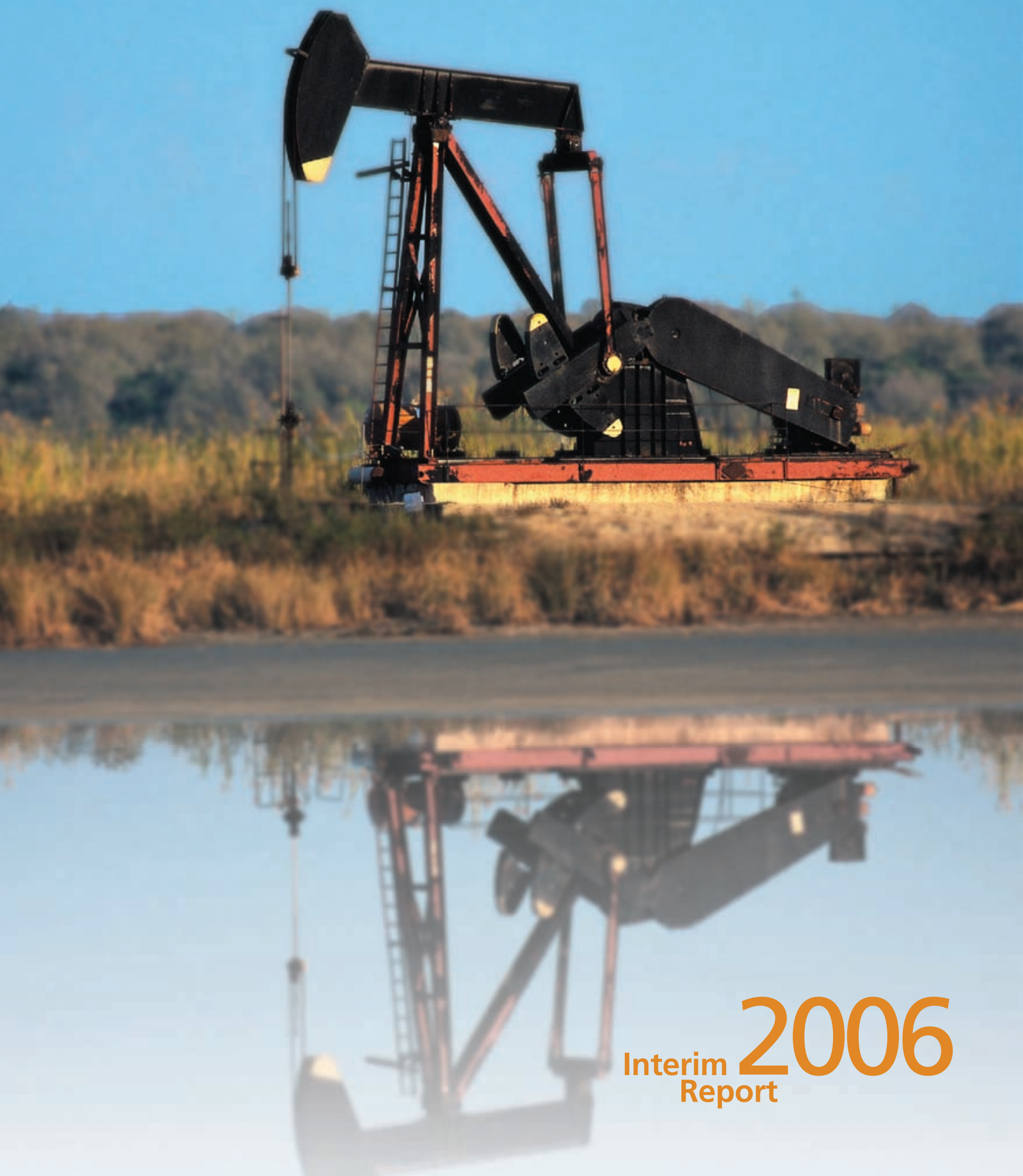
SUNPEC 中聯石化

SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED
中聯石油化工國際有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 346



Interim Report 2006

CORPORATE INFORMATION

Executive Directors
Dr. Wang Tao *(Honorary Chairman)*
(appointed on 15 June 2006)
Dr. Hui Chi Ming, G.B.S., PhD, J.P. *(Chairman)*
Mr. Chen Hua *(Deputy Chairman)*
Dr. Chui Say Hoe
Mr. Tsang Kwok Man
Mr. Cheung Shing
Mr. Cui Yeng Xu (appointed on 15 June 2006)

Non-Executive Director
Mr. Chow Charn Ki, Kenneth

Independent Non-Executive Directors
Mr. Chan Wai Dune
Dr. Yu Sun Say, S.B.S., J.P.
Mr. Ng Wing Ka

Audit Committee
Mr. Chan Wai Dune
Dr. Yu Sun Say, S.B.S., J.P.
Mr. Ng Wing Ka

Company Secretary
Mr. Fu Wing Kwok Ewing

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business
Units 10-12, 19/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Authorised Representatives
Mr. Fu Wing Kwok Ewing
Mr. Tsang Kwok Man

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

Legal Adviser – Hong Kong
Robertsons
57th Floor, The Center
99 Queen's Road Central
Hong Kong

Auditors
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

Bermuda Principal Share Registrar and Transfer Office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tengis Limited
2617 Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code
346

The board of directors (the "Board") of Sino Union Petroleum & Chemical International Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 September 2006 (the "Review Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006 (in HK Dollars)

	Notes	**Six months ended 30 September 2006 (Unaudited) HK$'000**	2005 (Unaudited) HK$'000
Turnover	3	**295,943**	300,836
Cost of sales		**(280,247)**	(284,101)
Gross profit		**15,696**	16,735
Other revenue		**560**	748
Selling and distribution costs		**(1,803)**	(2,405)
Administrative expenses		**(8,621)**	(9,334)
Profit from disposal of subsidiaries	12	**–**	13,833
Profit from operating activities	4	**5,832**	19,577
Finance costs	5	**(789)**	(5,259)
Profit before tax		**5,043**	14,318
Tax	6	**(934)**	(1,879)
Profit for the period		**4,109**	12,439
Net profit attributable to shareholders of the Company		**4,109**	12,439
Dividends	7	**–**	–
Earnings per share			
– Basic	8	**0.33 cents**	1.04 cents
– Diluted	8	**N/A**	N/A

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006 (in HK Dollars)

	Notes	**As at 30 September 2006 (Unaudited) HK$'000**	As at 31 March 2006 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**496**	541
Current assets			
Inventories		**6,396**	9,121
Trade receivables	9	**137,623**	158,684
Prepayments, deposits and other receivables		**54,033**	57,468
Cash and bank balances		**63,765**	6,028
		261,817	231,301
Total assets		**262,313**	231,842
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	**26,334**	23,940
Reserves		**181,746**	152,500
Total equity		**208,080**	176,440
LIABILITIES			
Current liabilities			
Trade and bills payables	11	**20,485**	15,758
Tax payable		**29,345**	28,411
Other payables and accrual		**4,320**	5,916
Amount due to a holding company		**–**	5,234
		54,150	55,319
Non-current liabilities			
Deferred taxation		**83**	83
Total liabilities		**54,233**	55,402
Total equity and liabilities		**262,313**	231,842
Net current assets		**207,667**	175,982
Total assets less current liabilities		**208,163**	176,523

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005 (Unaudited)

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
As 1 April 2005						
At originally stated	23,940	53,127	–	3,156	80,979	161,202
Opening balance adjustments under HKFRSs:						
Adoption of HKAS 39	–	–	–	–	4,279	4,279
Adoption of HKFRS 2	–	–	5,291	–	(5,291)	–
As restated	23,940	53,127	5,291	3,156	79,967	165,481
Increase in fair value of convertible bond	–	–	–	–	(1,577)	(1,577)
Employee share option scheme	–	–	1,328	–	(1,328)	–
Profit for the period	–	–	–	–	15,344	15,344
At 30 September 2005	23,940	53,127	6,619	3,156	92,406	179,248

For the six months ended 30 September 2006 (Unaudited)

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	23,940	53,127	3,156	–	96,217	176,440
Issue of shares	2,394	25,137	–	–	–	27,531
Net profit for the period	–	–	–	–	4,109	4,109
At 30 September 2006	**26,334**	**78,264**	**3,156**	**-**	**100,326**	**208,080**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September (in HK Dollars)

	Notes	Six months ended 30 September **2006** **(Unaudited)** **HK$'000**	 2005 (Unaudited) HK$'000
Net cash inflow/(outflow) from operating activities		**30,258**	(22,842)
Net cash inflow from investing activities		**–**	49,216
Net cash inflow/(outflow) from financing activities		**27,479**	(16,417)
Increase in cash and cash equivalents		**57,737**	9,957
Cash and cash equivalents at beginning of the period		**6,028**	6,246
Cash and cash equivalents at end of the period		**63,765**	16,203
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**63,765**	16,203

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2006 (in HK Dollars)

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. Accounting Policies

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except in relation to the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations issued by the HKICPA ("HK-Ints") which are generally effective for accounting periods beginning on or after 1 January 2006.

The applicable new HKFRSs adopted in this interim financial report are set out below:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

– HKAS 19 (Amendment) introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses.

– HKAS 21 (Amendment) changes the net investment definition to include loans between fellow subsidiaries. It permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation and to recognize foreign exchange volatility on such loans funding foreign operations in exchange reserve in the consolidated financial statements.

– HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as at 31 March 2005 and 2006.

2. Accounting Policies *(Continued)*

– HKAS 39 (Amendment) – The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on or after 1 January 2007.

– HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee Contracts requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

– HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset): and (b) the arrangement conveys a right to use the asset.

The adoption of these new and revised HKASs did not result also any substantial changes to the accounting policies of the Group.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosure
HK(IRFIC) – Int 8	Scope of HKFRS 2
HK(IRFIC) – Int 9	Reassessment of Embedded Derivatives

3. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts.

3. Segment Information *(Continued)*

(b) the petrochemical products segment involves the manufacture and sales of petrochemical fuel products, which was discontinued during the period.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

Group

	Six months ended 30 September					
	PU materials		**Petrochemical products (Discontinued)**		**Consolidated**	
	2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000	**2006 (Unaudited) HK$'000**	2005 (Unaudited) HK$'000	**2006 (Unaudited) HK$'000**	2005 (Unaudited) HK$'000
Segment revenue: Sales to external customers	**295,943**	260,588	**–**	40,248	**295,943**	300,836
Segment results	**8,896**	5,494	**–**	3,916	**8,896**	9,410
Interest income					**69**	37
Profit from disposal of subsidiaries					**–**	13,833
Unallocated expenses					**(3,133)**	(3,703)
Profit from operating activities					**5,832**	19,577
Finance costs					**(789)**	(5,259)
Profit before tax					**5,043**	14,318
Tax					**(934)**	(1,879)
Net profit from ordinary activities attributable to shareholders					**4,109**	12,439

3. Segment Information *(Continued)*

(b) Geographical segments

The following table presents revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	Six months ended 30 September					
	PRC		Hong Kong		Consolidated	
	2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000	**2006 (Unaudited) HK$'000**	2005 (Unaudited) HK$'000	**2006 (Unaudited) HK$'000**	2005 (Unaudited) HK$'000
Segment revenue: Sales to external customers	**295,943**	260,588	**–**	40,248	**295,943**	300,836
Segment results	**8,896**	5,494	**–**	3,916	**8,896**	9,410

4. Profit from Operating Activities

	Six months ended 30 September	
	2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Profit from operating activities has been arrived at after charging:		
Depreciation	**45**	2,100
and after (crediting):		
Interest income	**(69)**	(37)

5. Finance Costs

	Six months ended 30 September	
	2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Interest on:		
Trust receipt loans wholly repayable within five years	**789**	931
Bank loans wholly repayable within five years	**–**	2,668
Convertible bonds wholly repayable within fie years	**–**	1,577
Finance leases	**–**	83
	789	5,259

6. Tax

Current Taxation

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Taxation on assessable profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current period provision:		
Hong Kong	**–**	–
Elsewhere	**934**	1,879
	934	1,879

Deferred Taxation

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2005: Nil).

Deferred tax assets have not been recognised due to the unpredictability of future profit streams.

7. Interim Dividend

The directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2006 (2005: Nil).

8. Earnings per Share

The calculation of basic earnings per share for the six months ended 30 September 2006 was based on the Group's net profit from ordinary activities attributable to shareholders for the period of approximately HK$4,109,000 (2005: HK$12,439,000) and the weighted average of 1,227,089,000 (2005: 1,197,000,000) ordinary shares in issue during the period.

The diluted earnings per share for the two periods ended 30 September 2006 and 2005 have not been presented as there were no potential dilutive ordinary shares in existence during either of the periods.

9. Trade Receivables

Trade receivables, which generally have credit terms of 90 days, are recognised and carried at the original invoiced amount less provision for impairment loss.

9. Trade Receivables *(Continued)*

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2006 HK$'000 (Unaudited)	As at 31 March 2006 HK$'000 (Audited)
Current to 30 days	**75,769**	72,344
31 days to 90 days	**57,389**	68,989
91 days to 180 days	**4,465**	16,098
181 days to 360 days	**–**	1,253
	137,623	158,684

The carrying amount of trade receivables approximate to their fair values.

10. Share Capital

	Number of Ordinary Shares	HK$'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 April 2006 and 30 September 2006	10,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 April 2006	1,197,000,000	23,940
Issue of shares	119,700,000	2,394
At 30 September 2006	1,316,700,000	26,334

11. Trade and Bills Payables

An aging analysis of the trade and bill payables at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2006 HK$'000 (Unaudited)	As at 31 March 2006 HK$'000 (Audited)
Current to 30 days	**17,560**	3,211
31 days to 90 days	**2,925**	9,548
Over 90 days	**–**	2,999
	20,485	15,758

12. Disposal of a Subsidiary

During the period ended 30 September 2005, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Liaohe Energy Limited to individual third party together with its 100% equity interest in Liaoning Xinmin Petrochemical Company Limited, for a cash consideration of HK$51,000,000 with the Group's acquisition cost amounted to HK$42,453,000 on 13 July 2005. The operation of Liaohe Energy Limited and Liaoning Xinmin Petrochemical Company Limited is reported in the financial statements as a discontinuing operation. Summary of the effects of the disposal of subsidiaries are as follows:

	As at 30 September 2006 HK$'000 (Unaudited)	As at 31 March 2006 HK$'000 (Audited)
Net assets disposed of:		
Property, plant and equipment	–	137,861
Land use rights	–	11,587
Inventories	–	26,115
Financial assets at fair value through profit or loss	–	8,120
Trade receivables	–	943
Prepayments, deposits and other receivables	–	2,905
Cash and bank balances	–	284
Trade and bills payables	–	(19,055)
Other payables and accruals	–	(36,880)
Tax payable	–	(19,886)
Bank borrowings	–	(95,423)
	–	16,571
Goodwill	–	16,511
Exchange reserve	–	(720)
Gain on disposal of subsidiaries	–	18,638
	–	51,000
Satisfied by:		
Cash consideration	–	51,000
Net cash outflow arising on disposal:		
Cash consideration	–	51,000
Cash and bank balances disposed of	–	(284)
	–	50,716

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

The Group's unaudited condensed consolidated turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2006 were approximately HK$296 million and approximately HK$4 million respectively, representing a decrease of approximately 1.63% as compared to the same period last year. The Group's gross profit margin decreased by approximately 0.26% as compared to the corresponding period last year.

The principal market of the Group remained in PRC which accounted for 100% of the Group's turnover.

BUSINESS REVIEW

Distribution business

During the period under review, revenue from the distribution of PU materials was approximately HK$296 million, increase from approximately HK$261 million of the same period last year. The distribution business contributed approximately HK$9 million to the Group's net profit from operating activities for the period, representing an increase of approximately 61.92% in comparison to the corresponding period in 2005. The competition on the market of PU material is continued rigorous. The Group has still adopted a selective approach in accepting PU trading orders by ensuring that these transactions will meet the minimum profit criteria in order to reduce the risk exposure in the competitive environment.

ACQUISITION OF A SUBSIDIARY

Metro City Group Limited ("Metro City"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement dated 20 June, 2006, pursuant to which Metro City agreed to acquire the entire issued share capital of Deno Group Limited ("Deno"), for a nominal consideration of HK$1.00. The only material asset of the Deno is a 7% shareholding in Madagascar Energy International Limited, which holds the oil and gas exploration, exploitation and operation rights at an onshore site measuring approximately 8,320 square kilometers in the Republic of Madagascar. The acquisition would allow the Company for the first time to participate in the oil and gas exploration and operation business in the Republic of Madagascar. This would provide an exciting opportunity for the Group to diversify its business scope into the oil and gas industry, an area which the Directors based on ample market research and analysis believe to have high growth potential and promising prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group held cash and bank balances of approximately HK$64 million.

With the available resources and the proceeds from the sale of the Group's subsidiaries during the period, the Group has adequate working capital to finance its business operation.

As at 30 September 2006, the Group had a current ratio of approximately 4.8 (at 31 March 2006: 4.2). As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi or Hong Kong dollars pegged currencies, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purposes is considered necessary.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2006, none of the Group's assets was pledged.

COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2006, the Group did not have any commitment and contingent liabilities.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 September 2006.

EMPLOYEES

As at 30 September 2006, the total number of staff was 18. Salaries of employees were maintained at competitive level. The Group has encountered no problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the period and the Directors of the Company consider that the Group has excellent employment relationship.

OUTLOOK

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.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests in Share Capital

As at 30 September 2006, 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 Future 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 Security 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 (Note)	Corporate	750,080,000	56.97%
Mr. Chen Hua (Note)	Corporate	750,080,000	56.97%

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	0.84%

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, 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 Issued shares held	Percentage of holding
Wisdom On Holdings Limited	Note 1	750,080,000	56.97%
High Rich International Investment Limited ("High Rich")	Note 2	119,700,000	9.09%

Note 1: The entire issued share capital of Wisdom On is owned by Dr. Hui Chi Ming and Mr. Chan Hua as to 55% and 45% respectively.

Note 2: The entire issued share capital of High Rich is owned by Ms. Zhang Cai Yun and Mr. Zhang Huan Qiao as to 51% and 49% respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period 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") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the period.

Name or category of participant	Number of share options At 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2006	Date of grant of share options* (dd/mm/yy)	Exercise period of share options (dd/mm/yy)	Exercise price of share options HK$	Price of Company's share at grant date of share options HK$
Directors									
Mr. Tsang Kwok Man	11,000,000	–	–	–	11,000,000	8/11/2004	8/11/2004 to 7/11/2014	0.132	0.13
Employees other than Directors									
In aggregate	40,000,000	–	–	–	40,000,000	8/11/2004	11/11/2004 to 7/11/2014	0.132	0.13
	51,000,000	–	–	–	51,000,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

During the six months ended 30 September 2006, the Company has complied with all code provisions of the Code on Corporate Governance Practice (the "Code Provisions") set out 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"), except for the following deviation:

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.

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.

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 2006.

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

Hong Kong, 19 December 2006