



REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2005.

CHANGE OF COMPANY'S NAME

The name of the Company was changed from Minglun Group (Hong Kong) Limited to Sino Union Petroleum & Chemical International Limited with effect from 19 November 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 15 to financial statements. During the year ended 31 March 2005, the Group commenced its petrochemical manufacturing business.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2005 is set out in Note 3 to financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 22.

The directors do not recommend the payment of any dividend in respect of the year (2004: Nil). No interim dividend was declared for the six months ended 30 September 2004.

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published consolidated results and assets and liabilities of the Group for the last five years, as extracted from the audited financial statements:

Results

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	<u>884,347</u>	<u>453,344</u>	<u>520,857</u>	<u>518,281</u>	<u>470,180</u>
Profit before tax	<u>3,423</u>	<u>15,390</u>	<u>10,728</u>	<u>10,565</u>	<u>50,244</u>
Tax	<u>(4,445)</u>	<u>(2,528)</u>	<u>(2,179)</u>	<u>(1,666)</u>	<u>(8,184)</u>
Net (loss)/profit from ordinary activities attributable to shareholders	<u>(1,022)</u>	<u>12,862</u>	<u>8,549</u>	<u>8,899</u>	<u>42,060</u>

Assets and Liabilities

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non-Current assets	<u>169,668</u>	<u>1,163</u>	<u>1,504</u>	<u>7,705</u>	<u>3,452</u>
Current assets	<u>263,579</u>	<u>258,419</u>	<u>240,344</u>	<u>201,592</u>	<u>159,767</u>
Total assets	<u>433,247</u>	<u>259,582</u>	<u>241,848</u>	<u>209,297</u>	<u>163,219</u>
Current liabilities	<u>(243,962)</u>	<u>(97,126)</u>	<u>(131,488)</u>	<u>(107,227)</u>	<u>(107,389)</u>
Non-current liabilities	<u>(28,083)</u>	<u>(232)</u>	<u>(418)</u>	<u>(677)</u>	<u>(783)</u>
Total liabilities	<u>(272,045)</u>	<u>(97,358)</u>	<u>(131,906)</u>	<u>(107,904)</u>	<u>(108,172)</u>
	<u>161,202</u>	<u>162,224</u>	<u>109,942</u>	<u>101,393</u>	<u>55,047</u>

This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in Note 13 to financial statements.



SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme, are set out in Notes 28 and 29 to financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 30 to financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$101,395,000. This amount included the Company's contributed surplus in the amount of HK\$54,045,000 at 31 March 2005, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$53,127,000 at 31 March 2005, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers represented 59% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 27%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 80% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 39%.



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MAJOR CUSTOMERS AND SUPPLIERS (Continued)

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 36 to financial statements.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to the consolidated income statement for the year are set out in Notes 2 and 5 to financial statements, respectively.

At 31 March 2005, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

DIRECTORS

The directors of the Company during the year and at the date of this report were as follows:

Executive Directors

Dr. Hui Chi Ming (<i>Chairman</i>)	(appointed on 2 November 2004)
Mr. Chen Hua (<i>Deputy Chairman</i>)	(appointed on 2 November 2004)
Dr. Chui Say Hoe	(appointed on 2 November 2004)
Mr. Tsang Kwok Man	(appointed on 23 February 2005)
Mr. Cheung Shing	(appointed on 23 February 2005)
Mr. Lew Mon Hung	(appointed on 23 February 2005 and resigned on 11 April 2005)
Mr. Zhou Yiming	(resigned on 2 November 2004)
Mr. Cheung Wai Yin, Wilson	(resigned on 4 February 2005)
Mr. Lu Zhiming	(resigned on 2 November 2004)
Mr. Qin Gang	(resigned on 2 November 2004)

Non-Executive Director

Mr. Chow Charn Kin, Kenneth	(appointed on 2 November 2004)
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DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Chan Wai Dune	(appointed on 2 November 2004)
Dr. Yu Sun Say	(appointed on 7 January 2005)
Mr. Ng Wing Ka	(appointed on 7 January 2005)
Mr. Wong Hing Tat	(resigned on 23 February 2005)
Mr. Kwong Chi Ho	(resigned on 23 February 2005)

In accordance with the Company's bye-laws, Mr. Cheung Shing, Dr. Chui Say Hoe and Mr. Tsang Kwok Man will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 8 to 10 of the annual report.

Changes in Directors and Management

On 27 August 2004, Wisdom On Holdings Limited purchased 750,000,000 shares in the Company and became the substantial shareholder of the Company. On 14 September 2004, Grand Vinco Capital Limited, on behalf of Wisdom On Holdings Limited, made mandatory unconditional cash offers to acquire all the issued shares in the Company and all the outstanding options of the Company (the "Offers"). The following changes to the directors and management of the Company occurred as a result of the Offers:

- (a) On 5 October 2004, upon dispatch of the offer document, Dr. Hui Chi Ming, Mr. Chen Hua, Dr. Chui Say Hoe were appointed as executive directors, Mr. Chow Charn Ki Kenneth as non-executive director and Mr. Chan Wai Dune as independent non-executive director of the Company; and
- (b) On 2 November 2004, upon the close of the Offers, Mr. Zhou Yiming, Mr. Lu Zhiming and Mr. Qin Gang resigned as directors of the Company.

For further details of the results of the Offers, please refer to the Company's announcement dated 2 November 2004.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company which can be terminated by either party giving three months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 36 to financial statements, no director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2005, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

Ordinary share of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued shares
Dr. Hui Chi Ming (<i>Note</i>)	Corporate	750,080,000	62.66%
Mr. Chen Hua (<i>Note</i>)	Corporate	750,080,000	62.66%

Note: These shares are beneficially owned by Wisdom On Holdings Limited ("Wisdom On"), the entire issued share capital of which is owned by Dr. Hui Chi Ming and Mr. Chen Hua as to 55% and 45% respectively.

Share options of the Company

Name of director	Number of share options held	Percentage of issued shares
Mr. Tsang Kwok Man	11,000,000	0.92%



DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 29 to financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Ordinary share of the Company

Name of shareholder	Number of ordinary shares held	Percentage of issued shares
Wisdom On Holdings Limited (Note)	750,080,000	62.66%

Convertible Bond

Name of bondholder	Principal amount
Wisdom On Holdings Limited (Note)	HK\$26,812,800

Note: The entire issued share capital of Wisdom On Holdings Limited is owned by Dr. Hui Chi Ming and Mr. Chen Hua as to 55% and 45% respectively.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 March 2005.



REPORT OF THE DIRECTORS

USE OF PROCEEDS

The entire amount of net proceeds from the convertible bond had been used to pay off part of the consideration for the acquisition of the 100% interest in Liaoning Xinmin Petroleum & Chemical Limited as announced by the company on 28 May 2004.

SUBSEQUENT EVENT

Details of the significant subsequent event of the Group are set out in Note 37 to financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the current directors, the Company which was in force prior to 1 January 2005 complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2005, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The members of the audit committee have reviewed the financial statements of the Group for the year ended 31 March 2005 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

Messrs. HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment.

On Behalf of the Board

Chui Say Hoe

Executive Director

Hong Kong, 28 July 2005