

Chairman's Statement

For and on behalf of the Board of Directors (the "Board") of Sino Union Petroleum & Chemical International 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 2006.

Performance

The Group recorded a turnover of HK\$618,708,000 for the year ended 31 March 2006. Meanwhile, the profit attributable to shareholders was approximately HK\$15,567,000 (2005: Loss of 1,351,000 as restated). Earnings per share from continuing and discontinued operation amounted to HK1.30 cents (2005: loss per share of HK0.11 cents as restated) per share.

Business Review

For the financial year ended 31 March 2006, the Group was experiencing the soaring crude oil prices and regulated domestic refined oil products prices. The gross margin of the manufacturing business of petrochemical products was deteriorating. The Board foresaw the difficult time that the petrochemical industry would face and made a bold decision by disposing the manufacturing business of petrochemical products. In July 2005, the Group entered into a sale and purchase agreement to dispose its 100% equity interest in Liaohe Energy Limited, the sole asset of Liaohe Energy Limited is its 100% equity interest in Liaoning Xinmin Petrochemical Company Limited which is principally engaged in the manufacture and sale of petrochemical products in Shenyang, Liaoning Province, the PRC. The consideration of the disposal was HK\$51 million and the Group recognised a profit of approximately HK\$19 million. For further details, please refer to the circular dated 7 September 2005.

With extensive networks in the PRC and the Madagascar, the Group is well-positioned to reap business opportunities in that countries. On 20 June 2006, The Group acquired a company, Deno Group Limited ("Deno"). The only material asset of Deno is its 7% shareholding in Madagascar Energy International Limited, which held the oil and gas exploration, exploitation and operation rights at an onshore site measuring approximately 8,320 square kilometers in the Republic of Madagascar. This acquisition would allow the Group for the first time to participate in the oil and gas exploration, exploitation and operation business in Madagascar. This would provide an exciting opportunity for the Group to

diversify its business scope into the oil gas industry, an area which the Directors based on ample market research and analysis believe to have high growth potential and promising prospect.

Looking Ahead

Due to the soaring crude oil prices and the increasing demand from the PRC for crude oil, the Group will continue its business restructuring by diversify into the upstream areas of oil and gas industry. The country like Madagascar with ample natural resources will provide opportunities for the Group to explore and the Board is dedicated to strive for advancement in profitability by all means, including merger, acquisition or establishment of business.

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 2006