



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Compliance with Code Provisions

The Company has complied with the code provisions (the "Code Provisions") set out in the Code on Corporate Governance Practices (the "CCG") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 September 2005, save for the following deviations:

1. Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company does not maintain the office of chief executive officer, however, the day to day management of the Group is carried out by the Managing director. The division of responsibilities between the Chairman and the Managing director has been clearly established, but was not set out in writing. To comply with Code Provision A.2.1, the Board has adopted a corporate governance practice manual in December 2005, which clearly sets out in writing the responsibilities of the Chairman and the Managing director.

2. Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All non-executive directors (including executive directors) of the Company do not have a specific term of appointment. However, they are subject to retirement by rotation in accordance with the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code Provision A.4.1.

3. Code Provision A.4.2

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the previous bye-law 87 of the Company's bye-laws, the chairman of the Board and/or the managing director of the Company were not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

To comply with Code Provision A.4.2, in September 2005, the Company has amended bye-law 87 of the Company's bye-laws so that every director shall be subject to retirement by rotation at least once every three years.

4. Code Provision A.5.4

Code Provision A.5.4 stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 for relevant employees in respect of their dealings in the securities of the issuer.

To comply with Code Provision A.5.4, the Company has adopted in December 2005 the Code of Ethics and Securities Transactions by employees of the Company and/or any of its subsidiaries who are likely to be in possession of unpublished price sensitive information in relation to the Company and its securities in December 2005.

5. Code Provision B.1.1

Code Provision B.1.1 stipulates that issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.

To comply with Code Provision B.1.1, a remuneration committee with specific written terms of reference in accordance with Code Provision B.1.3 has been established in December 2005. The remuneration committee consists of two independent non-executive directors and an executive directors.



6. Code Provision B.1.4 and C.3.4

Code Provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

Since the Company has not yet established its own website, the above requirement regarding the provision of such information on the website cannot be met. However, the terms of reference of the two committees are available on request from the Company.

7. Code Provision C.3.3

Code Provision C.3.3 stipulates the terms of reference of the audit committee should include at least those duties as set in the Code Provision.

The terms of reference of the audit committee of the Company have been revised to incorporate all the duties set out in Code Provision C.3.3 and were approved by the Board on 28 December 2005.

Audit Committee

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka. The principal duties of the audit committee are to review the Company's annual report and accounts and interim report, and to review the Company's financial controls, internal control and risk management systems. The terms of reference of the committee shall make available to the public on request.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in accordance with Code Provision on 28 December 2005. The committee comprises two independent non-executive directors, namely Dr. Yu San Say and Mr. Chan Wai Dune, and an executive director, namely Dr. Chui Say Hoe. Dr. Yu Sun Say is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group. The terms of reference of the committee shall make available to the public on request.

Nomination Committee

The Company has established a nomination committee with written terms of reference in accordance with recommended best practices A.4.4 in the CCG on 28 December 2005. The committee comprises two independent non-executive directors, namely Mr. Ng Wing Ka and Dr. Yu Sun Say, and an executive director, namely Mr. Chui Say Hoe. Mr. Ng Wing Ka is the chairman of the nomination committee. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board regarding any proposed changes, and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The terms of reference of the committee shall make available to the public on request.

Finance Committee

The Company has established a finance committee with written terms of reference on 28 December 2005. The committee comprises of two independent non-executive directors, namely Mr. Chan Wai Dune and Mr. Ng Wing Ka, and an executive director, namely Mr. Tsang Kwok Man. Mr. Chan Wai Dune is the chairman of the finance committee. The finance committee is principally responsible for reviewing and approving banking facilities and financial instruments to be granted or issued by the Company for the Group's needs, the financial assistance of the Company and the provision of financing to third parties. The terms of reference of the committee shall make available to the public on request.



Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its Code of Ethics and Securities Transactions by directors of the Company.

Having made specific enquiry of all directors of the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 September 2005.

By Order of the Board

Sino Union Petroleum & Chemical International Limited

Chui Say Hoe

Executive Director

Hong Kong, 28 December 2005