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**DISCLOSABLE TRANSACTION
AND
RESUMPTION OF TRADING**

On 3 April 2008, MEIL, a wholly-owned subsidiary of the Company, entered into a legally-binding Agreement with Yanchang Petroleum. Pursuant to the Agreement, MEIL and Yanchang Petroleum shall jointly invest and manage the exploration, exploitation and operation of Oilfield Block 3113 and each party shall contribute 50% of the required capital investment for the development of Oilfield Block 3113. Save for the arrangement for sharing of oil and gas produced which is detailed below, MEIL and Yanchang Petroleum shall share all the obligations and rights entitled by MEIL in accordance with the Production Sharing Agreement based on their respective investment proportion in Oilfield Block 3113. Completion of the Agreement shall be conditional upon the approval of OMNIS. A written approval from OMNIS was received by MEIL on 7 April 2008.

The entering into of the Agreement will create a form of joint arrangement between MEIL and Yanchang Petroleum and constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Agreement will be sent to the Shareholders in due course.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 11:36 a.m. on 3 April 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 April 2008.

BACKGROUND

Following the completion of the acquisition of 93% equity interest in MEIL by the Company in June 2007, MEIL has become a wholly-owned subsidiary of the Company. Pursuant to the Production Sharing Agreement entered into between MEIL and OMNIS in October 2005, MEIL was vested with the rights to engage in oil exploitation and operation for 25 years (with 5 years possible extension) and gas exploitation and operation for 35 years (with 10 years possible extension) in Oilfield Block 3113, an onshore site with

* For identification purpose only

total area of 8,320 kilometers. Under the Production Sharing Agreement, MEIL has to fulfill certain minimum exploration work obligations and be responsible for the arrangement of the required capital commitment, human resources and facilities for oil and gas exploration, exploitation and operation in Oilfield Block 3113.

According to the technical assessment performed by Netherland Sewell & Associates, Inc., an independent international reserve consultants, Oilfield Block 3113 had an estimated unrisksed gross original oil-in-place of approximately 2 billion barrels (equivalent to approximately 270 million tones) as at the date of assessment of 3 January 2007. Eight exploration wells with depth in the range of 715 meters to 4,670 meters have been drilled in Oilfield Block 3113 and all exploration wells showed the existence of oil and gas. China National Petroleum Corporation BGP has completed the first phase of seismic data collection and results report. The proposal on exploration wells has also been accepted and related exploration works have been carried out at Oilfield Block 3113. The relevant construction works for well exploration and oil exploitation has been undertaken in Oilfield block 3113.

As disclosed in the Company's announcement dated 9 January 2007, MEIL and Yanchang Petroleum entered into a framework agreement on 21 December 2006, pursuant to which, Yanchang Petroleum conditionally agreed to invest in MEIL and to provide technical, financial and management supports to MEIL for its exploration, exploitation and operation of Oilfield Block 3113. After further negotiations between the parties, MEIL and Yanchang Petroleum entered into a legally-binding Agreement on 3 April 2008 to finalize the detailed terms of cooperation for the development of Oilfield Block 3113.

THE AGREEMENT

Date: 3 April 2008

Parties: MEIL, a wholly-owned subsidiary of the Company, and

Yanchang Petroleum. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yanchang Petroleum and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Cooperation

MEIL and Yanchang Petroleum shall jointly manage the exploration, exploitation and operation of Oilfield Block 3113 by establishing a jointly-held bank account and an operation committee, which will comprise members nominated from both MEIL and Yanchang Petroleum.

Investment proportion

Each of MEIL and Yanchang Petroleum agreed to provide 50% of the required capital investment for the development of Oilfield Block 3113 according to the actual funding needs and development progress. The required investment amount cannot be ascertained at present stage as it depends on a number of factors including the progress and results of fieldwork, the amount of oil and gas reserves discovered and the scale of exploration and exploitation work required and mode of operation management, etc. Based on the currently available information on the progress and results of fieldwork and the expected scale of exploration and exploitation work required and the best estimate of the Directors that can be made at the moment, the total capital investment in Oilfield Block 3113 is estimated to be not more than US\$300

million and the contribution to be made by MEIL is estimated to be not more than US\$150 million. Shareholders should note that the indicated investment amount represents the preliminary estimation by the Directors only and the actual amount may vary from it and subject to approval by the operation committee to be formed by MEIL and Yanchang Petroleum. In the event that the total investment by the Group increases to an amount that affects the classification of the transaction, the Company will comply with the relevant announcement and shareholders' approval requirements of the Listing Rules as and when appropriate.

The investment for the development of Oilfield Block 3113 that has been made by MEIL prior to the entering into of the Agreement, the amount of which shall be audited by an independent auditor to be appointed by MEIL and Yanchang Petroleum and confirmed by both parties, shall be accounted for as part of the investment contribution made by MEIL.

The investment proportion was determined after arm's length negotiations between MEIL and Yanchang Petroleum.

Sharing of oil and gas produced

Oil and gas produced from Oilfield Block 3113 shall be distributed according to the following order:

1. a government royalty of 8% – 20% of the oil produced and 5-10% of the gas produced, depending on the daily oil and gas production rate, will be paid to the government of Madagascar according to the scales set out in the following tables:

Daily oil production tranche <i>(thousand barrels per day)</i>	Royalty Rate <i>(percent)</i>
0–25	8.0
25–50	10.0
50–75	12.0
75–100	14.0
100–130	17.0
>130	20.0

Daily gas production tranche <i>(million m³ per day)</i>	Royalty Rate <i>(percent)</i>
0–12	5.0
12–24	7.5
>24	10.0

2. after deducting item (1) above from the gross amount of oil and gas produced, not more than 65% of the remaining oil and gas shall be distributed to MEIL and Yanchang Petroleum for cost recovery based on their respective investment proportion in Oilfield Block 3113;

3. after deducting items (1) and (2) above from the gross amount of oil and gas produced, the remaining oil and gas (the “Petroleum Profit”) shall be shared by OMNIS based on the pre-determined rate specified in the Production Sharing Agreement, details of which are set out below:

Daily oil production tranche <i>(thousand barrels per day)</i>	OMNIS’ share <i>(percent)</i>
0–10	27.0
10–20	30.0
20–30	32.5
30–40	35.0
40–50	40.0
50–60	45.0
60–80	47.5
80–100	52.5
>100	55.0

4. after deducting item (3) above from the Petroleum Profit (the “Attributable Oil and Gas”), 18% of the Attributable Oil and Gas shall be distributed to MEIL in consideration of its provision of the exploration, exploitation and operation rights in Oilfield Block 3113;
5. after deducting item (4) from the Attributable Oil and Gas, the remaining oil and gas shall be shared by MEIL and Yanchang Petroleum based on their respective investment proportions in Oilfield Block 3113. Therefore, Yanchang Petroleum shall be entitled to 41% of the Attributable Oil and Gas. Together with the entitlement of 18% of the Attributable Oil and Gas as mentioned in item 4 above, the Group shall be entitled to an aggregate of 59% of the Attributable Oil and Gas.

Obligations and Rights of the Production Sharing Agreement

Save for the aforementioned arrangement for sharing of the produced oil and gas, MEIL and Yanchang Petroleum shall share all the obligations and rights entitled by MEIL in accordance with the Production Sharing Agreement based on their respective investment proportion in Oilfield Block 3113.

Condition Precedent

Completion of the Agreement shall be conditional upon the approval of OMNIS. A written approval from OMNIS was received by MEIL on 7 April 2008.

INFORMATION OF YANCHANG PETROLEUM

Yanchang Petroleum is a state-owned large-scale petroleum enterprise which has the legal rights to explore and exploit petroleum in China. It has been established for more than 100 years with good reputation. It owned and successfully developed the first oilfield in China and has attained the largest market share in Western China. It is principally engaged in oil and gas exploration, exploitation, refinery, extraction, transportation and trading. Its major products include gasoline, diesel oil, kerosene, naphtha, liquefied petroleum gas and polypropylene. It had a turnover and profit before taxation of approximately RMB47 billion and RMB23 billion respectively for the year ended 31 December 2007. As at 31 December 2007, its total assets amounted to approximately RMB65 billion.

REASONS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in the sale and distribution of petroleum products and polyurethane materials in the PRC as well as oil exploration and exploitation in Madagascar.

Yanchang Petroleum has extensive experience and a proven track record in oil and gas exploration and exploitation. As the development of Oilfield Block 3113 may require a substantial amount of capital commitment and technical support, the Directors consider that the cooperation between MEIL and Yanchang Petroleum shall further strengthen the Group's technical capability in oil exploration and exploitation and facilitate its operations in Oilfield Block 3113 as Yanchang Petroleum has a strong capital base and a technical team comprises 70,000 professionals and advanced equipment and technologies in international petroleum industry standard. In view of the above, the Directors consider that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are fair and reasonable and on normal commercial terms.

GENERAL

The entering into of the Agreement will create a form of joint arrangement between MEIL and Yanchang Petroleum and constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Agreement will be sent to the Shareholders in due course.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 11:36 a.m. on 3 April 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 14 April 2008.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“Agreement”	the investment and cooperation agreement dated 3 April 2008 entered into between MEIL and Yanchang Petroleum in relation to the investment and cooperation in the development of Oilfield Block 3113
“Company”	Sino Union Petroleum & Chemical International Limited, a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Madagascar”	the Republic of Madagascar
“MEIL”	Madagascar Energy International Limited, a wholly-owned subsidiary of the Company
“Oilfield Block 3113”	an onshore site for oil and gas exploration, exploitation and operation in Madagascar
“OMNIS”	Office Des mines Nationales Et Des Industries Strategiques (English translation being: The National Office for Mining and Strategic Industries), a state-owned agency of Madagascar commissioned to manage and oversee the national petroleum and mineral resources of Madagascar
“Production Sharing Agreement”	the production sharing agreement dated 7 October 2005 entered into between MEIL and OMNIS, pursuant to which MEIL was granted with certain oil and gas exploration, exploitation and operation rights and profit sharing right in Oilfield Block 3113
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares”	Shares of HK\$0.02 each in the capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Yanchang Petroleum”	Shaanxi Yanchang Petroleum (Group) Limited, an independent third party not connected with the Company or its connected persons
“%”	per cent.

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

Hong Kong, 11 April 2008

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors

Dr. Wang Tao
Dr. Hui Chi Ming
Mr. Cheung Shing
Dr. Chui Say Hoe
Dr. Ching Men Ky, Carl
Mr. Tsang Kwok Man
Mr. Cui Yeng Xu

Non-executive Directors

Dr. Fok Chun Wan, Ian
Mr. Chow Charn Ki, Kenneth

Independent Non-executive Directors

Dr. Yu Sun Say
Mr. Ng Wing Ka
Mr. Edmund Siu