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

(Incorporated in Bermuda with limited liability)

(Stock Code: 346)

**DISCLOSEABLE TRANSACTION
AND
RESUMPTION OF TRADING**

Financial Adviser to the Company

Hercules

Hercules Capital Limited

On 26 February 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement to acquire from the Vendors 60% equity interest in the Acquiree at a total consideration of RMB247 million (equivalent to approximately HK\$280,626,388), which shall be satisfied by the issue of 224,501,110 Consideration Shares at an issue price of HK\$1.25 per Consideration Share.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 26 February 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 March 2009.

THE AGREEMENT

Date: 26 February 2009

Parties:

Purchaser: Reachasia Limited, a wholly-owned subsidiary of the Company.

** For identification purposes only*

Vendors: Mr. Tse Shu Sing, 茂名潤和石化企業有限公司(Mao Ming Run He Petrochemical Enterprise Limited), 廣州博地石化有限公司(Guangzhou Bo Di Petrochemical Limited) and 廣東長潤投資有限公司(Guangdong Chang Run Investment Limited), which are petrochemical trading companies and their ultimate beneficial owner is Mr. Tse Shu Sing. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and their respective associates are not connected persons of the Company and each of them is third party independent of the Company and its connected persons.

Assets to be acquired

60% equity interest in the registered capital of the Acquiree.

Consideration

The total consideration for the Acquisition is RMB247 million (equivalent to approximately HK\$280,626,388), which shall be satisfied by the issue of 224,501,110 Consideration Shares at an issue price of HK\$1.25 per Consideration Share upon completion of the Acquisition.

The consideration was determined after arm's length negotiations between the Company and the Vendors with reference to the Acquiree's net asset value and future business prospects.

The issue price of HK\$1.25 per Consideration Share represents (i) a premium of approximately 62.34% over the closing price of HK\$0.770 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 64.04% over the average closing price of approximately HK\$0.762 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 52.63% over the average closing price of approximately HK\$0.819 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day. Based on the closing price of HK\$0.770 per Share as quoted on the Stock Exchange on the Last Trading Day, the total market value of the Consideration Shares amounted to approximately HK\$172.9 million.

The issue price of the Consideration Shares was determined after arm's length negotiation between the Company and the Vendors with reference to the prevailing market price and the recent trading volume of the Shares and the business prospects of the Group. The Directors consider that the issue price of the Consideration Shares is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Consideration Shares

The Consideration Shares represent (i) approximately 3.73% of the existing issued share capital of the Company; and (ii) approximately 3.59% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares shall be issued under the General Mandate, under which the Directors have been authorized by the Shareholders to allot and issue up to 1,140,492,730 Shares. Upon full conversion of the convertible note in principal amount of HK\$100,000,000, 80,000,000 Shares shall be issued, at an initial conversion price of HK\$1.25 each, under the General Mandate, details of which were set out in the announcement of the Company dated 11 February 2009. Save as disclosed above, no new Share has been issued under the General Mandate up to the date of this announcement. An application will be made by the Company 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.

Conditions Precedent

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

- (i) the valuation of the net asset value of the Acquiree as at 28 February 2009, to be valued by an independent valuer appointed by the Purchaser, being not less than RMB355 million;
- (ii) the Purchaser having been satisfied with the results of the due diligence on the Acquiree;
- (iii) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange; and
- (iv) the relevant bureaus of the PRC government having approved the transfer of the subject equity interests of the Acquiree from the Vendors to the Purchaser.

Completion of the Acquisition shall take place on the first day immediately after the date on which all conditions precedent are satisfied, which shall not be later than 30 April 2009. In the event that the Acquisition is not completed on or before 30 April 2009 or such other date as the parties to the Agreement may agree, the Agreement shall lapse and determine and neither party thereto shall have any obligations and liabilities thereunder.

Guarantees

Upon completion of the Acquisition, the Vendors will be engaged by the Acquiree as a contractor to operate the business of the Acquiree for a period of three years, commencing from the date of completion of the Acquisition. The Vendors undertake and guarantee that:

- (i) the annual production value of the Acquiree for each of the three financial years subsequent to the completion of the Acquisition shall not be less than RMB1,500 million; and
- (ii) the net profit after taxation of the Acquiree for each of the three financial years subsequent to the completion of the Acquisition shall not be less than RMB90 million and the net profit after taxation of the Acquiree attributable to the Purchaser for each of the three financial years subsequent to the completion of the Acquisition shall not be less than RMB54 million (the "Guaranteed Profit"). The Guaranteed Profit shall be paid to the Purchaser by two tranches, at the interim and year end

respectively, and the amount for each tranche of payment shall not be less than RMB27 million. The 40% equity interests in the Acquiree held by the Vendors will be pledged to the Purchaser against the payment of the Guaranteed Profit. In the event that the Guaranteed Profit is not settled by the Vendors as aforementioned, the Purchaser has the right to take any step or remedy to recover the Guaranteed Profit from the 40% equity interests of the Acquiree pledged by the Vendors; and

(iii) all liabilities incurred by the Acquiree on or before 30 May 2009 shall be settled by the Vendors.

Board of Directors of the Acquiree

Pursuant to the Agreement, the Purchaser has the right to appoint five out of nine members to the board of directors of the Acquiree.

INFORMATION ON THE ACQUIREE

The Acquiree was incorporated in the PRC on 17 March 2006 and was owned as to 26% by 茂名潤和石化企業有限公司(Mao Ming Run He Petrochemical Enterprise Limited), 30% by 廣州博地石化有限公司(Guangzhou Bo Di Petrochemical Limited), 30% by 廣東長潤投資有限公司(Guangdong Chang Run Investment Limited) and 14% by Mr. Tse Shu Sing as at the date of the Agreement. The Acquiree is principally engaged in the production and trading of carbon 5 petroleum resins and other fine petrochemical products, with its manufacturing plant in the Petrochemical Industrial Zone of Maoming, the PRC. The major assets of the Acquiree include a land of approximately 100,000 m² in Maoming, the PRC, 12 normal-pressure storage tanks, 7 high-pressure storage tanks, a warehouse of area of approximately 800 m² and equipments and machineries with annual processing capacity of 50,000 tons of carbon 5 and 100,000 tons of petroleum products and annual production capacity of 12,000 tons of resins, which is the largest among the resin producers in South West and Southern part of China.

Carbon 5 petroleum resin and other fine petrochemical products is one of the key development projects under the Eleventh Five Year Plan in Maoming and a supplementary project for the Petrochemical Industrial Zone of Maoming. The Acquiree has obtained approval and entered into an agreement (石化股份茂名函字「2004」4號) with Sinopec Maoming to secure the supply of raw materials from Sinopec Maoming for its production and fully utilize the advantages of supply of raw materials and technical equipment in the petrochemical zone of Sinopec Maoming. The Acquiree has developed a comprehensive sales and distribution network in South West and Southern part of China and its management team possesses extensive experiences in the petrochemical industry and is well equipped with technical and management skills. Mr. Tse Shu Sing, one of the Vendors, the chairman and the managing director of the Acquiree, has been working in the petrochemical industry for over 20 years. Prior to joining the Acquiree, he has held various managerial positions in companies within the industry, including Sinopec Maoming.

According to the unaudited management accounts of the Acquiree, which have been prepared based on accounting principles generally accepted in the PRC, the net loss before and after taxation for the years ended 31 December 2007 and 31 December 2008 was approximately RMB3.5 million and RMB4.0 million respectively. Net loss was recorded in Year 2007 as the manufacturing plant of the Acquiree was under construction and the Acquiree had not commenced its production during that year. The Acquiree has started its production in August 2008 but its production capacity was under-utilized at the initial

development stage as most of the efforts have been spent on fine-tuning the equipments and machineries. As a result, a loss was also recorded in the Year 2008. As at 31 December 2008, the net asset value of the Acquiree amounted to approximately RMB312.1 million.

Upon completion of the Acquisition, the Acquiree will be beneficially owned as to 60% by the Group and 40% by Mr. Tse Shu Sing. As the Acquiree will become a subsidiary of the Company, its results will be consolidated into the Group's accounts after completion of the Acquisition.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the sale and distribution of petroleum products and polyurethane materials in the PRC as well as oil exploration, exploitation and operation in the Republic of Madagascar.

The Acquiree is located in the major petrochemical production base in China — Petrochemical Industrial Zone of Maoming, where there is shortage of supply of petrochemical products. Carbon 5 petroleum resin is one of the key development areas in the chemical industry under the Eleventh Five Year Plan in Maoming. In view of the Acquiree's extensive experience in the petrochemical industry, well-equipped production facilities, reliable source of raw materials and well-established distribution network in the PRC, especially in South West and Southern part of China, the Directors consider that the Acquisition shall further strengthen the Group's presence in the PRC petrochemical industry and create synergy to the Group's existing sale and distribution business in the PRC. The contractor responsible for the operation of the Acquiree is confident in the Acquiree's capability in manufacturing and sales of petrochemical products and its growth potential.

The Directors consider that the Agreement is on normal commercial terms and the terms of which are fair and reasonable and the entering into of the Agreement is in the interests of the Company and its Shareholders as a whole.

CHANGE IN SHAREHOLDING STRUCTURE

Assuming that no further Shares are issued before the completion of the Acquisition, the changes of the shareholding structure of the Company as a result of the Acquisition are shown as follows:

	As at the date of this announcement		Upon the issue of Consideration Shares	
	No. of Shares	%	No. of Shares	%
Golden Nova Holdings Limited (<i>Note</i>)	2,361,926,666	39.21	2,361,926,666	37.81
Wisdom On Holdings Limited (<i>Note</i>)	213,770,000	3.55	213,770,000	3.43
Barta Holdings Limited (<i>Note</i>)	98,810,000	1.64	98,810,000	1.58
Good Progress Group Limited (<i>Note</i>)	138,888,889	2.31	138,888,889	2.22
Sukapeak Holdings Limited (<i>Note</i>)	760,416,666	12.63	760,416,666	12.17
Right Up Holdings Limited (<i>Note</i>)	320,000,000	5.31	320,000,000	5.12
Sub-total of shareholdings held by Dr. Hui Chi Ming and his associates	3,893,812,221	64.65	3,893,812,221	62.33
The Vendors	—	—	224,501,110	3.59
Other public Shareholders	2,128,651,428	35.35	2,128,651,428	34.08
Total	<u>6,022,463,649</u>	<u>100.00</u>	<u>6,246,964,759</u>	<u>100.00</u>

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

As at the date of this announcement, the Company has (i) 40,000,000 outstanding share options with an exercise price of HK\$0.132 per Share; and (ii) a convertible note in principal amount of HK\$100,000,000, with which 80,000,000 Shares shall be issued upon the exercise of the conversion rights attaching to the convertible note at an initial conversion price of HK\$1.25 each. Save as disclosed above, the Company has no outstanding share options, warrants or other securities which carry rights to subscribe for or be converted into Shares.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 26 February 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 March 2009.

DEFINITIONS

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

“Acquiree”	廣東潤豐石化有限公司(Guangdong Run Feng Petrochemical Limited), the subject company for the Acquisition
“Acquisition”	the acquisition of 60% equity interest in the Acquiree by the Purchaser from the Vendors pursuant to the Agreement
“Agreement”	the conditional sale and purchase and contracting agreement dated 26 February 2009 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associates”	has the meanings ascribed thereto under 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
“connected person”	has the meanings ascribed thereto under the Listing Rules
“Consideration Shares”	224,501,110 new Shares to be issued to the Vendors, as consideration, upon completion of the Acquisition
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate that was granted by the Shareholders to the Directors at the annual general meeting of the Company held on 25 September 2008 to allot, issue and deal with up to 1,140,492,730 Shares, being the limit of 20% of the Shares in issue as at the date of the passing of the resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	25 February 2009, being the last trading day prior to the date of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Reachasia Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinopec Maoming”	Sinopec Maoming Petrochemical Company Limited
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Tse Shu Sing, 茂名潤和石化企業有限公司(Mao Ming Run He Petrochemical Enterprise Limited), 廣州博地石化有限公司(Guangzhou Bo Di Petrochemical Limited) and 廣東長潤投資有限公司(Guangdong Chang Run Investment Limited), which ultimate beneficial owner is Mr. Tse Shu Sing.
“%”	per cent.

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

Hong Kong, 2 March 2009

As at the date of this announcement, the Board comprises:

Executive Directors

Dr. Wang Tao
Dr. Hui Chi Ming
Mr. Cheung Shing
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
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
Mr. Edmund Siu