

CHAIRMAN'S STATEMENT

For and on behalf of the Board of directors (the "Board") of Sino Union Petroleum & Chemical International Limited (formerly known as "Minglun Group (Hong Kong) Limited") (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

PERFORMANCE

The Group recorded a turnover of HK\$884,347,000 for the year ended 31 March 2005, represented an increase of 95% compared to the previous year. Meanwhile, the loss attributable to shareholders was approximately HK\$1,022,000 (2004: profit of HK\$12,862,000). Loss per share amounted to HK0.1 cent (2004: earnings per share of HK1.2 cent) per share.

BUSINESS REVIEW

The Group was in a year of change. On 22 May 2004, the Group entered into acquisition and purchase agreements to acquire an aggregate of 100% interest in Liaoning Ximin Petrochemical Company Limited ("Xinmin Petrochemical") which is principally engaged in the manufacture and sale of petrochemical products in Xinmin, Liaoning Province, the PRC. The Acquisition was completed in August 2004. The Group has commenced its petrochemical manufacturing business upon the completion of the acquisition.

On 27 August 2004, Wisdom On Holdings Limited purchased 750,000,000 shares in the Company and become controlling shareholder of the Company. Subsequent to the change of the controlling shareholder, the new management has been reviewing and continuing to operate the existing business of the Group of manufacture and sale of petrochemical products and sale and distribution of PU materials. The Director intended to restructure the product mix in order to increase the portion of manufacture and sales of petrochemical products with higher profit margin so as to increase the overall profitability of the Group. Given expansion need, substantial amount of land in the proximity of our factory is required. Unfortunately, as the property market in the region has experienced a strong growth over the past year, it is difficult for Xinmin Petrochemical, to acquire a suitable parcel of land in the proximity with a reasonable price for further expansion. Due to the expansion limitation, the Directors consider Xinmin Petrochemical is in a difficult position to achieve the profitability goal expected by the former management at the time of acquisition. Accordingly, the Directors consider that it is appropriate to realize our investment in Xinmin Petrochemical by way of disposal and the term of the disposal are fair and reasonable and in the interests of the shareholders of the Company as a whole. On 13 July 2005, the Group as vendor entered into a sale and purchase agreement to dispose Xinmin Petrochemical for a consideration of HK\$51 million and the Group will report a gain around HK\$11 million as a result of the disposal.

With the economy of the PRC booming, the demand for PU materials in the Greater China region has shown a strong increase. As a result, the Group also has boosted its PU material sales to a record-breaking HK\$653 million. However, the Group has still been facing increasing competition in its PU material distribution business. The Group has adopted its strategy to increase market share at the expense of leaner profit margin. Therefore, the profit margin did not record an increase accordingly. Nevertheless, the PU material distribution business has contributed a decent amount of profit to the Group. The Directors intend to continue this line of business.



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LOOKING AHEAD

Despite of the aforesaid disposal, the Group is still interested in diversify into the petroleum and petrochemical related business. The Group will explore other business rationalization, divertment and /or diversification will appropriate in order to enhance the long term potential of the Group. Any acquisition or disposal will be made in accordance with the Listing Rules. However, at present no detailed plan has been formulated. The excellent economic performance of the PRC will continue to stimulate both local demands and attract global traders flocking to the PRC for investment opportunities. Meanwhile, Republic of Madagasca has extensive reserve of resources required by the PRC and the global markets. With strong financial resources and extensive network in the PRC and Madagascar, the Group is well-positioned to reap business opportunities arising from the exchange of pattern of global trade. With future emphasis being place on business rationalization and diversification, it is anticipated that these efforts would offer a route to business growth. Looking ahead, the Board is dedicated to bring the best return and to enhance the shareholders' value in the long run. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

APPRECIATION

I would like to thank our management team and all our staff for their untiring efforts and significant contribution during the past year. I would also like to take this opportunity to express my sincere gratitude and appreciation to all our fellow shareholders and institutional investors for their continuous support and confidence in our Group.

Hui Chi Ming

Chairman

Hong Kong, 28 July 2005