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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino Union Petroleum & Chemical International Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**REFRESHMENT OF GENERAL MANDATE
TO
ALLOT AND ISSUE SHARES**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



South China Capital Limited

A letter from the Independent Board Committee is set out on page 9 of this circular. A notice convening a special general meeting of the Company to be held at Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong on Friday, 27 July 2007 at 3:00 p.m. is set out on pages 17 to 19 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof if you so wish.

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DEFINITIONS

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

| | |
|-------------------------------|---|
| “AGM” | the annual general meeting of the Company held on 31 August 2006 for the Shareholders to approve, inter alia, the Existing General Mandate |
| “associates” | has the same meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Bye-laws” | the bye-laws of the Company |
| “Company” | Sino Union Petroleum & Chemical International Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “Existing Issue Mandate” | the general mandate approved at the AGM authorizing the Directors to allot, issue and deal with Shares of up to 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders in respect of the refreshment of the Existing Issue Mandate |
| “Independent Shareholder(s)” | Shareholder(s) other than the controlling Shareholders and their respective associates |
| “Latest Practicable Date” | 9 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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|-----------------------|--|
| “New Issue Mandate” | the general mandate proposed to be granted to the Directors at the SGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM |
| “SGM” | the special general meeting of the Company to be convened and held on Friday, 27 July 2007 to consider and, if appropriate, to approve the refreshment of the Existing Issue Mandate |
| “Share(s)” | ordinary share(s) with a nominal value of HK\$0.02 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “South China Capital” | South China Capital Limited, being a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the Securities and Futures Ordinance and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing Issue Mandate |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawfully currency of Hong Kong |
| “%” | per cent. |

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Wang Tao
Dr. Hui Chi Ming
Dr. Chui Say Hoe
Mr. Tsang Kwok Man
Mr. Cheung Shing
Mr. Cui Yeng Xu

Non-executive Director:

Mr. Chow Charn Ki, Kenneth

Independent non-executive Directors:

Mr. Chan Wai Dune
Dr. Yu Sun Say
Mr. Ng Wing Ka

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Units 10-12, 19th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

11 July 2007

To the Shareholders

Dear Sirs,

**REFRESHMENT OF GENERAL MANDATE
TO
ALLOT AND ISSUE SHARES**

INTRODUCTION

The purposes of this circular are to (i) provide you the information relating to the refreshment of the Existing Issue Mandate; (ii) set out the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the refreshment of the Existing Issue Mandate; (iii) set out the recommendation from South China Capital to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing Issue Mandate; (iv) provide Shareholders with the notice of SGM, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the refreshment of the Existing Issue Mandate.

* for identification purpose only

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| LETTER FROM THE BOARD |
|------------------------------|

EXISTING ISSUE MANDATE

At the AGM, Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing Issue Mandate to allot and issue not more than 239,400,000 Shares, being 20% of the entire issued share capital of the Company of 1,197,000,000 Shares as at the date of passing of the resolution.

REASONS FOR THE GRANTING OF NEW ISSUE MANDATE

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

Since the granting of the Existing Issue Mandate to the Latest Practicable Date, the Existing Issue Mandate has been utilized as to 69,500,000 Shares, representing approximately 29.0% of the aggregate number of Shares which may be allotted and issued under the Existing Issue Mandate. The following table summarizes the use of the Existing Issue Mandate since the AGM:

| Date of announcement | Description | Net proceeds | Intended use of proceeds | Actual use of proceeds as at the Latest Practicable Date |
|----------------------|---|-----------------|--|--|
| 4 April 2007 | Subscription of 69,500,000 new Shares at HK\$1.44 each (the "Share Subscription") | HK\$100 million | For general working capital of the Group | For general working capital of the Group |

There has been no refreshment of general mandate since the AGM. Therefore, after the Share Subscription, only 169,900,000 additional Shares can be issued under the Existing Issue Mandate. While the Directors consider that there is no immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in the Shares, the Directors expect that additional funding may be required for further development of the Group's new businesses such as the oil exploration and exploitation business in Madagascar and the trading of fuel oil in the PRC. The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group although it will also consider other financing methods such as debt financing or internal cash resources to fund its future business development in appropriate circumstances.

LETTER FROM THE BOARD

The Company is in preliminary discussions with various potential investors for a possible investment in the Company. However, as aforesaid, no concrete proposal has been obtained from the potential investors up to the Latest Practicable Date even though various opportunities exist. In view of the buoyant investment sentiments in Hong Kong at the moment, the Board considers that it will be beneficial for the Company to secure the funding opportunity as soon as practicable. Given that (i) the Company may miss the funding opportunities if it cannot respond promptly to the market conditions; (ii) it would be more cost effective for the Company to raise funds for a large sum in a single event instead of doing it by tranches; (iii) the New Issue Mandate will enable the Company to issue 690,673,333 additional Shares when compared to the Existing Issue Mandate; (iv) the New Issue Mandate will only be granted at the next annual general meeting, which is scheduled to be held in late September this year, in the absence of the proposed refreshment of Existing Issue Mandate; (v) the cost of refreshment of the Existing Issue Mandate is minimal compared to the funds to be raised through the exercise of the New Issue Mandate, the Directors consider that the refreshment of the Existing General Mandate is in the interest of the Company and its Shareholders as it will maximize the funding to be raised by the Company when investment proposals are available from potential investors and the benefits shall outweigh the costs of the refreshment of the Existing Issue Mandate. Therefore, although the Directors have no concrete plan for exercising the New Issue Mandate to allot Shares at the moment, the Board believes that the granting of the New Issue Mandate is in the best interests of the Company and the Shareholders as a whole by virtue of maintaining the financial flexibility for the Group's future business development. In light of the above, the Board is now proposing to seek the approval of Independent Shareholders at the SGM of the New Issue Mandate such that should attractive terms for investment in the Shares become available from potential investors, the Board will be able to respond to the market promptly.

THE NEW ISSUE MANDATE

As at the Latest Practicable Date, the Company had an aggregate of 4,302,866,666 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New Issue Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the New Issue Mandate to allot and issue up to 860,573,333 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New Issue Mandate will, if granted at the SGM, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held in accordance with Bermuda law or the Bye-laws; and (iii) its revocation or variation by ordinary resolutions of the Shareholders in general meeting.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the Share Subscription, the Company conducted the following equity fund raising activity in the past twelve months immediately preceding the Latest Practicable Date:

| Date of announcement | Description | Net proceeds | Intended use of proceeds | Actual use of proceeds as at the Latest Practicable Date |
|----------------------|--|------------------|--|--|
| 16 August 2006 | Placing of 119,700,000 new Shares at HK\$0.23 each | HK\$27.5 million | For general working capital of the Group | For general working capital of the Group |

Note: the new Shares under the Placing were allotted and issued pursuant to the general mandate granted by the Shareholders in the general meeting held on 9th September 2005.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

SGM

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New Issue Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the relevant resolution.

As at the Latest Practicable Date, Golden Nova Holdings Limited and Wisdom On Holdings Limited, which are beneficially owned by Dr. Hui Chi Ming, are the controlling Shareholders of the Company which control and are entitled to exercise control over the voting right in respect of 3,122,606,666 Shares, representing approximately 72.57% of the total issued share capital of the Company. As such, Golden Nova Holdings Limited and Wisdom On Holdings Limited and their respective associates shall abstain from voting in favor of the ordinary resolution to be proposed at the SGM. As of the date hereof, Golden Nova Holdings Limited and Wisdom On Holdings Limited and their respective associates have indicated that they have no intention to vote against the ordinary resolution to be proposed at the SGM.

Moreover, pursuant to Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders at the SGM will be taken by poll for the resolution in relation to the refreshment of the Existing Issue Mandate.

LETTER FROM THE BOARD

The notice convening the SGM is set out on pages 17 to 19 of this circular. At the SGM, an ordinary resolution will be proposed to approve the refreshment of the Existing Issue Mandate. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof if you so wish.

POLL PROCEDURE

According to Bye-law 66, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

Your attention is drawn to the letter of advice from South China Capital set out on pages 10 to 16 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Existing Issue Mandate and the principal factors and reasons it has taken into account in arriving at its recommendation.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of South China Capital, considers that refreshment of the Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM for approving the refreshment of the Existing Issue Mandate. The full text of the letter from the Independent Board Committee is set out on page 9 of this circular.

The Directors consider that the refreshment of Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the SGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of the Board
Sino Union Petroleum & Chemical International Limited
Chui Say Hoe
Executive Director



11 July 2007

To the Independent Shareholders

Dear Sirs,

**REFRESHMENT OF GENERAL MANDATE
TO
ALLOT AND ISSUE SHARES**

We refer to the circular of the Company dated 11 July 2007 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the New Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the principal reasons and factors considered by, and the advice of, South China Capital as set out in its letter of advice to us on pages 10 to 16 of the Circular, we are of the opinion that the refreshment of the Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole and the terms of the New Issue Mandate are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the New Issue Mandate.

Yours faithfully

For and on behalf of the Independent Board Committee

Mr. Chan Wai Dune

Dr. Yu Sun Say

Mr. Ng Wing Ka

Independent non-executive Director

* for identification purpose only

LETTER FROM SOUTH CHINA CAPITAL

Set out below is the text of a letter received from South China Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the refreshment of the Existing Issue Mandate for the purpose of inclusion in this circular.



South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

11 July 2007

*To: The independent board committee and the independent shareholders
of Sino Union Petroleum & Chemical International Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our appointment by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Existing Issue Mandate, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 11 July 2007 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, only a further of 169,900,000 Shares can be issued under the Existing Issue Mandate which was granted at the AGM. The Board therefore proposes to seek approval of the Independent Shareholders for the grant of the New General Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares of not exceeding 20% of the total number of Shares in issue as at the date of passing the relevant resolution at the SGM. The grant of the New Issue Mandate requires approval of the Shareholders under the Listing Rules. Pursuant to Rule 13.39(4)(b) of the Listing Rules, such an approval of the Shareholders should be taken on a vote by way of poll. It is further required by Rule 13.36(4)(a) of the Listing Rules that any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution at the SGM.

LETTER FROM SOUTH CHINA CAPITAL

Golden Nova Holdings Limited and Wisdom On Holdings Limited, which are both beneficially owned by Dr. Hui Chi Ming, were the controlling Shareholders which controlled and were entitled to exercise control over the voting right in respect of 3,122,606,666 Shares, representing approximately 72.57% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, Golden Nova Holdings Limited, Wisdom On Holdings Limited and their respective associates shall abstain from voting in favour of the ordinary resolution for approving the grant of the New Issue Mandate. As at the date hereof, Golden Nova Holdings Limited, Wisdom On Holdings Limited and their respective associates have indicated that they have no intention to vote against the ordinary resolution to be proposed at the SGM.

An Independent Board Committee comprising Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on the refreshment of the Existing Issue Mandate. We, South China Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates.

LETTER FROM SOUTH CHINA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the refreshment of the Existing Issue Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the proposed refreshment

The Directors were authorized to issue and allot up to 239,400,000 new Shares under the Existing Issue Mandate which was granted to the Directors at the AGM held on 31 August 2006.

According to an announcement of the Company dated 4 April 2007 and captioned "Subscription of new shares" (the "Share Subscription Announcement"), a total of 69,500,000 new Shares were issued pursuant to the relevant share subscription agreement. Since all of such new Shares were issued under the authority of the Existing Issue Mandate, the Existing Issue Mandate has been utilized as to 69,500,000 Shares, representing approximately 29.03% of the Existing Issue Mandate.

If the New Issue Mandate is not granted, only 169,900,000 new Shares may be further issued and allotted by the Directors under the Existing Issue Mandate. Given that the Existing Issue Mandate has been partially utilized as a result of the Share Subscription, the Board proposes to seek approval of the Independent Shareholders for grant of the New Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total number of Shares in issue as at the date of passing the relevant resolution at the SGM. As referred to in the Board Letter, the Directors believe that the grant of the New Issue Mandate will allow the Group to maintain financial flexibility for its future business development.

As at the Latest Practicable Date, there were 4,302,866,666 Shares in issue. Assuming that no further Shares will be issued or repurchased thereafter and until the date of the SGM, the Directors will be able to issue and allot up to 860,573,333 new Shares, representing 20% of the total number of Shares in issue as at the date of the SGM.

The Group is principally engaged in the sale and distribution of polyurethane materials in the PRC as well as oil exploration and exploitation in Madagascar. As advised by the Directors, the Group is continuously seeking new investment opportunities in the industries which the Group is principally engaged in. Although the Directors have no concrete proposal to utilize the New Issue Mandate to issue and allot Shares in the moment, the Directors expect that additional funding may be required for further development of the Group's new businesses such as the oil exploration and exploitation business in the Republic of Madagascar and the trading of fuel oil in the PRC. In this regard, we understand from the Directors that the Company is in preliminary discussions with various investors for a possible investment in the Company. Nevertheless, as aforementioned, no concrete proposal has been obtained from the potential investors up to the Latest Practicable Date despite that various opportunities exist.

LETTER FROM SOUTH CHINA CAPITAL

The Directors would consider utilizing the New Issue Mandate to raise further funds in the near future as and when necessary. Having considered the future possible investment opportunities of the Group, especially in view of the buoyant investment sentiments in Hong Kong at present, we consider that it would be prudent and reasonable for the Company to preserve a strong capital base in order to finance the future possible investment opportunities. As also confirmed by the Directors, the next annual general meeting of the Company is scheduled to be held in late September 2007 while the grant of the New Issue Mandate at the SGM is likely to be completed in mid to late July 2007. If the New Issue Mandate is not granted and there is equity fund raising opportunity for the Group before the holding of the next annual general meeting which requires the Company to issue and allot more than 169,900,000 Shares, or the Group identifies a suitable investment opportunity but does not have sufficient financial resources in hand or is unable to obtain loan financing on acceptable terms in a timely manner, the Group will lose a favorable opportunity to strengthen its equity base or expand its business portfolio. Given that the cost of refreshment of the Existing Issue Mandate is minimal as compared to the funds to be raised through the exercise of the New Issue Mandate, we concur with the Directors that the benefit shall outweigh the cost of the refreshment of the Existing Issue Mandate. Thus, we consider the refreshment of the Existing Issue Mandate to be in the interests of the Company and the Shareholders as a whole.

(2) Flexibility in financing

According to the Board Letter, the Board considers that there is no immediate funding need for the Group's current operations and there is currently no concrete proposal presented by potential investors for investment in the Shares. Nevertheless, as stated in the Board Letter and mentioned above, the Directors are of the view that the grant of the New Issue Mandate is in the best interests of the Company and the Shareholders as a whole by allowing the Group to maintain financial flexibility for its future business development.

As aforementioned, the grant of the New Issue Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments or acquisitions in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the grant of the New Issue Mandate would give the Group more financing options when assessing and negotiating on potential acquisitions in a timely manner. Given the financial flexibility available to the Company as just discussed, we concur with the Directors that the grant of the New Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(3) Other financing alternatives

With reference to the Board Letter, the Company has not conducted any fund raising activity during the past 12 months save and except for (i) the placing of 119,700,000 new Shares as announced by the Company on 16 August 2006; and (ii) the Share Subscription.

LETTER FROM SOUTH CHINA CAPITAL

We have further enquired into and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings, as possible fund raising method for the Group. In this regard, the Directors consider equity financing to be an important avenue of resources to the Group since it does not create any interest payment obligations on the Group. In addition, the Directors are also of the opinion that the ability for the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition and such alternative may subject to lengthy due diligence and negotiations with the banks. Due to these reasons, the Directors consider debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as placement of new Shares, for the Group to obtain additional funding.

Moreover, the Directors also confirmed that they will exercise due and careful consideration when choosing the best method of financing for the Group. Having this being the case, together with the fact that the refreshment of the Existing Issue Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the refreshment of the Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole regardless of the financial performance of the Group.

(4) Potential dilution to shareholdings of the Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the New Issue Mandate (assuming no other Shares are issued or repurchased by the Company):

| | Shareholding in the Company as at the Latest Practicable Date | | Shareholding in the Company upon full utilization of the New Issue Mandate (assuming no other Shares are issued or repurchased by the Company) | |
|--|---|------------|--|------------|
| | <i>No. of Shares</i> | % | <i>No. of Shares</i> | % |
| Gold Nova Holdings Limited (<i>Note</i>) | 2,372,526,666 | 55.14 | 2,372,526,666 | 45.95 |
| Wisdom On Holdings Limited (<i>Note</i>) | 750,080,000 | 17.43 | 750,080,000 | 14.53 |
| Subtotal of shareholdings held by Dr. Hui Chi Ming and his concert parties | 3,122,606,666 | 72.57 | 3,122,606,666 | 60.48 |
| Shares to be issued under the New Issue Mandate | – | – | 860,573,333 | 16.66 |
| Public | 1,180,260,000 | 27.43 | 1,180,260,000 | 22.86 |
| Total | 4,302,866,666 | 100 | 5,163,439,999 | 100 |

LETTER FROM SOUTH CHINA CAPITAL

Note: These Shares are beneficially owned by and registered in the name of Gold Nova Holdings Limited and Wisdom On Holdings Limited respectively, which are 100% beneficially owned by Dr. Hui Chi Ming.

The table above illustrates that the shareholding of the public Shareholders will decrease from approximately 27.43% to approximately 22.86% upon full utilization of the New Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholding of the public Shareholders represents a minimal dilution of approximately 4.57 percent point.

The Company may not utilise the New Issue Mandate in full which would result in the amount of the Shares held by the public to be reduced to less than 25%, being the minimum prescribed percentage for the Shares to be held by the public after listing of the Shares on the Main Board of the Stock Exchange. In the event that the New Issue Mandate is fully utilised, the shareholding of the public will fall to approximately 22.86%. The Company will monitor the amount of public float and take appropriate actions to prevent the public float to fall below 25% so as to comply with Rule 8.08 of the Listing Rules.

Taking into account the fact that the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilization of the New Issue Mandate, we are of the opinion that such potential dilution to the shareholdings of the Shareholders is acceptable.

(5) Proposed grant of the New Issue Mandate

Under the Listing Rules, an ordinary resolution shall be proposed at the SGM to obtain approval from the Shareholders to grant the New Issue Mandate before the next annual general meeting of the Company to authorize the Directors to issue and allot new Shares of not exceeding 20% of the total number of Shares in issue as at the date of the SGM. Pursuant to Rule 13.39(4)(b) of the Listing Rules that such an approval should be taken on a vote by way of poll. It is further required by Rule 13.36(4)(a) of the Listing Rules that the controlling shareholders of the Company and their respective associates or, if there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the ordinary resolution for approving the grant of the New Issue Mandate.

Besides that, it is further stipulated that upon approval of the grant of the New Issue Mandate at the SGM, the Existing Issue Mandate will be revoked and the New Issue Mandate will be and continue to be effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the Bermuda law and the Bye-laws; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

LETTER FROM SOUTH CHINA CAPITAL

In view of the relevant stringent provisions and requirements of the Listing Rules, we believe that there are sufficient control and measures to guide the grant of the New Issue Mandate and the continuity of the New Issue Mandate. Having this being the case, we are of the view that the refreshment of the Existing Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration that:

- (1) the refreshment of the Existing Issue Mandate will allow the Group to maintain financial flexibility to respond to any investment opportunity which may arise instantly and give the Group more financing options when assessing and negotiating on potential acquisitions in a timely manner;
- (2) the refreshment of the Existing Issue Mandate will allow the Group to exploit future investment opportunity without the constraint of inability to obtain loan financing;
- (3) equity financing is an important avenue of resources to the Group since it does not create any interest payment obligations on the Group;
- (4) the Directors will exercise due and careful consideration when choosing the best method of financing for the Group; and
- (5) the potential dilution to the shareholding interests of the Shareholders being acceptable,

we are of the opinion that the refreshment of the Existing Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of the New Issue Mandate and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

NOTICE OF SGM



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)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Sino Union Petroleum & Chemical International Limited (the “Company”) will be held at 3:00 p.m. on Friday, 27 July 2007 at Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution:

ORDINARY RESOLUTION

“**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors (the “Directors”) of the Company at the annual general meeting of the Company held on 31 August 2006 be and is hereby revoked and replaced by the mandate **THAT**:

- (a) subject to paragraph (c) below, pursuant to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.02 each (the “Shares”) in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and

* for identification purpose only

NOTICE OF SGM

issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws (the “Bye-laws”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).”

Yours faithfully,
For and on behalf of the Board
Sino Union Petroleum & Chemical International Limited
Chui Say Hoe
Executive Director

Hong Kong, 11 July 2007

NOTICE OF SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Units 10-12, 19th Floor
China Merchants Tower
Shun Tak Center
168-200 Connaught Road Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the SGM may appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude you from attending in person and voting at the SGM or any adjournment thereof, should you so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.