



SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED
中聯石油化工有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 346)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the “Board”) of the Sino Union Petroleum & Chemical International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

		2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Continuing operation	<i>Notes</i>		
Turnover	4	554,686	577,729
Cost of sales		(527,244)	(554,719)
Gross profit		27,442	23,010
Other revenue		685	7
Other income	5	967	810
Selling and distribution costs		(1,437)	(1,720)
Administrative expenses		(16,785)	(18,198)
Profit from operating activities	5	10,872	3,909
Finance costs	6	–	(923)
Profit before taxation		10,872	2,986
Taxation	7	(2,809)	(2,381)
Profit for the year from continuing operation		8,063	605
Discontinued operation			
Profit for the year from discontinued operation		–	14,962
Profit for the year		8,063	15,567
Attributable to equity holders of the Company		8,063	15,567
Earnings per share	8		
From continuing and discontinued operations			
Basic		HK0.63 cents	HK1.30 cents
Diluted		HK0.62 cents	HK1.14 cents
From continuing operation			
Basic		HK0.63 cents	HK0.05 cents
Diluted		HK0.62 cents	N/A

* For identification purposes only

CONSOLIDATED BALANCE SHEET*At 31 March 2007*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS		
Non-Current Assets		
Property, plant and equipment	624	541
Current Assets		
Inventories	–	9,121
Trade receivables	136,797	158,684
Prepayments, deposits and other receivables	57,877	57,468
Bank deposit	6,415	–
Cash and bank balances	90,062	6,028
	<u>291,151</u>	<u>231,301</u>
Total Assets	<u><u>291,775</u></u>	<u><u>231,842</u></u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	26,334	23,940
Reserves	185,751	152,500
	<u>212,085</u>	<u>176,440</u>
LIABILITIES		
Current Liabilities		
Trade payables	41,212	15,758
Tax payable	31,249	28,411
Other payables and accruals	4,878	5,916
Amount due to a holding company	2,351	5,234
	<u>79,690</u>	<u>55,319</u>
Non-Current Liabilities		
Deferred taxation	–	83
	<u>–</u>	<u>83</u>
Total Liabilities	<u>79,690</u>	<u>55,402</u>
Total Equity and Liabilities	<u><u>291,775</u></u>	<u><u>231,842</u></u>
Net Current Assets	<u><u>211,461</u></u>	<u><u>175,982</u></u>
Total Assets Less Current Liabilities	<u><u>212,085</u></u>	<u><u>176,523</u></u>

Notes:

1. Basis of preparation

The measurement basis used in preparation of the financial statements is historical cost convention except for certain financial assets and liabilities are measured at fair value.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The new HKFRSs adopted by the Group in the financial statements are set out as follows:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach Under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

The Company and the Group have not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Concession Arrangements ⁷

- ¹ Effective for annual periods beginning on or after 1 January 2007.
- ² Effective for annual periods beginning on or after 1 January 2009.
- ³ Effective for annual periods beginning on or after 1 May 2006.
- ⁴ Effective for annual periods beginning on or after 1 June 2006.
- ⁵ Effective for annual periods beginning on or after 1 November 2006.
- ⁶ Effective for annual periods beginning on or after 1 March 2007.
- ⁷ Effective for annual periods beginning on or after 1 January 2008.

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 provided. 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 the 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.
- (b) the petrochemical products segment involves the manufacture and sales of petrochemical fuel products, which was discontinued during the year ended 31 March 2006.

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 Group

	Continuing operation		Discontinued operation		Consolidated	
	PU materials		Petrochemical			
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	554,686	577,729	–	40,979	554,686	618,708
Total revenue	554,686	577,729	–	40,979	554,686	618,708
Segment results	22,407	4,515	–	(1,008)	22,407	3,507
Interest income					685	7
Unallocated expenses					(12,791)	(613)
Profit from operating activities					10,301	2,901
Gain on disposal of subsidiaries	571	–	–	18,638	571	18,638
Profit from operation	10,872	3,909	–	17,630	10,872	21,539
Finance costs	–	(923)	–	(2,668)	–	(3,591)
Profit before taxation	10,872	2,986	–	14,962	10,872	17,948
Taxation	(2,809)	(2,381)	–	–	(2,809)	(2,381)
Net profit attributable to equity holders of the Company					8,063	15,567
Balance Sheet						
Segment assets	291,775	231,842	–	–	291,775	231,842
Total assets					291,775	231,842
Segment liabilities	79,690	55,402	–	–	79,690	55,402
Total liabilities					79,690	55,402
Other segment information:						
Depreciation	269	1,083	–	1,034	269	2,117
Capital expenditure	390	33	–	–	390	33

(b) *Geographical segments*

During the year ended 31 March 2007 and 2006, the Group's entire turnover was derived from sale of polyurethane materials in the PRC, no geographical segmental information on turnover were presented.

At 31 March 2007 and 2006, more than 90% of the Group's assets were located at the PRC, no geographical segmental information on assets was presented.

4. Turnover

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts. All significant intercompany transactions have been eliminated on consolidation.

An analysis of the Group's turnover is as follow:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
<i>Continuing operation</i>		
Sale of goods	554,686	577,729
<i>Discontinued operation</i>		
Sale of goods	–	40,979
	554,686	618,708

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold		
<i>Continuing operation</i>	527,224	554,719
<i>Discontinued operation</i>	–	37,759
Auditors' remuneration	400	400
Depreciation	269	2,117
Impairment loss recognised in respect of goodwill	25	–
Minimum lease payments under operating lease in respect of rented premises	1,774	1,320
Staff costs (excluding Directors' remuneration)		
Salaries and wages	5,597	6,049
Mandatory provident fund contributions	70	124
and after crediting:		
Other income		
<i>Continuing operation</i>		
Gain on disposal of property, plant and equipment	–	772
Gain on disposal of subsidiaries	571	–
Exchange gain, net	396	38
	967	810
<i>Discontinued operation</i>		
Gain on disposal of subsidiaries	–	18,638
	967	19,448

The cost of inventories sold does not include any staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses (2006: HK\$2,618,000).

6. Finance costs

	2007 HK\$'000	2006 HK\$'000
<i>Continuing operation</i>		
Imputed interest expenses on convertible bond	–	923
<i>Discontinued operation</i>		
Interest on bank loans wholly repayable within five years	–	2,668
	<u>–</u>	<u>3,591</u>

7. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the year (2006: HK\$Nil). Taxes on profits assessable 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.

	2007 HK\$'000	2006 HK\$'000
Current year provision:		
Overseas	<u>2,809</u>	<u>2,381</u>

8. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

For continuing and discontinued operations

	2007 HK\$'000	2006 HK\$'000
<i>Earnings</i>		
Earnings attributable to the equity holders of the Company for the purposes of basic earnings per share	8,063	15,567
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	–	923
Earnings attributable to the equity holders of the Company for the purposes of diluted earnings per share	<u>8,063</u>	<u>16,490</u>

	Number of shares	
	2007	2006
	'000	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,271,772	1,197,000
Effect of dilutive potential ordinary shares:		
Convertible bond	–	239,402
Share options	28,150	14,413
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,299,922</u>	<u>1,450,815</u>

For continuing operation

	2007	2006
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings attributable to the equity holders of the Company for the purposes of basic earnings per share	8,063	15,567
Less: Profit for the year from discontinued operation	–	(14,962)
Earnings attributable to the equity holders of the Company for the purposes of basic earnings per share	<u>8,063</u>	<u>605</u>

No diluted earnings per shares for continuing operation for the year ended 31 March 2006 have been presented because their conversion to ordinary shares would increase earnings per share.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operation

There is no basic earnings per share (2006: HK1.25 cents per share) and no diluted earnings per share (2006: HK1.03 cents per share) for the discontinued operation. It was because there was no profit for the year from the discontinued operation during the year ended 31 March 2007 (2006: HK\$14,962,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the financial year ended 31 March 2007, the Group recorded a turnover of approximately HK\$554,686,000 (2006: HK\$577,729,000) from trading of PU materials, which was decreased by 4% comparing to the previous year. Profit attributable to shareholders was HK\$8,063,000 (2006: profit of HK\$15,567,000), which was decreased by 48% comparing to the previous year, over which the previous profit included an exceptional gain on disposals of subsidiaries. Basic earnings per share from continuing and discontinued operations is HK0.63 cents (2006: HK1.30 cents).

Operational Review

During the year under review, the Group's entire revenue was derived from distribution of PU materials and the principal market of the Group was the PRC, accounted for approximately 100% (2006: 100%) of the Group's turnover.

Business Review and Future Prospects

The Group has dedicated its effort to improve its profitability by seeking new principle business to oil & gas industry. Subsequent to the year ended 31 March 2007, the Company has successfully acquired a new wholly-owned subsidiary which is engaged in oil & gas exploration, exploitation and operation businesses at Madagascar Oilfield Block 3113, an onshore site with total area of 8,320 kilometers.

In order to remain ahead of competition, the Group will continue to develop the new businesses acquired, actively seek for potential investment and determined to establish strong foothold in oil & gas industry.

Liquidity and Financial Resources

At 31 March 2007, the Group did not have any outstanding bank borrowings (2006: HK\$Nil) and had cash and bank balances approximately HK\$90,062,000 (2006: HK\$6,028,000).

With the available resources and the proceeds from the allotment and issue of shares of the Company ordinary shares subsequent to the balance sheet date, the Group has adequate working capital to finance its business operations.

At 31 March 2007, the current ratio (current assets divided by current liabilities) was 3.65 times (2006: 4.18 times) and the gearing ratio, calculated on the basis of bank borrowing, convertible bond and finance lease payables divided by shareholders' equity, was undefined due to the fact that the Group did not have bank borrowings, convertible bond and finance lease payables at 31 March 2007 (2006: undefined).

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 36 to financial statements included in the Company's annual report 2007.

CORPORATE GOVERNANCE

The Board is committed to achieving a high standard of corporate governance with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. In the opinion of the Board, the Company had complied with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2007, except that the independent non-executive directors of the Company are not appointed for a specific terms as required by Code A.4.1 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.

Code A.4.1 of CG Code

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

All non-executive directors of the Company, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

Further details of the Company’s corporate governance practices are described in the corporate governance report included in the Company’s annual report 2007.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company has an Audit Committee which comprises three independent non-executive directors, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka. The terms of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

- (a) Reviewing and providing supervision over the Group’s financial reporting process and internal control;
- (b) Reviewing any changes in accounting policies and practices adopted by the Group;

- (c) Reviewing the audited financial statements and the annual report of the Company for the year ended 31 March 2007.

There were 3 meetings during the year ended 31 March 2007. Mr. Chan Wai Dune has attended all meetings while Dr. Yu Sun Say and Mr. Ng Wing Ka has attended 2 meetings.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.sunpec.com). The Company's annual report for 2007 will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 27 July 2007

As at the date of this announcement, the Board comprises of (1) Executive Directors: Dr. Wang Tao, Dr. Hui Chi Ming, Mr. Cheung Shing, Dr. Chui Say Hoe, Mr. Tsang Kwok Man and Mr. Cui Yeng Xu; (2) Non-Executive Director: Mr. Chow Charn Ki Kenneth; and (3) Independent Non-Executive Directors: Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka.