrates the shareholding structure of the Company (i) as at Latest Practicable Date; and (ii) immediately after the issue of the Consideration Shares:

Shareholder	**As at the Latest Practicable Date**		**Immediately after the issue of Consideration Shares**	
	Number of Shares	*% of issued Shares*	*Number of Shares*	*% of issued Shares*
Wisdom On Holdings Limited *(Note)*	459,500,000	10.21	459,500,000	9.90
Golden Nova Holdings Limited *(Note)*	2,412,796,666	53.58	2,412,796,666	51.98
Barta Holdings Limited *(Note)*	48,340,000	1.07	48,340,000	1.04
The Vendor *(Note)*	–	–	138,888,889	2.99
Subtotal of Shares held by Dr. Hui and his concert parties	2,920,636,666	64.86	3,059,525,555	65.91
Public Shareholders	1,582,230,000	35.14	1,582,230,000	34.09
Total	**4,502,866,666**	**100.00**	**4,641,755,555**	**100.00**

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

As shown by the above table, the shareholding interests of the public Shareholders will be reduced from approximately 35.14% to 34.09% immediately after the issue of the Consideration Shares, representing a dilution of approximately 1.05 percent point.

Although the shareholding interests of the public Shareholders will be diluted in the above listed extent as a result of the issue of the Consideration Shares, however, given also that (i) the terms of the Agreement (including the Issue Price) were fairly and reasonably set; and (ii) the shareholding interests of the public Shareholders will be diluted in proportion to their respective shareholdings in the Company, we are of the view that the aforementioned minimal dilution to the shareholding interests of the public Shareholders is acceptable.

6. Possible financial effects of the Acquisition

Effect on NAV

As extracted from the 2007 Annual Report, the audited consolidated net assets of Group were approximately HK$212.09 million as at 31 March 2007. As confirmed by the Directors and HLB, the Acquisition would lead to an overall increase in the NAV of the Group since the total value of Madagascar Energy and Dolaway being acquired is greater than the Consideration.

Effect on earnings

Upon Completion, Madagascar Energy and Dolaway will both become wholly-owned subsidiaries of the Company and the Group will consolidate the financial results of both of them into the Group's financial statements. As mentioned in the sections headed "Information on Madagascar Energy" and "Information on Dolaway" in this letter respectively, these two companies have not commenced full-scale business operation. Therefore, the Acquisition would not be any immediate impact on the earning position of the Group upon Completion.

Effect on gearing and working capital

In accordance with the 2007 Annual Report, the Group's gearing position (as calculated by the total bank borrowings plus convertible bond and finance lease payables divided by Shareholders' equity) was nil as at 31 March 2007. Upon Completion, the Directors confirmed that the shareholders' equity would be increased by the value of the Consideration Shares and the gearing position of the Group would remain nil based on the audited consolidated balance sheet of the Group as at 31 March 2007.

Moreover, the working capital of the Group will be decreased by HK$60 million, being the amount of the Cash Consideration, as the Company intends to finance the same entirely by internal financial resources.

Conclusion

Based on the aforementioned financial effects of the Acquisition on the Group, we noted that the Group's NAV would likely to increase upon Completion while its gearing level would remain constant. Although the working capital of the Group will inevitably be reduced by the amount of the Cash Consideration, given that the Directors are confident on the business prospects of Madagascar Energy in the oil and gas industry, we are of the view that the aforementioned financial effects of the Acquisition are justifiable.

7. Risk Factors

The Acquisition will increase the level of risk exposure of the Group. Independent Shareholders should be aware of the following risk factors, which may not be exhaustive, when considering the Acquisition:

(i) Renewal of license

Madagascar Energy has been granted with the license to carry on the business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar for a period of seven years since 25 January 2007. As advised by the Directors, 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. Any problem, delay or failure in extending the license may result in delay or prohibition of Madagascar Energy in carrying out the business of import, transportation and distribution of petroleum in Madagascar.

(ii) Volatility of oil prices

The market price of crude oil may fluctuate in response to changes in various factors which are beyond the control of the Group, including the global demand for crude oil, level of technology in producing recycle energy and the general economic and political conditions around the world.

(iii) Economy in Madagascar

The economy in Madagascar is still at a development stage and any changes in the political or economic condition in Madagascar will affect its economy adversely. Due to this reason, the business and operation of the Company may also be seriously affected by those external factors. Moreover, the demand for fuel products in Madagascar may vary from the existing forecast and expectation of the Company. Independent Shareholders should be reminded to bear these uncertainties in mind.

(iv) Competition from additional competitors

As stated under the section headed "Basis of the Consideration" in this letter, Madagascar Petroleum has also been granted with the license to carry on business of import, transportation and distribution of petroleum and the right to establish gas stations in Madagascar for seven years since 25 January 2007. As confirmed by the Directors, such license is the same as the license granted to Madagascar Energy. Therefore, Madagascar Petroleum could be one of the competitors of Madagascar Energy in the future.

Your attention is also drawn to the sections which highlight the relevant risk factors in the Board Letter and the valuation of Madagascar Energy as set out in Appendix I to the Circular. We are of the view that the Independent Shareholders should bear in mind all the risk factors when considering the Acquisition.

RECOMMENDATION

Having taken into consideration the above factors and reasons and after balancing the potential benefits and shortfalls of the Acquisition as mentioned above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Agreement and the transactions as contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

The following is the text of a letter prepared for the purpose of inclusion in this circular, received from RHL, an independent professional valuer, in respect of its valuation as at 30 September 2007 of Madagascar Energy.

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Surveying Practices – Corporate Valuation and Property Consultancy
License No.: C-015672

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6 December 2007

Sino Union Petroleum & Chemical International Limited
Units 10-12, 19/F
China Merchants Tower
168-200 Connaught Road Central
Sheung Wan, Hong Kong

Dear Sirs,

In accordance with the instructions of **Sino Union Petroleum & Chemical International Limited** (the "Company"), we have undertaken a valuation to determine the fair value of **Madagascar Energy International Gas Station Group Limited** ("Madagascar Energy"), a company incorporated in Madagascar as at **30 September 2007** (the "Valuation Date").

The purpose of this valuation is to express an independent opinion on the fair value of the equity interest of Madagascar Energy as at the Valuation Date for disclosure on a public circular.

Our valuation is carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.*"

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.

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 valuation date. 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. Based on this information, the fair value of Madagascar Energy is mainly based on the license it has, to carry on the business of import, transportation and distribution of the petroleum in Madagascar.

Based on the results of investigations and analyses outlined in the report, we have conducted the following analyses on the value of the Madagascar Energy as of the Valuation Date in different scenarios with the following results:

Growth rate of Total No. of Gas Stations in Madagascar	**Discount Rate (Cost of Equity)**	**Value of Madagascar Energy, HKD**
17%	10.0%	273,046,825.99
16%	11.0%	278,663,207.70
15%	**12.2%**	**278,356,821.20**
14%	13.0%	289,838,475.45
13%	14.0%	295,593,745.85

The range of sensitivity analysis is based on the assumption that, future market condition may deviate from current market condition but the current market condition provides a reasonable ground to estimate the future. This is the reason why the sensitivity analysis shows the scenarios that fluctuate around the estimated values based on the current market condition.

The above analyses of Madagascar Energy are based on the critical assumption that Madagascar Energy will be able to renew the necessary licenses for another seven years for Madagascar Energy and the Company will setup gas stations as forecasted. We herewith give our opinion that Madagascar Energy is valued at **HK$278,356,821.20**. **(HONG KONG DOLLAR TWO HUNDRED SEVENTY EIGHT MILLION THREE HUNDRED FIFTY SIX THOUSAND EIGHT HUNDRED TWENTY ONE AND CENTS TWENTY ONLY)** as at 30 September 2007.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions.

This report is issued subject to our limiting conditions as attached.

For and on behalf of
RHL Appraisal Ltd.
Simon Mak
Director
CFA

INTRODUCTION

This report has been prepared in accordance with instructions from the Company to determine the fair value of Madagascar Energy as at 30 September 2007 (the "Valuation Date"). This report outlines our latest findings and valuation conclusion.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the values of equity interest in the Madagascar Energy as at the Valuation Date for accounting reference. This valuation is solely prepared for disclosure on a public circular.

BASIS OF VALUE

Our valuation is carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Committee. The valuation procedures include review of the financial and economic condition of the subject business, an assessment of key assumptions, estimates, and representations made by the management of the business. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartiality, free of self-interest, and without misleading.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of Madagascar Energy;
- Consideration and analysis on the micro-economic and macro-economic factors;
- Analysis on tactical planning, management standard and synergy of assets;
- Analytical review of the subject business; and
- Assessment on the leverage and liquidity of the asset.

We have planned and performed our valuation so as to obtain all the information and explanations which we have considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

COMPANY DESCRIPTION

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 gas stations in Madagascar.

APPROACH AND METHODOLOGY

In carrying out this valuation exercise for acquisition advisory purposes, we have considered the following approaches and methodologies to evaluate the value of Madagascar Energy:

Cost Approach

The cost approach evaluates the fundamental cost it takes to form or replace a company based on the characteristics as described in its balance sheet. This approach focuses on considering both the value of its tangible assets based on the net assets value of the subject company and the intangible assets such as brand names which consider the additional value created/revenue premium it enjoys over competitors.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of a company as a function to determine its current value, cost approach considers the fundamental cost it takes to form the company. In our opinion this method is inapplicable for the current analysis as the economic value added by the operations of the company should be taken into account.

Market Approach

In this approach, we value an asset by looking at how the market prices similar assets. Therefore, when valuing a company in a particular industry, it makes reference to recent transactions of similar companies in the same industry. This approach is inapplicable to the valuation of Madagascar Energy because recent transactions are not available.

Income Approach

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for an asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

In this exercise, the value of Madagascar Energy has been developed through the application of the income approach technique known as free cash flow method to devolve the future value of the business into a present market value. In our opinion this method is more appropriate because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation of trading business.

SOURCES OF INFORMATION

In conducting our valuation of Madagascar Energy, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Overview and operating statistics of Madagascar Energy
- Organization structure of the Madagascar Energy and its related companies
- Description on the operation and business of Madagascar Energy
- Bloomberg Database
- Forecast from US Energy Information Administration and tax structure from Ocean Rim Association for Regional Cooperation
- Country specific information from CountryWatch
- Other public information

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this exercise. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company and Madagascar Energy.

We have also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

VALIDATION OF ASSUMPTIONS AND NOTES TO VALUATION

Assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

General Assumptions

We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Madagascar Energy. As at the date of this report, we have found no indication showing that various policies, such as tariff structure and government policies towards petroleum marketing industry, that will be substantially changed in the future. Regarding the date of valuation of this report, it is stated as 30 September 2007.

Major Assumptions and Notes

Free Cash Flow Analysis

The free cash flow model involves projection and forecast to the future cash flow of Madagascar Energy. Based on internal forecast and the future business outlook provided by the Madagascar Energy's management, we have made a few adjustments on: i) general Madagascar economic forecast and ii) financial position of Madagascar Energy. As forecasted by the Company, the Company plans to setup and operate 250 gas stations in Madagascar in the coming years specified in the license granted by the Madagascar government. The government of President Ravalomanana aggressively seeks foreign investment, and there are several major projects underway in the mining and oil sectors that, if successful, will give a significant boast to the Madagascar economy.

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 7 years since 25 January 2007. The license can be renewed for another 7 years by paying a renewal fee of US$90,000 and subject to the compliance with all the relevant licensing requirement under the license and relevant laws in Madagascar.

The license to carry on the business of import, transportation and distribution of a period of seven years since 25 January 2007 and it can be renewed for another seven years by paying the renewal fee. According to the discussion with the management of the Company, they are intended to renew the license upon the expiration. Since the renewal fee is only US$90,000 and the management of the Company's intention to renew, we believe the license will be able to renew.

Based on the information above and discussion with the management of the company, the operation will start from 2008 and last until the expiration of the license in 2020.

The operation of 14 years is derived from the term of the license with the expectation of that the Company will renew the license for another seven years upon expiry. Since operation of the business requires the license to operate, the business will be unable to continue to operate upon expiry of the license and therefore the forecasted period last until and has no terminal value upon the expiration of the renewed license.

Due to the insufficient historical operating data of Madagascar Energy as of the valuation date, we have assumed that the new gas stations' liter per year will be in line with national average since general consumer is more location and price conscious than branding effect. Liter per year per gas station is calculated by using the country's consumption report from US Energy Information Administration and averaged by the country's total number of gas stations. Annual growth rate of Madagascar's petroleum consumption is estimated by taking the geometric average of the last ten years of annual historical consumption growth rates.

The cost of good sold and sell general and administrative expenses are estimated as a percentage of the revenue per year using comparable public refined petroleum retail and marketing companies which also operate in Africa.

The annual growth rate of the total number of gas stations in the country is estimated based on the growth rate of 12.5% during the period from 1 January 2007 to 31 October 2007 and adjusted for the number of gas stations to be built by Madagascar Energy and Madagascar Petroleum in the coming years. For analysis purposes, it is assumed that the annual growth rate for the base case is 15%. The growth rate of the total number of stations in the country and the discount rate have been determined as of the valuation date with market data. We believe the value may fluctuate around the value on the valuation date, and the selections of growth rate reflect the scenarios of pessimistic or optimistic view of the competition and the change of risk premium required. If the growth rate of the industry drop, it is reasonable to assume the gas station market is reaching the country's capacity and the competition will get intense, therefore, require a high risk premium in the cost of equity. In the reality, there are catastrophic events that will affect the fundamentals and the value of the business, but we believe it is prudent to assume the risk free rate in the discount rate has reflected the general expectation of the country specified risks and the risk premium in the discount rate has also reflected the market expectation of the relevant industry.

The cost of building new gas station has been taken into consideration as part of the expense required. It is quoted that building a gas station with appropriate equipments, for example, office, pump, tanks, coalester filter, will cost about 1.8 million HKD. Cost of building gas stations have been adjusted to accommodate the planning of building different numbers of gas stations in coming years.

According to the discussion with the Company, the capital expenditure and working capital required by the project will be fulfilled by the company and no debt is planned to be raised to fund this project.

The discount rate of return is determined using the Capital Asset Pricing Model. The CAPM formula takes into account the project's sensitivity to non-diversifiable risk, as well as the expected return of the market and the expected return of a theoretical risk free rate.

The equity risk premiums of comparables are rather low for this industry, the applied betas of comparables from Total Nigeria, Mobil Nigeria, Chevron Oil Nigeria, Shell Oman Marketing Company, Kenya Oil, Shell Mauritius Limited are: 0.58, 0.791, 0.875, 0.746, 0.881, 0.523 respectively. Moreover, we believe the country/political risk is factored in the yield of sovereign bond, which as specified as above, that it is ranked B by S&P. Yield of bond that is similar to this rating has a yield of 8.14%.

The discount rate is therefore determined at 12.2% by using CAPM model.

Operation Period	**2008 to 2020**
Similar Sovereign Bond Yield with similar ranking by S&P	8.14%
Beta of Total Nigeria	0.58
Equity Risk Premium of Total Nigeria	3.21%
Beta of Mobil Nigeria	0.791
Equity Risk Premium of Mobil Nigeria	4.38%
Beta of Chevron Oil Nigeria	0.875
Equity Risk Premium of Chevron Oil Nigeria	4.85%
Beta of Shell Oman Marketing Company	0.746
Equity Risk Premium of Shell Oman Marketing Company	4.14%
Beta of Kenya Oil	0.881
Equity Risk Premium of Kenya Oil	4.88%
Beta of Shell Mauritius Limited	0.523
Equity Risk Premium of Shell Mauritius Limited	2.90%
Beta of Madagascar Energy estimated from Comparables	0.7327
Equity Risk Premium of Madagascar Energy estimated from Comparables	4.06%
Discount Rate	12.20%
Estimated gas station growth rate in Madagascar	15%
Petroleum Consumption in 2006 (Thousand Barrels per Day)	19.23
Petroleum Consumption in 2005 (Thousand Barrels per Day)	17
Petroleum Consumption in 2004 (Thousand Barrels per Day)	17.39
Petroleum Consumption in 2003 (Thousand Barrels per Day)	15.84
Petroleum Consumption in 2002 (Thousand Barrels per Day)	15.31
Gasoline Retail Price per Liter (in Ariary)	2,380
Estimated VAT of Retail Gasoline Price (in Ariary)	614.5
Currency Exchange Rate as at valuation date (Ariary/USD)	1,845.0
Currency Exchange Rate as at valuation date (HKD/USD)	7.8
Profit tax in Madagascar	35%
Private Company Discount	30%

VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information with such financial information, project documentation and other pertinent data concerning Madagascar Energy as has been made available to us. Such information has been provided by management of the Company and Madagascar Energy. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Madagascar Energy, the Company, and RHL Appraisal Limited.

RISK FACTORS

The following factors may affect the result of this valuation.

Additional competitors in the market

The performance of the business operation is strongly influenced by the degree of rivalry in the petroleum marketing sector. The competitive edge of Madagascar Energy is based on its limited number of competitors in the market. If such condition is unexpectedly changed over time, its value will drop and our valuation will be too favorable. Based on the information provided by the management of the Company, we have taken consideration potential new gas station that are direct competitors of Madagascar Energy and adjust the growth and market share forecast accordingly.

Ability to identify and respond to clients demands

The petroleum industry is highly competitive and the associated pricing and costing may fluctuate. Madagascar Energy is susceptible to changing demand and competition from client as there is low barrier in switching to another brand. If the demand of specific location is unsuccessfully identified, forecasted or responded to by Madagascar Energy, it could lead to lower sales, higher costs and higher markdowns. It could have a material adverse effect on the Madagascar Energy results of operations and financial conditions.

Political Stability

Political Stability is one of six governance indicators measured by the World Bank Policy Research Working Paper Series. It measures the likelihood of credible threats to, or changes in, the government in power. Credible threats include coups, domestic violence, terrorism, etc. This index denotes the idea that the quality of a nation's government can be compromised by threats against it. Such threats impede the ability to govern, and they also undermine peaceful changes of government. EST, or point estimate, is measured on a scale of -2.5 to 2.5, with the higher scores indicating better governance and lower scores indicated poor governance in the countries observed.

Year	**2004**	**2002**	**2000**
Madagascar	-0.02	0.22	0.05

Economic considerations

The petroleum marketing industry is very sensitive to the regional economic trends. Demand for petroleum product tends to decline during recessionary periods. According to USDA's Economic Research Service, Madagascar real GDP grew by 6.5 percent in 2006 and is expected to grow 5.8 percent in 2007.

COUNTRY ECONOMIC OVERVIEW

Madagascar is one of the poorest countries in sub-Saharan Africa, ranking 146 out of 177 on the United Nations Human Development Index. The nation's economy consists mainly of agriculture, including fishing and forestry, which accounts for about 30 percent of GDP and more than 70 percent of export earnings. Economic development has been hampered by factors including low domestic savings and poor social and economic infrastructure. The economy is also vulnerable to external shocks, such as intermittent cyclones and drought and fluctuations in key commodity prices. With the end of the political crisis in mid-2002, political stability has been restored and economic activity has recovered. The new government is committed to reforms aimed at accelerating the country's economic development, with its economic program aligned with the IMF's Poverty Reduction and Growth Facility arrangement. However, the implementation of the economic program is facing significant challenges. Institutional capacity constraints, external shocks, uncertainty over donor assistance, and political pressures from the presidential elections could delay program implementation.

Following an annual average growth of 5.2 percent between 1999 and 2001, real GDP declined sharply and registered a negative growth of 12.7 percent in 2002. This was largely because of the political crisis triggered by a dispute over the outcome of the presidential elections held in December 2001. With the new government's stabilizing policies, economic performance improved greatly in 2003 and real GDP grew 9.8 percent led by a recovery in the transport, construction, tourism and agricultural sectors. Despite the impact of the two major cyclones and a sharp increase in the cost of inputs, GDP grew 5.3 percent in 2004 supported by the increased demand for public investment mainly in infrastructure, and strong activities in tourism and Export Processing Zones sectors. However, economic activity slowed in 2005 with real GDP growth declining to 4.6 percent, owing to increases in oil and electricity prices and periodic electricity blackouts. Inflation remained high in double digits, standing at 18.5 percent in 2005.

Madagascar has one of the world's lowest tax revenue-to-GDP ratios (10 percent in 2005), and faces persistent weaknesses in public financial management. This impedes the government's ability to finance critical development expenditure and mobilize donor assistance. Revenue shortfalls persisted throughout 2005, and total revenue declined to 10.9 percent of GDP from 12 percent of GDP in 2004. Although the government did step up efforts to improve revenue collection, revenue fell well below budget due to exemptions from customs taxes and shortfalls in the collection of taxes on government sponsored emergency rice imports. However, a decline in expenditure led to the narrowing of the fiscal deficit (excluding grants) to 10 percent of GDP in 2005 from 13.9 percent of GDP in 2004.

OPINION OF VALUE

Based on the results of investigations and analyses outlined in the report, we have conducted the following analyses on the value of the Madagascar Energy as of the Valuation Date in different scenarios with the following results:

Growth rate of Total No. of Gas Stations in Madagascar	Discount Rate (Cost of Equity)	Value of Madagascar Energy, HKD
17%	10.0%	273,046,825.99
16%	11.0%	278,663,207.70
15%	**12.2%**	**278,356,821.20**
14%	13.0%	289,838,475.45
13%	14.0%	295,593,745.85

The above analyses of Madagascar Energy are based on the critical assumption that Madagascar Energy will be able to renew the necessary licenses for another seven years for Madagascar Energy and the Company will setup gas stations as forecasted. We herewith give our opinion that Madagascar Energy is valued at **HK$278,356,821.20**. **(HONG KONG DOLLAR TWO HUNDRED SEVENTY EIGHT MILLION THREE HUNDRED FIFTY SIX THOUSAND EIGHT HUNDRED TWENTY ONE AND CENTS TWENTY ONLY)** as at 30 September 2007.

For and on behalf of
RHL Appraisal Ltd.
Simon Mak
Director
CFA

APPENDIX A – LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, management representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. RHL Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

6. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX B – MADAGASCAR PETROLEUM CONSUMPTION, 1990–2006

Energy Information Administration

Table Posted: 12 October 2007

Next Update: When new or revised data are available.

World Petroleum Consumption, Most Recent Annual Estimates, 1980–2006
(Thousand Barrels per Day)

Region/Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	P2005	P2006
Lesotho	1.08	1.08	1.10	1.10	1.19	1.19	1.19	1.19	1.20	1.20	1.40	1.40	1.40	1.40	1.40	1.40	1.44
Liberia	3.78	2.25	2.28	2.52	2.52	2.52	2.62	2.65	2.74	2.74	2.94	3.10	3.36	3.46	3.51	3.55	3.72
Libya	155.00	165.97	149.72	160.07	165.64	178.51	186.83	198.91	187.21	191.56	210.28	225.17	233.35	244.09	254.51	266.00	280.44
Madagascar	6.28	6.52	6.99	7.28	8.09	8.39	8.41	8.50	8.55	8.55	12.13	13.32	15.31	15.84	17.39	17.00	19.23
Malawi	3.52	4.51	4.50	4.27	4.68	4.90	4.98	4.99	5.03	5.03	5.26	5.35	5.41	5.43	6.26	6.00	6.09
Mali	3.21	3.32	3.37	3.49	3.55	3.55	3.63	3.70	3.74	3.74	3.84	3.85	4.20	4.24	4.37	4.50	4.61
Mauritania	6.25	6.60	21.95	22.58	22.51	22.81	22.95	23.15	23.25	23.25	23.76	23.74	22.75	23.30	19.96	20.00	20.01
Mauritius	11.91	12.11	14.44	14.51	14.65	15.62	15.95	16.20	16.35	16.35	19.88	21.75	19.79	20.55	21.38	22.00	23.03
Morocco	116.57	117.39	130.13	134.76	147.54	141.63	137.45	146.12	144.20	157.96	158.48	161.22	164.28	167.07	170.29	176.00	181.22

APPENDIX C – MADAGASCAR REAL GDP GROWTH RATE, 1997-2007

Real Historical Gross Domestic Product (GDP) and Growth Rates of GDP for Baseline Countries/Regions (in billions of 2000 dollars) 1969–2007

Updated: 19 September 2007

Source: World Bank World Development Indicators, adjusted to 2000 base and estimated and projected values developed by the Economic Research Service

Contact: Mathew Shane (202-694-5282, mshane@ers.usda.gov)

Information important for using this table.

Annual Growth Rates (right side of table)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
World	3.70	2.32	3.15	4.11	1.50	1.85	2.58	3.95	3.40	3.79	3.46
World Less US	3.35	1.53	2.57	4.31	1.84	1.97	2.62	4.09	3.55	4.19	4.05
North America	4.48	4.17	4.52	3.77	0.83	1.72	2.45	3.60	3.04	2.87	2.12
Kenya	2.08	1.62	1.29	21.34	4.38	0.40	2.77	4.34	5.00	4.80	4.53
Lesotho	8.14	(4.64)	0.24	1.32	3.21	3.50	3.28	2.34	1.20	1.70	2.00
Liberia	106.28	29.70	22.90	24.71	2.90	3.70	(31.30)	2.40	7.50	6.80	7.00
Madagascar	3.69	3.93	4.66	4.76	6.00	(12.70)	9.79	5.25	5.50	6.50	5.80
Malawi	3.79	3.31	4.04	3.30	(4.97)	2.86	6.07	6.71	2.00	5.50	5.43
Mali	6.76	6.03	6.73	3.20	12.10	4.15	7.44	2.19	5.40	5.50	5.60
Mauritania	2.78	3.90	5.18	20.98	3.65	2.32	6.38	6.86	5.50	17.90	12.20
Mauritius	5.94	5.86	3.28	9.06	6.70	4.40	3.10	4.20	3.00	2.60	2.80
Mozembique	11.10	12.63	7.54	4.08	13.10	8.16	7.80	7.20	7.70	7.50	7.24
Namibia	4.22	3.29	3.37	3.49	2.40	6.67	3.48	5.95	3.80	3.67	3.70
Niger	2.75	10.42	(0.57)	(1.41)	7.10	3.00	5.32	0.90	3.50	3.80	3.70
Nigeria	2.70	1.88	1.10	4.20	3.10	1.55	10.69	6.00	6.90	6.86	6.60
Rwanda	13.85	8.86	7.58	5.97	6.72	9.38	0.96	4.00	3.22	3.46	3.40

APPENDIX D – FINANCIAL PROJECTION DETAILS

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Barrel per day (Country)	22,681.25	24,570.31	26,351.86	28,262.58	30,010.24	31,865.97	33,499.78	35,217.35	36,654.60	38,150.50	39,312.35	40,509.59	41,743.29
# liter per day	3,606,024.67	3,906,359.89	4,189,602.94	4,493,383.43	4,771,238.74	5,066,275.67	5,326,029.18	5,599,100.54	5,827,604.16	6,065,433.20	6,250,153.14	6,440,498.64	6,636,641.03
# barrel per station per day	85.91384	81.09013	75.72373	70.65646	65.23966	60.23814	55.09832	50.38247	45.64707	41.33315	37.05217	33.20458	29.75288
# liter per station per day	13,659.18	12,892.28	12,039.09	11,233.46	10,372.26	9,577.08	8,759.92	8,010.16	7,257.29	6,571.43	5,890.81	5,279.10	4,730.32
# liter per station per year	4,985,602.29	4,705,681.06	4,394,267.45	4,100,212.38	3,785,874.22	3,495,634.44	3,197,369.49	2,923,707.72	2,648,910.98	2,398,573.26	2,150,146.93	1,926,870.50	1,726,567.34
Gas Price Growth Rate	3.9485%												
Capital investment per station in 2007 (HKD)	1,800,000												
Annual increase in CAPEX per gas station	3.9485%												
Current Gasoline Price in Ariary	2,380.00												
Gasoline VAT	614.50												
Price per liter in HKD minus VAT	8.077225159	8.402534551	8.740945745	9.092986414	9.459205483	9.840173988	10.23648596	10.64875935	11.07763701	11.52378768	11.98790701	12.4707187	12.97297558
Revenue per day (HKD)	110,328.31	108,327.80	105,233.02	102,145.69	98,113.32	94,240.14	89,670.76	85,298.25	80,393.63	75,727.81	70,618.52	65,834.14	61,366.34
Revenue per Year per station (HKD)	40,269,832.25	39,539,647.66	38,410,053.40	37,283,175.47	35,811,362.20	34,397,651.11	32,729,827.90	31,133,859.91	29,343,674.35	27,640,648.96	25,775,761.50	24,029,459.93	22,398,715.92
Client's total revenue per Year (HKD)	604,047,483.71	1,186,189,429.87	2,880,754,004.71	5,592,476,320.95	6,983,215,628.10	8,255,436,267.02	8,182,456,975.02	7,783,464,977.81	7,335,918,587.54	6,910,162,241.05	6,443,940,375.53	6,007,364,981.87	5,599,678,979.86
COGS	528,954,454.11	1,038,726,589.00	2,522,628,937.43	4,897,239,603.26	6,115,087,158.06	7,229,149,862.92	7,165,243,096.32	6,815,852,361.70	6,423,943,343.05	6,051,115,507.64	5,642,852,682.25	5,260,550,785.03	4,903,546,853.29
SG&A	53,728,597.14	105,508,748.45	256,236,265.45	497,437,561.40	621,140,538.36	734,301,559.68	727,810,224.01	692,320,828.13	652,512,633.65	614,642,612.11	573,173,278.21	534,340,927.98	498,078,220.90
Op Income	21,364,432.46	41,954,092.42	101,888,801.83	197,799,156.30	246,987,931.68	291,984,844.42	289,403,654.70	275,291,787.99	259,462,610.84	244,404,121.31	227,914,415.07	212,473,268.87	198,053,905.67
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,871,073.00	3,816,025.32	9,881,271.60	20,389,159.14	26,942,834.04	33,755,280.78	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27
Tax	6,822,675.81	13,348,323.49	32,202,635.58	62,093,499.00	77,015,784.17	90,380,347.27	88,926,152.50	83,986,999.15	78,446,787.15	73,176,315.81	67,404,918.63	62,000,517.46	56,953,740.34
Net Income per year (HKD)	12,670,683.65	24,789,743.62	59,804,894.65	115,316,498.15	143,029,313.47	167,849,216.36	165,148,568.93	155,975,855.57	145,686,890.42	135,898,872.22	125,180,563.17	115,143,818.14	105,771,232.06
Client's Total # of station	15	30	75	150	195	240	250	250	250	250	250	250	250
Client's Profit	12,670,683.65	24,789,743.62	59,804,894.65	115,316,498.15	143,029,313.47	167,849,216.36	165,148,568.93	155,975,855.57	145,686,890.42	135,898,872.22	125,180,563.17	115,143,818.14	105,771,232.06
Client's Cap Ex	28,066,095.00	29,174,284.76	90,978,694.18	157,618,313.21	98,305,123.38	102,186,701.18	23,604,787.35						
Non-cash charge	1,871,073.00	3,816,025.32	9,881,271.60	20,389,159.14	26,942,834.04	33,755,280.78	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27	35,328,933.27
Free Cash Flow to Equity	(13,524,338.35)	(568,515.83)	(21,292,527.93)	(21,912,655.91)	71,667,024.12	99,417,795.96	176,872,714.85	191,304,788.84	181,015,823.69	171,227,805.49	160,509,496.44	150,472,751.41	141,100,165.33
Cost of Equity	12.20%												
Discounted Cash flow	(11,608,530.53)	(431,936.45)	(14,319,260.58)	(13,043,809.86)	37,761,121.53	46,366,649.80	73,016,078.02	69,903,605.19	58,547,229.25	49,020,774.66	40,674,543.25	33,751,718.32	28,014,419.11
Net Present Value:	397,652,601.71												
Private Company discount	30%												
Project Value	278,356,821.20												

The Company has received from its auditors, HLB, and its financial adviser, Hercules, the following letters prepared for inclusion in this circular in relation to the cash flow projection of Madagascar Energy, which forms the basis of valuation of Madagascar Energy made by RHL.

1. LETTER FROM HLB

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

6 December 2007

The Board of Directors
Sino Union Petroleum & Chemical International Limited
Unit 10-12, 19th Floor
China Merchant Tower
Shun Tak Centre
168 – 200 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs

REPORT OF FACTUAL FINDINGS

We have performed the procedures agreed with you and enumerated below with respect to the appraisal valuation of Madagascar Energy International Gas Station Group Ltd (“Madagascar Energy”) as at 30 September 2007 (“Valuation Report”), prepared by RHL Appraisals Limited in connection with the proposed acquisition of entire equity interest in Madagascar Energy and the shareholders’ loans.

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 and held the right to establish gas stations in Madagascar.

Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The procedures were performed solely to assist the directors of the Company to comply with Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Our procedures are summarized as follows:

1. We obtained the supporting worksheets of the Valuation Report provided by the Company which comprises a valuation of the business carried out by Madagascar Energy under various assumptions adopted in the preparation of the Valuation Report.

2. We checked the mathematical accuracy of the calculation of the value of the business carried out by Madagascar Energy contained in the supporting worksheets of the Valuation Report and reviewed those accounting policies adopted in the preparation of the profit forecast by the directors of the Company which was in turn used for the preparation of supporting worksheets of the Valuation Report.

3. We made inquiry of RHL Appraisals Limited whether the accounting policies of the Company have been adopted in the preparation of the Valuation Report.

We report our findings below:

(a) With respect to item 1, we obtained the supporting worksheets of the Valuation Report provided by the Company which comprises a valuation of the business carried out by Madagascar Energy under various assumptions adopted in the preparation of the Valuation Report.

(b) With respect to item 2, we found that the calculation of the value of the business carried out by Madagascar Energy contained in the supporting worksheets of the Valuation Report is mathematically accurate.

(c) We were informed by RHL Appraisals Limited that the valuation is a discounted cash flow method, no accounting policies of the Company have been adopted in the preparation of the supporting worksheets of the Valuation Report.

Because the above procedures do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, we do not express any such assurance on the Valuation Report.

Had we performed additional procedures or had we performed an assurance engagement of the Valuation Report in accordance with Hong Kong Standards on Auditing. Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to our attention that would have been reported to you. Our report is solely for the purpose set forth in the third paragraph of this report and for your information and is not to be filed with, or referred to (either in whole or in part) or otherwise quoted, circulated or used for any other purpose or to be distributed to any other parties without our prior written consent. This report relates only to the matters specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. LETTER FROM HERCULES

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

6 December 2007

The Board of Directors
Sino Union Petroleum & Chemical International Ltd.
Units 10-12, 19th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the valuation dated 6 December 2007 prepared by RHL in relation to the appraisal of the market value (the "Valuation") of the entire equity interest in Madagascar Energy as at 30 September 2007 for inclusion in the circular dated 6 December 2007 (the "Circular"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the circular unless the context requires otherwise.

As stated in the valuation report from RHL set out on pages 37 to 51 of this circular, the Valuation has been arrived at based on the income approach, which takes into account the cash flow projection of Madagascar Energy for the period from 2008 to 2020 made by the Directors (the "Projection").

We have discussed with the Directors the bases and assumptions upon which the Projection has been made. We have also considered, and relied upon, the letter dated 6 December 2007 addressed to the Board from HLB regarding the accounting policies and calculations upon which the Projection has been made.

On the bases and assumptions adopted by the Company in compiling the Projection and the review performed by HLB, we are of the opinion that the Projection, for which the Directors are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully,
For and on behalf of
HERCULES CAPITAL LIMITED
Louis Koo
Managing Director

The following is the text of a letter prepared for the purpose of inclusion in this circular, received from RHL, an independent professional valuer, in respect of its valuation of Dolaway as at 30 September 2007.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
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6 December 2007

Sino Union Petroleum & Chemical International Limited
Units 10-12, 19/F
China Merchants Tower
168-200 Connaught Road Central
Sheung Wan, Hong Kong

Dear Sirs,

In accordance with the instructions of **Sino Union Petroleum & Chemical International Limited** (the "Company"), we have undertaken a valuation to determine the fair value of **Dolaway Group Limited** ("Dolaway"), a company incorporated in the British Virgin Islands as at **30 September 2007** (the "Valuation Date").

The purpose of this valuation is to express an independent opinion on the values of equity interest in Dolaway as at the Valuation Date for accounting reference. This valuation is solely prepared for disclosure on a public circular.

Our valuation is carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.*"

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.

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. Based on the information above, the value of Dolaway is mainly based on the value of the land use right that it currently hold.

Based on the results of investigations and analyses outlined in the report, we have conducted the following analyses on the value of the Dolaway as of the Valuation Date under different methods with the following results:

Asset	**Value in HKD**
Vilia NY Ambaniandro Prosper Emphyteose land use right	HKD 15,000,000
Net asset value of Dolaway	HKD 14,992,000

The above analyses of the Dolaway are based on the critical assumption that Dolaway does not have another other material assets as at the valuation date beside the land use right. Due to the above mentioned reasons, we herewith give our opinion that the Company is valued, at **HKD14,992,000 (Hong Kong Dollar Fourteen Million Nine Hundred Ninety Two Thousand)**, as at 30 September 2007.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions.

This report is issued subject to our limiting conditions as attached.

For and on behalf of
RHL Appraisal Ltd.
Simon Mak
Director
CFA

INTRODUCTION

This report has been prepared in accordance with instructions from the Company to determine the fair value of Dolaway as at 30 September 2007 (the "Valuation Date"). This report outlines our latest findings and valuation conclusion.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the values of equity interest in Dolaway as at the Valuation Date for accounting reference. This valuation is solely prepared for disclosure on a public circular.

BASIS OF VALUE

Our valuation is carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Committee. The valuation procedures include review of the financial and economic condition of the subject business, an assessment of key assumptions, estimates, and representations made by the management of the business. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartiality, free of self-interest, and without misleading.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the Dolaway;
- Consideration and analysis on the micro-economic and macro-economic factors;
- Analysis on tactical planning, management standard and synergy of assets;
- Analytical review of the subject business; and
- Assessment on the leverage and liquidity of the asset.

We have planned and performed our valuation so as to obtain all the information and explanations which we have considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

COMPANY DESCRIPTION

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.

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.

APPROACH AND METHODOLOGY

In carrying out this valuation exercise for acquisition advisory purposes, we have considered the following approaches and methodologies to evaluate the value of the Dolaway:

Asset Based Approach

Asset based approach is based on the premise that the value of a business can be determined by adding the value of all assets of the company and subtracting the liabilities, leaving a net asset valuation. Asset-based valuation methods ignore the importance of a company's earning and cash flow.

Replacement cost reflects the expenditures required to replicate the operations of the company, where it evaluate the cost it would cost the company to replace all of the assets that a firm has today.

SOURCES OF INFORMATION

In conducting our valuation of Dolaway, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Overview and operating statistics of Dolaway

- Organization structure of the Dolaway and its related companies

- Description on the operation and business of Dolaway
- Country specific information from CountryWatch
- Other public information

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this exercise. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company and Dolaway.

We have also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

VALIDATION OF ASSUMPTIONS AND NOTES TO VALUATION

Assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

General Assumptions

We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Dolaway. Regarding the date of valuation of this report, it is stated as 30 September 2007. Moreover, analyses of the Dolaway are based on the critical assumption that Dolaway does not have another other material assets as at the valuation date beside the land use right as on the valuation date.

VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information with such financial information, project documentation and other pertinent data concerning Dolaway as has been made available to us. Such information has been provided by management of the Company and Dolaway. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Dolaway, the Company, and RHL Appraisal Limited.

OPINION OF VALUE

Based on the results of investigations and analyses outlined in the report, we have conducted the following analyses on the value of the Dolaway as of the Valuation Date under different methods with the following results:

Asset	**Value in HKD**
Vilia NY Ambaniandro Prosper Emphyteose land use right	HKD 15,000,000
Net asset value of Dolaway	HKD 14,992,000

The above analyses of the Dolaway are based on the critical assumption that Dolaway does not have another other material assets as at the valuation date beside the land use right. Due to the above mentioned reasons, we herewith give our opinion that the Company is valued at **HKD14,992,000 (Hong Kong Dollar Fourteen Million Nine Hundred Ninety Two Thousand)**, as at 30 September 2007.

For and on behalf of
RHL Appraisal Ltd.
Simon Mak
Director
CFA

APPENDIX A – LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, management representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. RHL Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

6. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX B – LAND USE RIGHT

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL, independent property valuers, in connection with its valuation of the property interest to be acquired by the Company as at 30 September 2007.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
License No.: C-015672

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6 December 2007

The Board of Directors
Sino Union Petroleum & Chemical International Limited
Units 10-12, 19/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs,

INSTRUCTION

In accordance with the instruction from **Sino Union Petroleum & Chemical International Limited** (hereinafter referred to as "the Company") and its subsidiaries (the "Group") to us to assess the market value of the captioned property (hereinafter referred to as "the Land") located at the Republic of Madagascar (hereinafter referred to as "Madagascar"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion on the value of the Land as at **30 September 2007** (the "date of valuation").

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumption, valuation considerations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation is our opinion of the market value which we would define as intended to mean the estimated amount for which a land should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

In our valuation, we have valued the Land with the consideration of the site clearance works to be completed and have disregarded any land improvement works, buildings and structures that may be erected on them.

VALUATION METHODOLOGY

In our valuation, direct comparison method is adopted where comparison based on prices realized on actual sales of comparable land is made. Comparable land of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each land in order to arrive at a fair comparison of market values.

We have partly relied on the opinion given by Property & Assets Valuation Ltd. and local property consultant regarding valuation of a parcel of the land located in the capital city of Madagascar. Property & Assets Valuation Ltd is recognized as an independent valuation group registered in Mauritius with extensive valuation experience and sufficient qualification to provide valuation services in the locality.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 of and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

ASSUMPTIONS

No allowance has been made in the report for any charges, mortgages or amounts owing to the Land, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Land is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

Our valuation has been made on the assumption that the owner(s) sells the Land on the market in their existing state without any benefit of deferred terms contracts, leaseback, joint-ventures, management agreements or any similar arrangements which would serve to affect the value of the Land.

In our valuation, we have assumed that the owner of the Land has free and uninterrupted right to use the Land after payment of all requisite fees of land use rights. We have also assumed that the owner of the Land is entitled to sell, transfer, mortgage, charge or otherwise dispose of the Land to any person at a consideration without payment of any additional premium or other onerous payment to the government during the whole of the unexpired term of their land use right periods

Other special assumptions of the Land, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have been, in some instances, provided with copies of certain title documents (originally in French) regarding the Land and the material content of it is also disclosed in this valuation report for reference purpose. However, we do not accept the liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of instructing party.

We did not undertake title search at the Land Registry of Madagascar. We received a letter of legal opinion concerning the legality and validity of the property title(s) to the existing owner(s).

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Land but have assumed that the site areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the Land but we have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Land. All dimensions, measurements and areas stated in this report are referred to the Company's information and copies of certain title documents thus these are approximations. During our inspection, no site investigation has been carried out to determine the suitability of the ground conditions or the services of the Land for future development, nor did we undertake archaeological, ecological, environmental surveys and consider the Land has been or is being put to any contamination (if any).

Our valuation is made on the basis that these aspects are satisfactory. We have assumed that these aspects and other archaeological or ecological matters are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Our valuation has been made on the basis that there is no substantial change in the physical conditions of the Land between the Valuation Date and the date of our inspection.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning status and all other relevant matters. Neither have we verified the correctness of any information supplied to us concerning the Land.

We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party; neither have we had any reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

REMARKS

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollar (HKD). The exchange rate used in valuing the property in the HKD as at 30 September 2007 was HKD1 = USD0.1286. There has been no significant fluctuation in the exchange rates for HKD against United State Dollars (USD) between that date and the date of this letter.

Our summary of value and valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Andy C. K. Wu**
FHKIS AAPI RPS(GP)	*BSSc BSc (Est Man) FHKIS FRICS RPS (GP)*
Managing Director	*Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau involved in valuation advisory of Madagascar in 2006. Ms. Lau is also an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Andy C. K. Wu is a Registered Professional Surveyor with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China, and other countries such as Singapore and Canada, etc.. Mr. Wu is a Fellow of The Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and an eligible real estate appraiser in the PRC.

SUMMARY OF VALUE

LEASEHOLD INTEREST TO BE ACQUIRED BY THE COMPANY IN MADAGASCAR FOR DEVELOPMENT PURPOSE

Land		**Market Value in an existing state as at 30 September 2007** *HKD*
A parcel of land located at Vilia NY Ambaniandro Prosper Emphyteose, (Registered at No: 5941/A section Bd No1-Vol II 230/N-1205) Soonierana District, Antananarivo, Madagascar (the "Land")		15,000,000
	Total:	15,000,000

VALUATION CERTIFICATE

Land	Description and tenure	Particulars of occupancy	Market Value state as at in an existing 30 September 2007 *HKD*
A parcel of land located at Vilia NY Ambaniandro Prosper Emphyteose, the whole lot being 59441/A Section Bd No1-Vol II 230/N-1205 Soonierana District, Antananarivo, Madagascar (the "Land")	The Land comprises a leveled and bare plot site located along the Antsirabe Road RN 17 in the near vicinity of an industrial/commercial area of Vilia NY Ambaniandro Prosper. The Land has a site area of approximately 6,951 square metres and is serviced with electric, water and telecommunication facilities and is crossed by a natural drain. As advised by the Company, the total expected gross floor area of the buildings and structures (the "Development") to be constructed on the land is approximately 60,000 sq.m. for office use. The Lot is held under a Lease commencing from 28 October 2005 for a period of 99 years.	The Land is currently a clear site.	15,000,000

Notes:

1. Pursuant to the documents (Deed of Long-term lease Transfer, duplicate of Title Deed on the property "Villa Ny Ambaniandro Prosper Emphyteose – n^{o}: 59441-A", duplicate of Title Deed on the property "Ny Ambaniandro Prosper Emphyteose - n^{o}: 59442-A" and the cadastral map of the property "Ny Ambaniandro Prosper II), Dr. HUI CHI MING is the currently holder of the long lease and is the transferee.

2. The legal opinion from the legal adviser to the Company on the Land is summarized as follows:

   (i) The leaseholder has the right to transfer and mortgage the lease to third parties during the term.

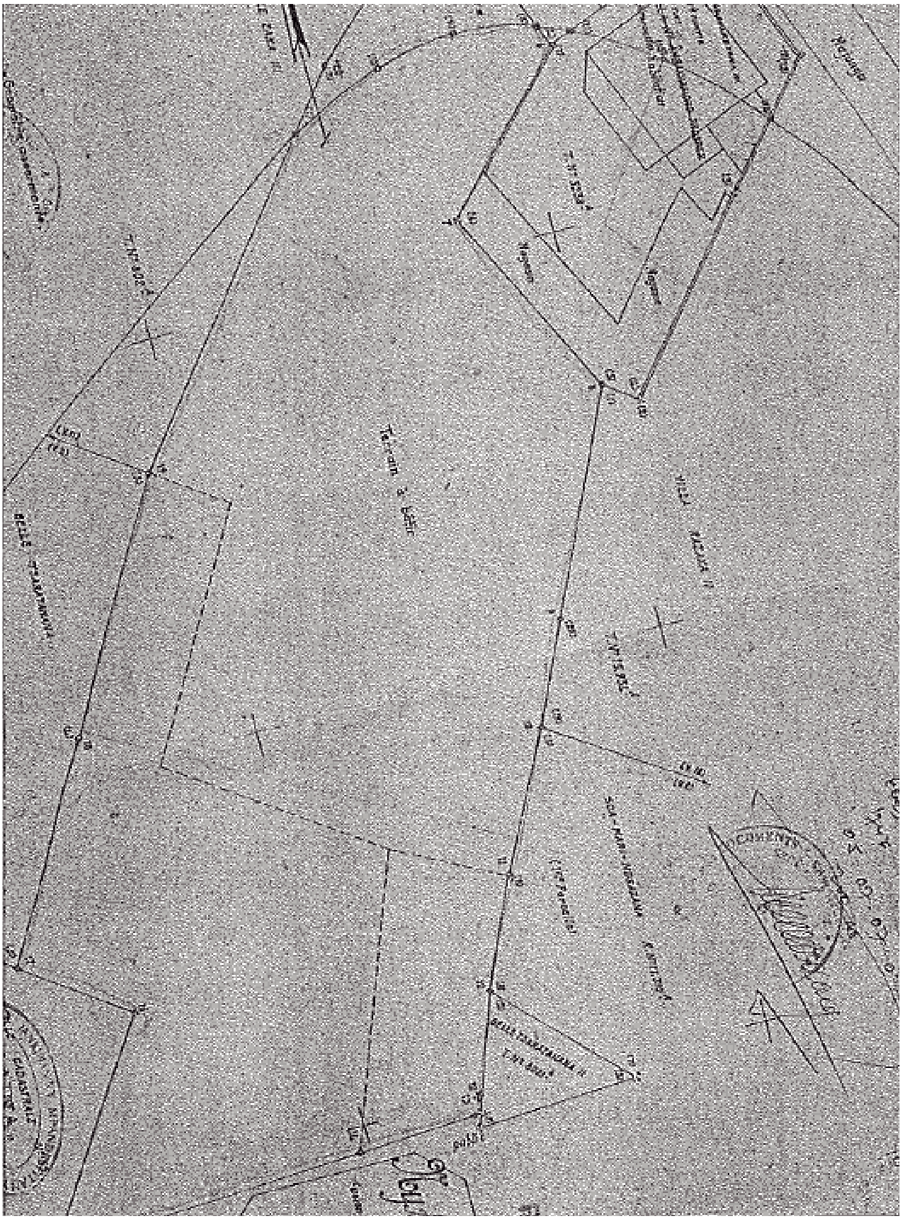
   (ii) There is no legal impediment to obtain approvals from the relevant government authorities for the construction of the Land.

   (iii) There are no material encumbrances affecting the value of the Land.

Location Plan of the Subject Land

ANTANANARIVO PROVINCE

Site Plan of the Subject Land



Photos of the Subject Land

LIMITING CONDITIONS

1. No structural survey or engineering tests were made and no responsibility is assumed for the soundness of the structure or the condition of the services. We therefore are not able to report whether the property is free from rot, infestation or any other structural defects. No test was carried out on any of the utility services.

2. We have assumed that the conditions and accommodation of the property are the same as the existing state at the relevant date.

3. RHL Appraisal Ltd. shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the property described herein, unless prior arrangements have been made.

4. Whilst we have not made investigations into the title and area of the property as detailed in the title search record, we are unable to accept any responsibility or any liabilities against the property which were unrecorded at the time of our valuation.

5. Any necessary interpretations that we have been obliged to make of the relevant leases are informal and our own, and without any liability.

6. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval of the form and content in which it will appear.

7. This report is for the use of the party to whom it is addressed and no responsibility is accepted from any third party for the whole or any part of the contents of this report.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. PROCEDURES FOR DEMANDING A POLL

Pursuant to the bye-law 66 of the bye-laws of the Company, every resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by:

(a) the chairman of such meeting; or

(b) at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(c) a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

3. INTERESTS OF DIRECTORS

(a) Interests in the Shares, underlying shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the

Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the ordinary shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Dr. Hui Note	Interests of controlled corporation	2,920,636,666	64.86%

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

(ii) Long position in the share options of the Company

Name of Director	Capacity	Date of grant and vesting period *(dd/mm/yy)*	Exercise period *(dd/mm/yy)*	Exercise price per Share *(HK$)*	Number of outstanding options held	Approximate percentage of shareholding
Tsang Kwok Man	Beneficial owner	08/11/04	08/11/04 to 07/11/14	0.132	11,000,000	0.24%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

In May 2007, the Company completed the acquisition from Golden Nova Holdings Limited, a company wholly-owned by Dr. Hui, of 93% equity interests in Madagascar Energy International Limited and the rights and benefits in the shareholder's loan owed by Madagascar Energy International Limited to Golden Nova Holdings Limited at a total consideration of HK$800 million.

On 3 November 2007, the Company entered into a sale and purchase agreement ("Better Step Agreement") with Sukapeak Holdings Limited, a company wholly-owned by Dr. Hui, for the acquisition of the entire equity interests in Better Step Group Limited from Sukapeak Holdings Limited at a total consideration of HK$1,215 million.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 March 2007, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

Save for the Better Step Agreement and the Agreement, no contracts or arrangements subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, interests of the Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules were set out as follows:

Name of Director	Name of entity with competing business	Nature of competing business	Nature of interest
Dr. Hui	Madagascar Petroleum International Limited	Exploration, exploitation and production of oil	Director and shareholder

Save as disclosed above, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which are not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, other than the interests and short positions of the Directors and chief executives of the Company as disclosed above, the following persons had the following interests and short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Golden Nova Holdings Limited *(Note)*	Beneficial owner	2,412,796,666	53.58%
Wisdom On Holdings Limited *(Note)*	Beneficial owner	459,500,000	10.21%

Note: Dr. Hui is the beneficial owner and director of these companies.

Save as disclosed above, as at the Latest Practicable Date, no other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. MATERIAL AVDERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited financial statements of the Company were made up).

6. EXPERTS AND CONSENT

(a) The following are qualifications of experts who have given opinions, letters or advice which are contained in this circular:

Hercules	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
South China Capital	a deemed licensed corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO
HLB	Chartered Accountants, Certified Public Accountants
RHL	professional property valuer
MCI	legal adviser in Madagascar
PAVL	independent valuation group registered in Mauritius

(b) Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(c) None of the Experts has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) None of the Experts had any interest, direct or indirect, in any asset which has been, since 31 March 2007, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(e) None of the Experts was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date.

7. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the Agreement will be made available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong, Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, from 6 December 2007 up to and including the date of the SGM.

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)

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of Sino Union Petroleum & Chemical International Limited (the "Company") will be held at 10:00 a.m. on 21 December 2007 at Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the purpose of transacting the following business:

ORDINARY RESOLUTION

"**THAT**:–

(a) the sale and purchase agreement (a copy of which marked "A" has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) made between Good Progress Group Limited (the "Vendor") and the Company dated 5 September 2007 (the "Agreement") in relation to the acquisition of the entire equity interest in and shareholder's loans of Madagascar Energy International Gas Station Group Ltd. and Dolaway Group Limited (details of which are set out in the circular of the Company dated 6 December 2007 (the "Circular") to its shareholders and all transactions contemplated therein be and are hereby approved, ratified and confirmed;

(b) the Directors be and are hereby authorized to allot and issue 138,888,889 new shares of HK$0.02 each in the share capital of the Company ("Consideration Shares") credited as fully paid at an issue price of HK$1.44 per Consideration Share to the Vendor and/or its nominee(s) upon completion of the Agreement ("Completion") and that the Consideration Shares shall, when allotted and issued, rank pari passu in all respects with all other shares of HK$0.02 each in the share capital of the Company in issue at the date of such allotment and issue;

* *For identification purpose only*

(c) any one or more of the directors of the Company be and is/are hereby authorized on behalf of the Company to sign, seal, execute, perfect and deliver supplemental agreements, deeds or such other documents and do all such acts, matters and things as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing the Agreement and completing the transactions contemplated by the Agreement with such changes including but not limited to change of the date for completion of the transactions as any such director(s) may consider necessary, desirable or expedient."

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

Hong Kong, 6 December 2007

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's branch share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the SGM or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholdings.

4. As at the date hereof, the board of directors of the Company comprises seven executive directors, namely Dr. Wang Tao, Dr. Hui Chi Ming, Mr. Cheung Shing, Dr. Chui Say Hoe, Dr. Ching Men Ky, Carl, Mr. Tsang Kwok Man, and Mr. Cui Yeng Xu, two non-executive directors, namely Dr. Fok Chun Wan, Ian and Mr. Chow Charn Ki, Kenneth and two independent non-executive directors, namely Dr. Yu Sun Say and Mr. Ng Wing Ka.