SHANGHAI TONVA
Petrochemical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1103

*For identification purposes only

2014
ANNUAL REPORT

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Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**6,215,891**	5,885,633	4,422,014	3,220,685	2,475,024
Profit before income tax expense	**264,929**	232,181	161,287	92,982	102,221
Profit attributable to owners of the Company	**168,083**	138,959	101,278	71,722	66,972
Net profit margin	**2.70%**	2.36%	2.29%	2.23%	2.71%
Earnings per share (RMB) (basic and diluted)	**0.120**	0.099	0.072	0.051	0.048

Note: Basic and diluted earnings per share for the years ended 31 December 2013, 2012, 2011 and 2010 have been restated for the impact of the bonus issue of Shares in 2014.

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**978,702**	834,583	739,733	623,991	618,494
Current assets	**2,962,655**	2,619,620	2,225,504	1,839,851	1,330,998
Non-current liabilities	**(81,196)**	(14,280)	(11,311)	(22,127)	(69,981)
Current liabilities	**(2,832,631)**	(2,533,633)	(2,151,974)	(1,750,503)	(1,223,438)
Non-controlling interests	**(134,934)**	(141,073)	(117,646)	(92,624)	(108,280)
Capital and reserves attributable to owners of the Company	**892,596**	765,217	684,306	598,588	547,793

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lan Huasheng *(Chairman)*
Mo Luojiang *(Chief Executive Officer)*
Wang Liguo *(Vice President)*

Non-Executive Director

Chan Cheuk Wing Andy

Independent Non-Executive Directors

Chung Cheuk Ming
Pan Min
Zhou Jianhao

SUPERVISORS

Lu Tingfu
Ye Mingzhu
Zhao Liping

AUDITOR

BDO Limited, Certified Public Accountants

REGISTERED OFFICE

706 Renhe Building
2056 Pudong Road
Pudong New Area
Shanghai PRC
Postal code: 200135

PRINCIPAL PLACE OF BUSINESS IN CHINA

35F, Aurora Plaza
No. 99 Fu Cheng Road
Pudong New District
Shanghai PRC
Postal code: 200080

PLACE OF BUSINESS IN HONG KONG

Unit 1705-06
Convention Plaza Office Tower
No. 1 Harbour Road
Wan Chai
Hong Kong

COMPANY WEBSITE

www.tonva.com

COMPLIANCE OFFICER

Mo Luojiang

COMPANY SECRETARY

Lo Suet Fan

AUTHORISED REPRESENTATIVES

Mo Luojiang
Lo Suet Fan

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming *(Chairman)*
Chan Cheuk Wing Andy
Pan Min
Zhou Jianhao

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao *(Chairman)*
Chung Cheuk Ming
Pan Min

MEMBERS OF THE NOMINATION COMMITTEE

Mo Luojiang *(Chairman)*
Chung Cheuk Ming
Pan Min
Zhou Jianhao

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications
China PingAn Bank
Shanghai Pudong Development Bank
Agricultural Bank of China

STOCK CODE

1103

Chairman's Statement

Chairman's Statement

In 2014, amidst the complicated domestic and overseas economic environment, the Chinese government continued to implement aggressive fiscal policy and stable monetary policy by adhering to the general working guideline of making progress while maintaining stability and insisted that the macro policy should be stable and the micro policy should be flexible. These policies have effectively enhanced the quality and efficiency of economic development with emphasis on innovation, strengthen efforts in risk prevention and control and accelerated structural adjustments. The economy is under good shape and recorded a GPD growth rate of 7.4% for the year. Economic development has entered into the "new normal" phase where economic growth has changed from high growth rate to medium-high growth rate. With continuous optimization and upgrading of the economic structure, the driving forces also shifted from factors-driven and investment-driven to innovation-driven.

The One Belt and One Road (OBOR) strategy encouraged private enterprises to participate in oversea markets in various ways. Firstly, preferential loans of strategic financial institutions will be provided to both state-owned and private enterprises. Moreover, private enterprises can, through the "Mixed Ownership System", work closely with state-owned construction enterprises for project development, and thus "Go Global" by following the pace of these enterprises. Most importantly, established private construction enterprises also have the abilities to undertake projects in the oversea markets individually. The implementation of the OBOR strategy will thus help to bring private enterprise(s) into the national OBOR-market. The Company is now making every attempt to seize this unique opportunity for development. Also, it will capitalize from the market growth by diversifying its trading business towards petrochemical downstream products and actively exploring the petrochemical products market of petroleum coke and sulfur in order to expand its business portfolio. Leveraging on its resource and flexible operating system, the Group will implement the "Go Global" strategy in a manner of large scale integration and partnership and actively participate in foreign-aided construction, such as OBOR building in order to achieve great-leap forward in its development.

RESULTS OF THE YEAR

During the period under review, turnover and gross profit of the Group were approximately RMB6,215,891,000 and RMB388,799,000, respectively, representing an increase of approximately 5.6% and a decrease of approximately 2.7%, respectively, as compared to the same period last year. During the period, road and bridge construction business of the Group achieved turnover of approximately RMB1,286,935,000, representing an increase of approximately 28.0% as compared to the same period last year. Gross profits was approximately RMB227,853,000, representing an increase of approximately 49.2%; whereas petrochemical products supply chain services of the Group achieved turnover of approximately RMB4,928,956,000, representing an increase of approximately 1.0% as compared to the same period last year. Gross profits was approximately RMB160,946,000, representing a decrease of approximately 34.8% as compared to last year.

BUSINESS OVERVIEW AND MAJOR FACTORS AFFECTING THE PROFIT

In 2014, along with the introduction of key strategic vision of OBOR by the government and the accelerated development of "modern urbanization" and the Western Development Program, the investment demand for infrastructure and its inter-connectedness construction saw a general enhancement, bringing more market opportunities for the development of the road and bridge construction industry. Leveraging on the technical advantages and extensive project experience accumulated over the years in road and bridge construction business, the Company not only strengthened its position in developed markets such as Eastern, Central and Southern China, but also capitalized from the opportunities brought by the national policies to further reinforce its strength in road and bridge construction and continuously explore new markets so as to bring a stable momentum to optimize the development of the Group's road and bridge construction business and growth of the projects. During the period under review, road and bridge construction business of the Group achieved turnover of approximately RMB1,286,935,000 (2013: approximately RMB1,005,190,000), accounting for approximately 20.7% of the Group's total turnover. Gross profit was approximately RMB227,853,000 (2013: approximately RMB152,759,000), representing an increase of approximately 49.2% from last year, which will bring stable cash inflows to the Group's operation in the future.

For petrochemical products supply chain services, leveraging extensive experience accumulated and stable channels in this market, the Company has established highly competitive product mix and business scale. Meanwhile, the Company has made a dedicated effort in expanding its product mix towards petrochemical downstream supply chain and developing chemical fertilizer product business. It also expedited the vertical optimization of the petrochemical product industry chain, enabling the Group to diversify its product supply. Significant progress has been made in this aspect. During the period under review, petrochemical products supply chain services of the Group achieved turnover of approximately RMB4,928,956,000 (2013: approximately RMB4,880,443,000). Gross profit was approximately RMB160,946,000, representing a decrease of approximately 34.8% from last year, whereas gross margin decreased from approximately 5.1% in last year to approximately 3.3% in this reporting period due to the execution of product diversification strategy.

FUTURE PROSPECTS

2015 marks the launch of China's 13th Five-Year Plan which focused to comprehensively deepen reform and generally implement the economic restructuring and development strategies. Also, according to the Report on the Work of the Government of the 12th NPC, the following strategies are pursued: "To integrate the One Belt and One Road (OBOR) strategy with the regional development and opening-up and expand the infrastructure connectedness across the Eurasian continent in terms of highways, maritime transportation and ports", as well as "To promote the Silk Road economic belt and the 21st Century Maritime Silk Road building through multilateral collaboration". As the government policy was shifting in favour of the OBOR and "Go Global" strategy for the huge volume of orders from overseas, interest rate was lowered to create a more favorable capital market. In view of this and the fact that China is currently under the "new normal" phase of economic development, the Group will duly review any advantages and opportunities therefrom and formulate diversified development strategies to cater for the market demand. Sparing no effort in constantly optimizing resource allocation of road and bridge construction business and the industry chain of petrochemical products, the Group will also strengthen the management control and strives to develop the businesses which have competitive edges so as to boost its overall performance.

For our specific businesses, in order to achieve positive development prospect, the Group will primarily make strategic adjustment in the following areas:

For our overall strategic planning, the Group will increase the investment in the road and bridge construction sector and in response to the national policy, proactively explore new markets in the regions such as South-Western China and Xinjiang. The Group will also aggressively participate in overseas construction projects in a prudent manner for a larger market share through collaboration with certain major state-owned enterprises. On one hand, the Group will optimize its internal structure and enhance its business capabilities. On the other hand, we will also seek ways for the launch of "Go Global" strategy, actively participate in the OBOR building and "diversified ownership" strategy in order to realize long-term business growth through strengthened cooperation with subcontractors and expansion into overseas market.

For our road and bridge construction business, the Group will focus on effective key project constructions by reinforcing its management control, striving to maintain and enhance the construction management standards. It will also place great emphasis on both safety and quality while stepping up its effort in the pursuit of innovation and excellence. Meanwhile, in addition to the traditional road and bridge construction business, the Group also played an active role in research and exploration of other road and bridge construction business segments closely related to the highly competitive traditional market such as landscaping and horticulture and launching foreign-aided road and bridge construction projects through cooperation with certain major state-owned enterprises.

For the petrochemical products, the Group will continue to focus on the diversification of the petrochemical product trading business. While consolidating the existing petroleum products trading business, the Group will continue to broaden the product portfolio of its petrochemical product trading business. Leveraging on favorable market opportunities such as adjustment in export tariff for chemical fertilizer, the Group will expand its end product chemical fertilizer business in the petrochemical industry chain according to the product diversification strategy, so as to achieve long-term sustainable growth. Also, with an aim to provide new and sustainable drivers for its overall performance, the Group will further explore opportunities to expand into the consumer energy sectors, including marine bunkering and onshore oil blending.

Lan Huasheng
Chairman

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

In the year of 2014, the recovery of the global economy was at a slow pace. The economic growth remained generally flat-off or saw mild increase. Among the four major economies, namely United States, Eurozone, China and Japan, China and the United States were the key drivers of global economic growth. Despite the slowdown in economic growth, China still outperformed the world economy with its robust surge. In 2015, huge demands will arise from the optimization and upgrade of industries in China, which will benefit the domestic consumption and in turn lost economic growth. As such, the re-balance of China's economy will continue to foster positive results, benefitting the business environment for road and bridge construction as well as petrochemical products trading businesses.

With the implementation of national strategies such as "Silk Road Economic Belt" and "Maritime Silk Road" and new aided cooperation policies put forward by the President during his visit to Africa and Latin American countries, more market opportunities have been created for the Company's overseas business. A number of countries and regions, including the United States, Brazil, Australia, Russia and Europe, have respectively proposed to increase investment in infrastructure in order to promote their economic development. According to their proposals, infrastructure construction will maintain its robust demand when infrastructure connectedness, road and bridge construction and urbanization construction will become the focus of development across these countries and regions.

The Company is now making every attempt to seize this unique opportunity for development. Also, it will capitalize from the market growth by diversifying its trading business towards petrochemical downstream products and actively exploring the petrochemical products market of petroleum coke and chemical fertilizer in order to expand its business portfolio. Leveraging on its resource and flexible operating system, the Group will implement the "Go Global" strategy in a manner of large-scale integration and partnership and actively participate in foreign-aided construction, such as One Belt and One Road (OBOR) building in order to achieve great-leap forward in its development.

During the period under review, turnover of the Group were approximately RMB6,215,891,000 representing an increase of approximately 5.6% compared with that of last year, which was primarily attributable to the solid growth in the road and bridge construction business. Due to execution of product diversification strategy in the petrochemical products supply chain service during the period under review, the Group recorded a decrease of about 2.7% in gross profits as compared with that of previous year. Gross profits of the Group for the year was approximately RMB388,799,000 while the overall gross margin decreased from 6.8% in 2013 to 6.3% in 2014. Management believe that to achieve more steady and healthy business operations in the long run, an appropriate decline in gross profit during this year was justified.

BUSINESS OPERATIONS

The Group's main business includes road and bridge construction business and petrochemical products supply chain services. Among them, road and bridge construction business mainly comprises the construction and maintenance of highways and bridges. The Company possesses first-class national highway construction contractor qualification, first-class municipal utility construction contractor qualification and first-class professional contractor qualifications for bridge, pavement and roadbed construction, undertaking expressway, roadbed, bridge and municipal utility construction projects across the country. Leveraging on the technical advantages and extensive project experience accumulated over the years in road and bridge construction business, the Company not only strengthened its position in developed markets such as Eastern, Central and Southern China, but also capitalized from the opportunities brought by the national policies to further reinforce its strength in road and bridge construction and continuously explore new markets so as to bring a stable momentum to optimize the development of the Group's road and bridge construction business and growth of the projects. For petrochemical products supply chain services, the Group was mainly engaged in the trading of petrochemical products such as fuel oil, asphalt, diesel and petroleum coke products. Leveraging extensive experience accumulated and stable channels in this market, the Company has established highly competitive product mix and business scale. Meanwhile, the Company has made a dedicated effort in expanding its product mix towards petrochemical downstream supply chain and developing chemical fertilizer product business. It also expedited the vertical optimization of the petrochemical industry chain, enabling the Group to diversify its product supply. Significant progress has been made in this aspect.

ROAD AND BRIDGE CONSTRUCTION BUSINESS

In 2014, along with the introduction of key strategic vision of OBOR by the government and the accelerated development of "modern urbanization" and the Western Development Program, the investment demand for infrastructure and its inter-connectedness construction saw a general enhancement, bringing more market opportunities for the development of the road and bridge construction industry. During the period, the Group stepped up its effort in resources optimization and integration and market expansion. By further increasing its shareholdings in core subsidiaries engaging in road and bridge construction, the Group has opened up opportunities for investment, operation and expansion of its construction projects, and the Group may focus its resources on improving the performance of the road and bridge construction advantageous sectors and constantly expanding its market share. As such, a number of road and bridge construction business contracts have been obtained. Meanwhile, with careful planning and organization, as well as strict control on management and risks, the Group performed fairly well in terms of total number of new business development, construction output and economic benefits.

- **Business development:** In 2014, the Group effectively completed market development of RMB2.03 billion in total, representing an increase of 40% as compared to 2013 and reaching the Group's record high.

- **Quality of construction business:** During the period, the Group attained 100% compliance rate of contracted construction schedule and 100% acceptance rate of construction in progress for its construction projects. The proportion of good construction sub-projects also reached 100%. All completed construction projects were rated as excellent with no material defect or safety incidents.

- **Honours and awards:** Adhering to the business strategy of "Quality wins market trust and integrity builds our brand", Nantong Road and Bridge, a subsidiary of the Group, was awarded "Top 100 Honest Enterprises (百家誠信)" by the China Highway Construction Association during the period. The Group was also awarded "Tianfu Cup (天府杯)" by Sichuan Provincial Department of Housing and Urban-Rural Development in August 2014.

As of 31 December 2014, road and bridge construction business of the Group achieved a substantial year-on-year growth of approximately 28.0% in turnover, which was approximately RMB1,286,935,000 (31 December 2013: approximately RMB1,005,190,000), accounting for approximately 20.7% of the Group's total turnover. Gross profit was approximately RMB227,853,000 (31 December 2013: approximately RMB152,759,000), representing a significant increase of approximately 49.2% from last year whereas gross margin rose from approximately 15.2% in last year to approximately 17.7% in this reporting period. As of 31 December 2014, the backlog of bid-winning construction contracts not yet recognized as revenue amounted to approximately RMB1,840,000,000 (2013: approximately RMB1,400,000,000), most of which will be completed within the next six to eighteen months, which will bring stable cash inflows to the Group.

PETROCHEMICAL PRODUCTS SUPPLY CHAIN SERVICES

For petrochemical products supply chain services, the demand from the domestic market remained substantially stable in 2014. On the basis of the traditional business model, the Group continued to promote the upgrade of product portfolio and expand its market share through optimization of resources allocation. These further boosted the growth of petrochemical trading business and a turnover growth was recorded during the period. Meanwhile, capitalising on the wide range of product mix, the Company devoted its internal resources on integrating business sectors and strived to capture the change in market environment to launch and develop new business models, which have in turn enhanced the overall operation efficiency of the Group.

In view of the volatility of demand in the domestic petrochemical market, the Group actively capitalized the opportunities brought by the agricultural policy reform and structural adjustment by deepening its business diversification strategy. Leveraging on its advantages in respect of resources and operating system for petrochemical products, the Company closely followed the national policies and tapped into the historic opportunities posed by the "Farmers, Villages and Agricultural" reform by making dedicated effort in extending its trading business towards petrochemical downstream products and developing its petrochemical-related chemical fertilizer trading business. The chemical fertilizer trading business has achieved good progress since its development in the third quarter of 2014. During the reporting period, the Group contracted accumulated sales orders in the chemical fertilizer business of over RMB1,200 million (equivalent to approximately HK$1,500 million), with most of the business partners being well-established enterprises in the industry. The strategic planning of the chemical fertilizer business has not only broadened the range of products and trading service of the Company, but also further strengthened its competitiveness as a whole.

For the year ended 31 December 2014, turnover of petrochemical products supply chain services was approximately RMB4,928,956,000 (31 December 2013: approximately RMB4,880,443,000), accounting for approximately 79.3% of the Group's total turnover. Gross profit was approximately RMB160,946,000 (31 December 2013: approximately RMB246,930,000), representing a decrease of approximately 34.8% compared with that of last year, whereas gross margin dropped from approximately 5.1% of last year to approximately 3.3% during the reporting period.

DISTRIBUTION COSTS

For the year ended 31 December 2014, the Group's distribution costs were approximately RMB13,170,000 (2013: approximately RMB13,505,000), representing a slight decrease of approximately 2.5%.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2014, the Group's administrative expenses were approximately RMB124,884,000 (2013: approximately RMB103,406,000), representing an increase of approximately 20.8% over last year. The significant increase of administrative expenses as compared to last year was mainly due to the net provision of RMB66,409,000 on the newly added trade and other receivables during the period under review but was partially offset by a significant reduction in staff cost.

FINANCE COSTS

The finance costs for the year were approximately RMB100,568,000, representing a slight increase of approximately 0.8% compared to RMB99,784,000 in last year.

OTHER INCOME AND GAINS

For the year ended 31 December 2014, the Group's other income and gains were approximately RMB111,700,000 (2013: approximately RMB52,389,000). The huge increase in other income and gains was mainly due to the gain of approximately RMB84,850,000 from the disposal of a subsidiary during the year.

PROFIT FOR THE YEAR

For the year ended 31 December 2014, the Group recorded profit for the year attributable to owners of the Company of approximately RMB168,083,000 (2013: approximately RMB138,959,000), representing an increase of approximately 21.0% over last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Net current assets value

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operation and loans from principal banks. As of 31 December 2014, the Group had current assets of approximately RMB2,962,655,000 (2013: approximately RMB2,619,620,000). The current assets mainly comprised cash and cash equivalents amounting to approximately RMB110,724,000 (2013: approximately RMB279,780,000), restricted bank deposits of approximately RMB289,242,000 (2013: approximately RMB238,345,000), trade and other receivables of approximately RMB2,351,187,000 (2013: approximately RMB1,960,114,000). The Group had current liabilities of approximately RMB2,832,631,000 (2013: approximately RMB2,533,633,000). The current liabilities mainly comprised of borrowings of approximately RMB822,000,000 (2013: approximately RMB1,388,611,000), trade and other payables of approximately RMB1,894,908,000 (2013: approximately RMB1,067,394,000). As of 31 December 2014, the net current asset value was RMB130,024,000 (2013: approximately RMB85,987,000).

Working capital

As of 31 December 2014, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB399,966,000 (2013: approximately RMB518,125,000). The decrease in cash and cash equivalents was mainly attributable to the repayment of certain bank borrowings and the increase in trade receivables as a result of growth of business.

Borrowings

As of 31 December 2014, the Group had long-term borrowings of approximately RMB70,000,000 (2013: Nil) and had short-term borrowings of approximately RMB822,000,000 (2013: approximately RMB1,388,611,000). Most of the Group's borrowings were denominated in RMB.

Pledge of assets

As of 31 December 2014, payments for leasehold land held for own use under operating leases with a net book value of approximately RMB8,397,000 (2013: approximately RMB8,610,000) were pledged as security for the Group's borrowings. As of 31 December 2014, property, plant and equipment with a net book value of approximately RMB5,610,000 (2013: approximately RMB17,796,000) were pledged as security for the Group's borrowings. As of 31 December 2014, investment property with a net book value of approximately RMB11,328,000 (2013: nil) were pledged as security for the Group's borrowings. As of 31 December 2014, no trade receivables (2013: approximately RMB30,581,000) were pledged as security for the Group's borrowings. As of 31 December 2014, the Group had restricted bank deposits of approximately RMB289,242,000 (2013: RMB238,345,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

Debt to asset ratio

The debt to asset ratio as of 31 December 2014 was approximately 73.9% (2013:approximately 73.8%), which was calculated as total liabilities divided by total assets.

Foreign exchange risk

The Group's trade receivables were denominated in Renminbi while domestic and foreign purchases were either denominated in Renminbi or United States Dollars. As such, the Group does not have significant foreign currency exchange exposures for the time being. The management of the Group considers that no hedging or other relevant measure is necessary currently, but will closely monitor the fluctuation of the exchange rates of the relevant foreign currencies against Renminbi.

Material acquisitions and disposals of subsidiaries and associated companies

On 2 April 2014, a sales and purchase agreement was entered into between Shanghai Shenhua Logistics Company Limited, a direct wholly-owned subsidiary of the Company (as the vendor) and Pan Hongwei (as the purchaser) in relation to the disposal of the entire shareholding of Zhengzhou Huasheng Petroleum Products Co. Ltd., the then indirect wholly-owned subsidiary of the Company in the consideration of RMB95,000,000. The disposal was subsequently completed on 9 May 2014. Details of which, please refer to the announcement of the Company dated 2 April 2014.

On 25 July 2014, an agreement for assignment of debt was entered into between the Company and Shanghai Hao Chang Industrial Corporation Limited in relation to the disposal of accounts receivable in the consideration of RMB490,956,960. Completion of the agreement also took place on 25 July 2014. Details of which, please refer to the announcement of the Company dated 25 July 2014 and circular of the Company dated 19 September 2014.

Save as disclosed above and the transactions described elsewhere in this annual report, the Group had no other material acquisitions or disposals during the year.

Biographical Details of Directors, Supervisors and Senior Management

BOARD OF DIRECTORS

Executive directors

Mr. Lan Huasheng (蘭華升), aged 43, has served as the chairman of the Board and an executive Director since June 2014. He is a senior accountant in the PRC. He is also a director of certain subsidiaries of the Group. Mr. Lan has extensive experience in finance and accounting. He was formerly a finance manager and financial controller of various companies from July 1995 to June 2006. He acted as the general manager of Fujian Dasheng Holdings Limited ("**Fujian Dasheng**") from June 2006 to May 2014 and the chairman of the board of directors and general manager of Dasheng (Fujian) Agricultural Ltd. ("**Dasheng (Fujian)**") from April 2010 to April 2014. He is currently the chairman of the board of directors of Fujian Dasheng and the chairman of the board of directors and general manager of Dasheng Holdings Limited ("**Dasheng Holdings**") and Shenzhen Dasheng, where Dasheng Holdings owns 100% of the equity interest in Shenzhen Dasheng, which in turn owns 100% of the equity interest in Dasheng (Fujian). Mr. Lan graduated from Jiangxi University of Finance and Economics in the PRC specialising in finance in July 2002. Mr. Lan was awarded "The Sixth Session of Fujian May 4th Youth Medal" in May 2009 and selected as one of the "Outstanding Youth Entrepreneurs of Fujian Province" in September 2009. Mr. Lan is also the vice chairman of Fujian Society for Studies of Five-ties Culture since February 2009.

Mr. Mo Luojiang (莫羅江), aged 36, has served as chief executive officer of the Company and an executive Director since May 2013 and June 2013, respectively. He is also the chairman of the nomination committee of the Company and a director of certain subsidiaries of the Group. Mr. Mo joined the Company in July 2003 and was responsible for the preparation of listing of the Company in Hong Kong and then he was in charge of the business operation of the Company. Mr. Mo served as secretary of the Board from July 2003 to July 2006 and from April 2012 to May 2013, and the vice general manager of the Company from May 2006 to June 2013. He served as executive vice general manager of the Company from March 2007 to December 2010. Mr. Mo served as an executive Director of the Company from May 2007 to June 2012 when the Company was listed on the Growth Enterprise Market of the Stock Exchange. He obtained a bachelor's degree in management specialising in accountancy from Shanghai University of Finance and Economics in July 2003. Mr. Mo was awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs" in 2008.

Mr. Wang Liguo (王立國), aged 52, has served as executive Director and vice president of the Company since June 2014 and May 2014, respectively. He is a senior engineer in the PRC. He is also a director of certain subsidiaries of the Group. Mr. Wang has nearly 30 years' experience in the China petroleum and petrochemical industries. From 1983 to 2011, Mr. Wang worked for various branches and subsidiaries of China Petrochemical Corporation ("**Sinopec**"). From August 1983 to May 2000, Mr. Wang held various of positions in Anqing Branch Company of Sinopec, including senior engineer, system analyst and deputy director of crude oil department. He has served as the vice director and director, respectively, of human resource department of Sinopec Guangdong Oil Products Company Shenzhen Branch from May 2000 to November 2007, a vice manager of Sinopec International (Hong Kong) Co., Ltd. from October 2007 to October 2011. From November 2011 to December 2013, he acted as the general manager of Hongkong Huaxin Petroleum Limited. Mr. Wang is currently as a director of Zhenjiang Runde Equity Investment Fund Ltd.. Mr. Wang obtained a bachelor's degree in metal material and heat treatment from Hefei University of Technology in the PRC in July 1983 and was a postgraduate in business administration from Zhejiang University in the PRC in June 1997.

Non-Executive director

Mr. Chan Cheuk Wing Andy (陳焯榮), aged 39, was appointed as a non-executive Director in December 2009. He is a member of the audit committee of the Company. Mr. Chan has extensive experience in private equity in pan-Asia region and strategic management consulting. Mr. Chan is currently the senior vice president of CLSA Capital Partner (HK) Ltd. Prior to joining CLSA Group, Mr. Chan worked for strategic management consulting companies, such as A. T. Kearney in the United States as a management consultant. Mr. Chan obtained a bachelor's degree in business administration from the University of Michigan in the United States in April 1998 and a master's degree in business administration from Duke University in the United States in May 2004.

Independent Non-executive Directors

Mr. Chung Cheuk Ming (鍾卓明), aged 52, has served as an independent non-executive Director since June 2012. He is the chairman of the audit committee of the Company and a member of the remuneration and Assessment committee and nomination committee of the Company. Mr. Chung is a practicing certified public accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Society of Chinese Accountants and Auditors, and an associate member of the Hong Kong Institute of Bankers. Mr. Chung has been the principal of Alex Chung & Company, Certified Public Accountants since August 2006. Mr. Chung is currently a court-appointed trustee in bankruptcy. He worked for Louie Wu & Co over three years and resigned in June 2006. Mr. Chung obtained a bachelor of arts degree from The University of The Hong Kong in November 1986. He also obtained a postgraduate diploma in information systems from City University of Hong Kong in November 1998, a master of science degree in e-commerce from The Hong Kong Polytechnic University in November 2003 and a master of science degree in corporate governance and directorship from Hong Kong Baptist University in November 2006. In addition, Mr. Chung obtained a postgraduate diploma in insolvency from HKICPA in June 2004.

Mr. Zhou Jianhao (周建浩), aged 53, has served as an independent non-executive Director since December 2012. He is the chairman of the remuneration and assessment committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Zhou is currently the general manager of Shanghai Kunpu Electronics and Technology Co., Ltd. and Shanghai Pai Feng Industrial Co., Ltd. Mr. Zhou graduated from Nanjing Institute of Politics specialising in economic management in the PRC in June 2002 and completed an on-the-job postgraduate programme specialising in business administration from Shanghai Academy of Social Sciences in the PRC in December 2001.

Ms. Pan Min (潘敏), aged 44, has served as an independent non-executive Director in December 2012 and is a member of the audit committee, remuneration and assessment committee and nomination committee of the Company. Ms. Pan is a certified public accountant in the PRC and currently a partner of ShineWing Certified Public Accountants (Shanghai Branch). She worked with Ruihua Certified Public accountants (Special General Partnership) Shanghai Branch (formerly known as Shanghai Wan Long Zhong Tian Accountants and renamed as Crowe Horwath China Certified Public Accountants). Ms. Pan obtained a bachelor's degree in economics from Hangzhou Institute of Electronics and Engineering in the PRC (currently known as Hangzhou Dianzi University) specialising in accountancy in July 1992 and has completed the courses for a doctorate's programme in accountancy in Wu Han University in the PRC in June 2014.

SUPERVISORS AS NOMINATED BY SHAREHOLDERS OR EMPLOYEES

Mr. Lu Tingfu (盧挺富), aged 44, has served as a Supervisor representing shareholders of the Company since June 2014. He is an intermediate accountant in the PRC. Mr. Lu has more than 20 years of experience in finance, accounting and auditing. He is currently the general manager of Dasheng (Fujian), a wholly-owned subsidiary of Shenzhen Dasheng; the director of Dasheng Holdings, the holding company of Shenzhen Dasheng; and the director of Shenzhen Dasheng. Currently, Mr. Lu is also a general manager of Fujian Dasheng. Mr. Lu was with Fujian Textile and Chemical Fiber Group Co., Ltd. for nearly 20 years, where he held a number of positions, including vice manager and manager of finance department and auditor. He graduated from the department of economics and management in South China Institute of Tropical Crops in the PRC (now known as Hainan University) specialising in finance and accountancy in June 1993.

Ms. Ye Mingzhu (葉明珠), aged 69, has served as a Supervisor representing shareholders of the Company since December 2012. She is a certified public accountant in the PRC. She is currently the manager of ShineWing Certified Public Accountants and the independent director of Fujian Start Group Co., Ltd. She was previously the independent non-executive Director from June 2005 to December 2012. Ms. Ye had formerly worked with Shanghai Ruidong Hospital as executive vice-president and financial controller from March 2002 to October 2006 and Shanghai Xin Shen Certified Public Accountants from January 1994 to December 1998.

Ms. Zhao Liping (趙莉萍), aged 39, has served as a Supervisor representing employees of the Company since November 2014. She is an intermediate accountant in the PRC. She is currently the manager of the financing department of the Company. Ms. Zhao has more than 20 years of experience in finance, accounting and auditing. She has served several positions within the Group from September 2000 to August 2014, including manager of the finance and accounting department of Shanghai Tonva Asphalt Company Limited, manager of the finance and accounting department of Donghua (Hong Kong) Limited, accounting officer of the finance and accounting department of the Company and Shanghai Tonva Trading limited, the Company's predecessor. Prior to joining the Company, Ms. Zhao worked for Shanghai Building Materials Supply General Corp. Ms. Zhao graduated from University of Shanghai for Science and Technology in the PRC specialising in accounting in July 2002.

SENIOR MANAGEMENT

Mr. Qian Di (錢迪), aged 33, has served as the Group Financial Controller since August 2014. He is a member of Chinese Institute of Certified Public Accountants and passed the qualification programme of the HKICPA. Mr. Qian has over 10 years of experience in accounting and auditing. Prior to joining the Company, Mr. Qian worked in KPMG Huazhen (Special General Partnership) Shanghai Office from August 2006 to August 2014 and was an audit manager when he resigned. Mr. Qian obtained a bachelor's degree in management from Fudan University in the PRC specialising in financial management in July 2004.

Ms. Lo Suet Fan (盧雪芬), aged 49, has served as the company secretary and authorised representative of the Company since May 2013. Ms. Lo joined the Company in April 2013 and has extensive experience in finance, accounting and company secretarial fields. Ms. Lo is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. She obtained a Postgraduate Diploma in Finance and Law from The University of Hong Kong School of Professional and Continuing Education in July 2012.

Corporate Governance Report

The board of directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance and business ethics since the Board believes that sound and effective corporate governance practices are essential for maintaining and enhancing investors' confidence and maximizing shareholders' wealth. The Board, from time to time, reviews its corporate governance practices in order to meet the rising expectations of shareholders, to comply with the increasingly stringent regulatory requirements, and fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2014 and up to date of this annual report, save for the deviation from code provision A.2.1 (see section "Chairman and Chief Executive" below). The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2014 is explained in this Corporate Governance Report.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board, which currently comprises 7 Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The biographical details of the Directors are set out in the "Biographical Details of Directors, Supervisors and Senior Management" section on pages 14 to 16 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

In addition to the executive Directors, the Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. In addition, the Company has appointed one non-executive Director to enrich the profile of the Board.

The members of the Board during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors:
Mr. Lan Huasheng (Chairman) *(appointed on 25 June 2014)*
Mr. Mo Luojiang (Chief Executive Officer)
Mr. Wang Liguo (Vice President) *(appointed on 25 June 2014)*
Mr. Qian Wen Wah *(resigned on 23 April 2014)*
Mr. Li Hongyuan *(resigned on 23 April 2014)*

Non-executive Director:
Mr. Chan Cheuk Wing Andy

Independent non-executive Directors:
Mr. Chung Cheuk Ming
Ms. Pan Min
Mr. Zhou Jianhao

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

All the executive Directors, non-executive Director and independent non-executive Directors are appointed for a specific term of 3 years or until the expiration of the term of the current session of the Board and is subject to re-election provisions in the articles of association of the Company. All Directors shall be elected and removed by the shareholders in general meeting according to the Articles of the Company.

During the year ended 31 December 2014, the Board convened a total of eighteen Board meetings on the needs of the operation and business development of the Company.

MEETINGS ATTENDED/HELD

The attendance of individual members of the Board at the Board, Board Committees and general meetings during the year ended 31 December 2014 are as follows:

	Attendance/Meetings held				
Directors	**Board**	**Remuneration and Assessment Committee**	**Nomination Committee**	**Audit Committee**	**General meeting and class general meeting***
Executive Directors:					
Mr. Lan Huasheng (Chairman) *(appointed on 25 June 2014)*	9/9				3/3
Mr. Mo Luojiang (Chief Executive Officer)	18/18		2/2		9/9
Mr. Wang Liguo *(appointed on 25 June 2014)*	9/9				3/3
Mr. Qian Wen Wah *(resigned on 23 April 2014)*	5/5		1/1		0/0
Mr. Li Hongyuan *(resigned on 23 April 2014)*	5/5				0/0
Non-executive Director:					
Mr. Chan Cheuk Wing Andy	18/18			2/2	9/9
Independent non-executive Directors:					
Mr. Chung Cheuk Ming	18/18	3/3	3/3	2/2	9/9
Ms. Pan Min	18/18	3/3	3/3	2/2	9/9
Mr. Zhou Jianhao	18/18	3/3	3/3	2/2	9/9

* *In 2014, the Company convened one annual general meeting, three domestic shares class meeting, three H shares class meetings and two extraordinary general meetings.*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Mo Luojiang ("Mr. Mo") assumed the roles of both the chairman and CEO of the Company from 23 April 2014 to 29 June 2014 as a result of the resignation of former chairman. Following the appointment of Mr. Lan Huasheng ("Mr. Lan") as the chairman of the Board on 30 June 2014, the role of chairman and CEO vest on Mr. Lan and Mr. Mo, respectively and the Company is in full compliance with the required code provision A.2.1 of the CG Code.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Group's businesses and their statutory supervision responsibilities as directors of listed companies. The Company will update Directors on the latest development regarding the Group's businesses as well as the Listing Rules and other applicable regulatory requirements. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on directors' continuous professional development. During the year, the continuous professional development taken by respective Directors are as follows:

Name	**Training Received** *(Note)*
Executive Directors	
Lan Huangsheng	A, B
Mo Luojiang	A, B
Wang Liguo	A, B
Non-executive Director	
Chan Cheuk Wing Andy	A, B
Independent non-executive Directors	
Chung Cheuk Ming	A, B
Pan Min	A, B
Zhou Jianhao	A

Note:

A: reading materials relevant to the Company's business or to the directors' duties and responsibilities

B: attending seminars/workshops/webinar or training course

REMUNERATION AND ASSESSMENT COMMITTEE

The remuneration and assessment committee was established in 2005 (It was originally known as Remuneration Committee and was changed as the remuneration and assessment committee in 2012). The committee members are independent non-executive Directors. The chairman of the committee is Mr. Zhou Jianhao and other committee members included Mr. Chung Cheuk Ming and Ms. Pan Min.

The roles of the remuneration and assessment committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension benefits and compensation payments (including any compensation payable for loss of office or engagement), and make recommendations to the Board about the remuneration of the non-executive Directors.

The remuneration and assessment committee of the Company held three meetings during the year ended 31 December 2014 and has considered and reviewed the existing terms of employment contracts of the executive Directors and the non-executive Directors, make recommendations to the Board on the remuneration packages of individual directors and senior management. The remuneration and assessment committee considers that the existing terms of employment contracts are fair and reasonable.

NOMINATION COMMITTEE

The Company established the nomination committee on 16 February 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. The majority of committee members are independent non-executive Directors and the chairman of the committee is Mr. Mo Luojiang, the other members include Mr. Chung Cheuk Ming, Mr. Zhou Jianhao and Ms. Pan Min.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis, make recommendations on any proposed change to the Board to complement the Company's corporate strategies and assess the independence of independent non-executive Directors. Furthermore, the committee will make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, subject to the final approval in the general meeting.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional experience and skills. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear its deliberations, the Board believes that the existing board composition is appropriate to the business of the Company.

The Nomination Committee held three meetings during the year for reviewing the structure, size, diversity and composition of the Board, reviewing the candidates for the position of Directors and making recommendations to the Board and reviewing the senior management proposed to be appointed by the Board.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor including whether such non-auditing functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2014, the remuneration paid/ payable to the Company's external auditor for its statutory audit services and non-audit services were RMB2,238,000 and RMB713,000, respectively.

AUDIT COMMITTEE

The Audit Committee was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of the audit committee are to review and monitor the financial reporting process and internal controls system of the Group. The audit committee comprises three independent non-executive Directors, namely, Mr. Chung Cheuk Ming, Ms. Pan Min and Mr. Zhou Jianhao and one non-executive Director, namely, Mr. Chan Cheuk Wing Andy. The chairman of the audit committee is Mr. Chung Cheuk Ming.

The audit committee held two meetings during the year with management and the representatives of the external auditor for reviewing the Group's unaudited interim results and audited annual results before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of external auditor, and discussing issues arising from the audits including internal controls and financial reporting. The Group's unaudited interim results for the six months ended 30 June 2014 and the audited annual results for the year ended 31 December 2014 have been reviewed by the audit committee, which has the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Audit Team

In order to review the effectiveness of internal control system, an internal audit team has been established specifically under the audit committee by the Company in December 2007. A Risk Management Department is formed to further enhance the function of internal control of the Company in June 2014. Internal audit team comprises 4 members, who among themselves possess wealth of financial, contract management, project management and legal experience. The duties of the internal audit team principally include:

- To monitor the operational process and business risk;
- To oversee the execution and implementation of contracts;
- To oversee the management programme and the implementation of internal control system, including (among others) finance, authorization and procurement;
- To monitor the environmental conservation and production safety functions of the Group; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 own code of conduct regarding directors' securities transactions. Following a specific enquiry, all the Directors and supervisors of the Company confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 33 of this report.

COMPANY SECRETARY

Ms. Lo Suet Fan ("Ms. Lo") was appointed as the company secretary of the Company on 15 May 2013. She is responsible to the Board for advising the Board on corporate governance matters. Ms. Lo has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014 in compliance with the requirements of Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board is responsible for preparing the financial statements of the Company and the Group with the supports of Group Financial Controller and financial department of the Group. In preparing the financial statements, the Board has applied the Hong Kong Financial Reporting Standards and consistently followed the appropriate accounting policies and provisions of laws. The Board is aimed to give a clear and fair assessment of the Group's results to the shareholders in the annual and interim reports, and make disclosures and announcements in a timely basis.

Internal Control

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Company has set up internal control department to ensure effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has reviewed the internal audit report and assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions, during the year ended 31 December 2014. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions.

MANAGEMENT FUNCTIONS

The Board is responsible for overall corporate strategy and monitoring and control of the performance of the Group whereas the management is responsible for the daily hands on operation.

When the Board delegates its management and administrative functions to the management, it has given clear directions as to the powers of the management and the circumstances where, the management on behalf of the Company shall obtain prior approval from the Board before making decisions or entering into any commitments.

The Company has established a list of functions reserved to the Board for decision and those delegated to the management. The Board shall review those arrangements regularly.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.tonva.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other areas are posted. Investors and analysts briefings, press conferences and media interviews are conducted on a regular basis in order to keep shareholders and potential investors informed of the latest development of the Company.

The Company endeavors to maintain an on-going dialogue with its shareholders, in particular, through annual general meetings ("AGM(s)") or other general meetings to communicate with the shareholders and encourage their participation. The Chairman of the Board as well as the chairmen of the Audit Committee, Nomination Committee and Remuneration and Assessment Committee will make themselves available at the AGM to meet with the shareholders.

The forthcoming AGM of the Company will be held on 23 June 2015. The notice of AGM will be sent to shareholders 45 days before the AGM.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

SHAREHOLDERS' RIGHTS

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board through our shareholders' email at ir@tonva.com. Shareholders may also make enquiries to the Board by writing to the Secretary Office of the Board at the Company's office at 35F, Aurora Plaza, No.99 Fu Cheng Road, Pudong New District, Shanghai, PRC (postal code: 200120) or Unit 1705-06, 17/F, Convention Plaza Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong.

AGM shall be convened once every year and within 6 months after the end of the preceding financial year. The Board shall convene an extraordinary general meeting within two months if two or more shareholders jointly holding in aggregate 10% or more of the Company's issued shares carrying voting rights at the general meeting request in writing and stating the objectives of the meeting. If the Board fails to issue a notice of meeting within 30 days after receiving the written request, the requisitioning shareholders themselves may convene a meeting within four months after the Board receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes general meetings.

In the case of AGM, shareholders holding in aggregate 5% or more of the Company's shares carrying voting rights are entitled to put forward new proposals in writing to the Company, and the Company shall place such proposals in the agenda for the said AGM to the extent that it falls within the powers of the general meeting.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual director.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As approved as special resolutions at the AGM held on 25 Jun 2014 and extraordinary general meeting of the Company held on 19 December 2014, the articles of association of the Company was amended. The amendments to the articles of association of the Company included, among others, reflecting (i) the change of domestic shareholders and latest shareholders structure of the Company; (ii) the changes in the registered capital of the Company as a result of bonus issue of shares; and (iii) the expanded business scope of the Company. An up-to-date consolidated version of the articles of association of the Company has been published on the websites of the Company and of the Stock Exchange.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2014, the supervisory committee of Shanghai Tonva Petrochemical Co., Ltd. (the "Supervisory Committee"), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trust worthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

I. CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE

Mr. Zhang Liangjun resigned as supervisor of the Company (the "Supervisor") with effect from the conclusion of the annual general meeting (the "AGM") of the Company held on 25 June 2014. Upon approval by the shareholders of the Company at the AGM, Mr. Lu Tingfu was appointed as the Shareholders' representative Supervisor with effect from the conclusion of the AGM.

On 28 November 2014, Mr. Bian Ji resigned as staff representative Supervisor. Upon democratic election at the staff representative meeting of the company held on 28 November 2014, Ms. Zhao Liping was elected as a staff representative Supervisor with effect from the same day.

II. WORK UNDERTAKEN AND INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE

During the year, the major work performed by the Supervisory Committee included the attendance of the Board meetings; reviewing the report of the Directors and reserve appropriation proposal prepared to be submitted by the Board for the shareholders' approval at the forthcoming annual general meeting; strictly and effectively monitoring whether the policies and decisions made by the management of the Company had conformed with the state laws and regulations and the articles of association of the Company or safeguarded the interests of the shareholders. The Supervisory Committee has also reviewed the performance of the Directors, general manager and senior management in the daily operation by various means, and seriously examined the Company's financial affairs and its connected transactions. After the examination, the Supervisory Committee concluded that:

1. the report of the Directors and the reserve appropriation proposal prepared to be submitted by the Board for the shareholders' approval at the forthcoming annual general meeting are in accordance with the relevant laws and regulations and the Articles of Association of the Company;

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company had abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees or contravened any laws and regulations or the Articles of Association of the Company;

3. by the end of 31 December 2014, the Group's acquisition and asset transaction within this year are equitable and reasonable, and no insider transaction or behaviors causing damages to the shareholders' equity have been found;

4. the financial statements of the Company for the year ended 31 December 2014, which were audited by BDO Limited, have truly and fairly reflected the operating results and asset position of the Group. The related parties transactions were in compliance with the Listing Rules and were fair and reasonable and had not infringed upon the interests of the Company and the shareholders;

The Supervisory Committee takes this opportunity to thank the shareholders, Directors and all the employees of the Company for their supports in the past year. In the coming year, the Supervisory Committee will continue to perform its supervisory function diligently and devote efforts to improve the company's overall competitiveness and sustainable profitability as well as to safeguard the interests of the shareholders and the Company.

By order of the Supervisory Committee

Lu Tingfu
Chairman of the Supervisory Committee
Shanghai, PRC, 25 March 2015

Report of the Board of Directors

The Board of directors (the "Board") of Shanghai Tonva Petrochemical Co., Ltd. (the "Company") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is trading of petrochemical products. The principal activities of the Group are road and bridge construction business and petrochemical products supply chain services. The activities of its subsidiaries are set out in note 21 to the financial statements.

SEGMENT INFORMATION

Details of segment information are set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 35.

The state of affairs of the Group and of the Company as at 31 December 2014 are set out in the consolidated and company statement of financial position, respectively, on pages 36 to 38.

No interim dividend was declared for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB0.025 per share, totalling approximately RMB23,405,000).

On 25 March 2015, the Board recommended the payment of a final dividend of RMB0.03625 per share (2013: RMB0.044 per share), totalling approximately RMB50,905,000 (2013: approximately RMB41,192,000) for the year ended 31 December 2014. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 1,404,285,000 shares) as of the date of the Board meeting (i.e. 25 March 2015) determining the final dividend.

Upon the proposed rights issue of the Company on the basis of 4.5 rights shares for every 10 existing shares to the qualifying shareholders (the "**Rights Issue**") becoming unconditional on 26 March 2015, 631,928,250 rights shares would be allotted and issued to the qualifying shareholders on or around 30 March 2015. Immediately after completion of the Rights Issue, the Company's number of issued shares would be increased to 2,036,213,250 shares. If the Rights Issue proceeds and completes before the record date for determining the entitlement of the aforesaid final dividend, the holders of the rights shares would be entitled to the final divided, and that the final dividend would be RMB0.025 per share of the Company, totaling approximately RMB50,905,000 based on the number of issued shares of the Company after completion of the Rights Issue (i.e. 2,036,213,250 shares).

The Rights Issue was completed after publication of the annual results announcement and the rights shares under the Rights Issue have been allotted and issued to the qualifying shareholders on 30 March 2015. As such, the proposed final divided would be RMB0.025 per share of the Company, subject to shareholders' approval at the forthcoming annual general meeting.

FIXED ASSETS

Details of movements in property, plant and equipment, construction in progress and investment property of the Company and the Group are set out in note 17, 18 and 19 to the financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out under the consolidated statements of changes in equity and note 32 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2014, calculated in accordance with the provisions of the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB258,110,000 (2013: RMB204,897,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

SHARE OPTIONS

As at the date of this report, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Lan Huasheng (appointed on 25 June 2014)
Mr. Mo Luojiang
Mr. Wang Liguo (appointed on 25 June 2014)
Mr. Qian Wenhua (resigned on 23 April 2014)
Mr. Li Hongyuan (resigned on 23 April 2014)

Non-executive Director

Mr. Chan Cheuk Wing Andy

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Ms. Pan Min
Mr. Zhou Jianhao

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that all independent non-executive Directors to be independent.

In accordance with Article 94 of the Company's Articles of Association, all the Directors shall be appointed at the general meeting for a term of three years. A director may serve consecutive terms if re-elected upon the expiration of the terms.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on pages from 14 to 16.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or Supervisor (or until the expiration of the term of the current session of the Board or Supervisory Committee) and thereafter subject to termination by either party giving one to three months' written notice to the other party.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' service contracts disclosed above, no contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests or short positions of the Directors, chief executives and supervisors of the Company (the "Supervisors") in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in the Listing Rules were as follows:

Long position in the shares and underlying shares of the Company:

Name	Capacity	Number of shares Personal interest	Total long position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued share capital of the Company
Mr. Lan Huasheng (Executive Director)	Interest in controlled corporation	419,314,495 (Domestic Shares) *(L)*	419,314,495 *(Note 1)*	58.24%	29.86%
Mr. Lu Tingfu (Supervisor)	Interest in controlled corporation	419,314,495 (Domestic Shares) *(L)*	419,314,495 *(Note 1)*	58.24%	29.86%
Mr. Wang Liguo (Executive Director)	Interest in controlled corporation	300,685,505 (Domestic Shares) *(L)*	300,685,505 *(Note 2)*	41.76%	21.41%

L = Long position

Notes:

(1) Shenzhen Dasheng is wholly owned by Dasheng Holdings Limited and in turn owned as to 70% by Mr. Lan Huasheng and 30% by Mr. Lu Tingfu. By virtue of the SFO, Mr. Lan Huasheng and Mr. Lu Tingfu are deemed to be interested in 419,314,495 Shares held by Shenzhen Dasheng.

(2) Zhenjiang Runde is wholly owned by Mr. Wang Liguo. By virtue of the SFO, Mr. Wang Liguo is deemed to be interested 300,685,505 Shares held by Zhenjiang Runde.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the persons or companies (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO, or who were deemed to be interested, directly and/or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were listed as follows:

Name of Shareholders	Type of Shares	Capacity	Total number of Shares and underlying shares	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the issued shares capital of the Company
Shenzhen Dasheng	Domestic Shares	Beneficial owner	419,314,495 *(L)*	58.24%	29.86%
Zhenjiang Runde	Domestic Shares	Beneficial owner	300,685,505 *(L)*	41.76%	21.41%
Simosa Oil Co., Ltd (中塑油品股份有限公司)	H Shares	Beneficial owner	57,747,690 *(L)*	8.44%	4.11%
CITIC Securities Company Limited	H Shares	Interest in controlled corporation	250,296,000 *(L)*	36.58% *(Note)*	17.82%
CITIC Securities International Company Limited	H Shares	Interest in controlled corporation	250,296,000 *(L)*	36.58% *(Note)*	17.82%
CLSA B.V.	H Shares	Interest in controlled corporation	250,296,000 *(L)*	36.58% *(Note)*	17.82%
CLSA Capital Partners Limited (formerly known as CLSA Funds Limited)	H Shares	Interest in controlled corporation	250,296,000 *(L)*	36.58% *(Note)*	17.82%
CLSA Private Equity Management Limited	H Shares	Interest in controlled corporation	250,296,000 *(L)*	36.58% *(Note)*	17.82%
Aria Investment Partners III, L.P. ("Aria III")	H Shares	Interest in controlled corporation	210,000,000 *(L)*	30.69% *(Note)*	14.95%
Babylon Limited	H Shares	Beneficial owner	210,000,000 *(L)*	30.69% *(Note)*	14.95%
Aria Investment Partners II, L.P. ("Aria II")	H Shares	Interest in controlled corporation	40,296,000 *(L)*	5.89% *(Note)*	2.87%
Mumiya Limited	H Shares	Beneficial owner	40,296,000 *(L)*	5.89% *(Note)*	2.87%

L = Long position

Note: Mumiya Limited and Babylon Limited hold 40,296,000 and 210,000,000 H shares of the Company respectively. As Aria II owns 100% of Mumiya Limited, Aria II is deemed to be interested in 40,296,000 H shares held by Mumiya Limited pursuant to the SFO. Aria III owns 100% of Babylon Limited and is thus deemed to be interested in 210,000,000 H shares held by Babylon Limited pursuant to the SFO. As CLSA Private Equity Management Limited is the investment manager of Aria II and Aria III, it is deemed to be interested in the 250,296,000 H shares in aggregate pursuant to the SFO. CITIC Securities Company Limited owns 100% of CITIC Securities International Company Limited, which in turn owns 100% of CLSA B.V., which in turn owns 100% of CLSA Capital Partners Limited, which in turn owns 100% of CLSA Private Equity Management Ltd. Therefore, CITIC Securities Company Limited, CITIC Securities International Company Limited, CLSA B.V. and CLSA Capital Partners Limited are deemed to be interested in the 250,296,000 H shares in aggregate pursuant to the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	11%
– five largest customers combined	38%
Purchases	
– the largest supplier	14%
– five largest suppliers combined	51%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised such right during the year ended 31 December 2014.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

RELATED PARTIES TRANSACTIONS

A summary of related party transactions entered into by the Group during the year ended 31 December 2014, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in note 37 to the financial statements.

STAFF AND REMUNERATION POLICY

The Group staff functions were analysed as follows:

	Number of staff	
	2014	2013
Functions:		
Management	76	93
Sales and marketing	21	18
Accounting and finance	38	45
Administration and human resources	24	13
Legal	3	3
Information system	6	4
Technical and quality control	38	31
Shipping and transportation	3	51
Storage centre	23	50
Engineer	95	104
Construction workers	85	63
Total	412	475

As at 31 December 2014, the Group had 412 staff (2013: 475 staff). Employees are remunerated according to market level, individual performance, qualification and working experience. Other benefits included social insurance scheme. The annual staff costs amounted to approximately RMB49,506,000 (2013: RMB65,367,000).

All staffs are entitled to the social insurance scheme. The insurance premiums are borne both by the Group and the staff in the relevant proportions according to the relevant laws and regulations.

The Group did not have a record of significant labour dispute or strike which has disrupted daily operations. The Directors regarded that the relationship with the staff were excellent.

COMPETING INTERESTS

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, nor has any other conflict of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

On 19 December 2014, resolutions to approve the Rights Issue were duly passed at the extraordinary general meeting, the domestic shareholders class meeting and the H shareholders class meeting held by the Company, respectively. The Company subsequently announced the terms and conditions of the Rights Issue and delivered the prospectus in relation to the Rights Issue (the "**Prospectus**") to the qualifying shareholders on 17 February 2015 and 9 March 2015, respectively.

The Rights Issue was completed after publication of the annual results announcement and the rights shares under the Rights Issue have been allotted and issued to the qualifying shareholders on 30 March 2015 in accordance with the terms and conditions as stated in the Prospectus. The net proceeds raised from the Rights Issue will be applied in accordance with the use of proceeds as described in the Prospectus and the actual use of proceeds will be disclosed pursuant to the Listing Rules.

Please refer to the Prospectus and the relevant announcements in relation to the Right Issue of the Company for details.

Details of the significant events occurred subsequent to 31 December 2014 and up to the date of this report are set out in note 41 to the financial statements.

AUDITOR OF THE COMPANY

The financial statements for the year ended 31 December 2014 have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution to re-appoint BDO Limited and to authorize the Directors to fix their remuneration will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lan Huasheng
Chairman

Shanghai, PRC, 25 March 2015

Independent Auditor's Report

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TO THE SHAREHOLDERS OF SHANGHAI TONVA PETROCHEMICAL CO., LTD.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 25 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	6	**6,215,891**	5,885,633
Cost of sales		**(5,827,092)**	(5,485,944)
Gross profit		**388,799**	399,689
Other income and gains	7	**111,700**	52,389
Distribution costs		**(13,170)**	(13,505)
Administrative expenses		**(124,884)**	(103,406)
Share of profits/(losses) of associates	22	**3,052**	(3,202)
Finance costs	8	**(100,568)**	(99,784)
Profit before income tax expense	9	**264,929**	232,181
Income tax expense	12	**(62,406)**	(58,068)
Profit for the year		**202,523**	174,113
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**309**	(935)
Total comprehensive income for the year		**202,832**	173,178
Profit for the year attributable to:			
– Owners of the Company		**168,083**	138,959
– Non-controlling interests		**34,440**	35,154
		202,523	174,113
Total comprehensive income for the year attributable to:			
– Owners of the Company		**168,392**	138,024
– Non-controlling interests		**34,440**	35,154
		202,832	173,178
Earnings per share (expressed in RMB per share) (restated)			
– Basic	14	**0.120**	0.099
– Diluted	14	**0.120**	0.099

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	*16*	**9,831**	17,211
Property, plant and equipment	*17*	**57,124**	75,232
Construction in progress	*18*	**38,156**	15,954
Investment property	*19*	**11,328**	–
Intangible assets	*20*	**148,309**	148,338
Interests in associates	*22*	**32,580**	32,468
Available-for-sale financial asset	*23*	**800**	800
Trade and other receivables	*25*	**663,002**	539,781
Deferred tax assets	*30*	**17,572**	4,799
Total non-current assets		**978,702**	834,583
Current assets			
Inventories	*24*	**194,340**	26,339
Trade and other receivables	*25*	**2,351,187**	1,960,114
Amounts due from customers for contract work	*26*	**17,162**	115,042
Restricted bank deposits	*27*	**289,242**	238,345
Cash and cash equivalents		**110,724**	279,780
Total current assets		**2,962,655**	2,619,620
Total assets		**3,941,357**	3,454,203
Liabilities			
Current liabilities			
Trade and other payables	*28*	**1,894,908**	1,067,394
Amounts due to customers for contract work	*26*	**43,999**	40,052
Borrowings	*29*	**822,000**	1,388,611
Current tax liabilities		**71,724**	37,576
Total current liabilities		**2,832,631**	2,533,633
Net current assets		**130,024**	85,987
Total assets less current liabilities		**1,108,726**	920,570

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Borrowings	*29*	**70,000**	–
Deferred tax liabilities	*30*	**11,196**	14,280
Total non-current liabilities		**81,196**	14,280
Total liabilities		**2,913,827**	2,547,913
NET ASSETS		**1,027,530**	906,290
Capital and reserves attributable to owners of the Company			
Share capital	*31*	**140,429**	93,619
Reserves		**752,167**	671,598
Equity attributable to owners of the Company		**892,596**	765,217
Non-controlling interests	*21*	**134,934**	141,073
TOTAL EQUITY		**1,027,530**	906,290

On behalf of the Board

Lan Huasheng
Director

Mo Luojiang
Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**9,087**	22,478
Investment property	*19*	**11,328**	–
Intangible assets	*20*	**–**	–
Investment in subsidiaries	*21*	**460,399**	431,311
Investment in associates	*22*	**17,764**	17,594
Available-for-sale financial asset	*23*	**800**	800
Deferred tax assets	*30*	**23**	1,716
Total non-current assets		**499,401**	473,899
Current assets			
Inventories	*24*	**2**	2
Trade and other receivables	*25*	**765,850**	544,840
Restricted bank deposits	*27*	**22,600**	39,844
Cash and cash equivalents		**10,501**	69,587
Total current assets		**798,953**	654,273
Total assets		**1,298,354**	1,128,172
Liabilities			
Current liabilities			
Trade and other payables	*28*	**616,922**	183,398
Borrowings	*29*	**43,000**	368,000
Current tax liabilities		**1,088**	3,132
Total current liabilities		**661,010**	554,530
Net current assets		**137,943**	99,743
NET ASSETS		**637,344**	573,642
Capital and reserves			
Share capital	*31*	**140,429**	93,619
Reserves	*32*	**496,915**	480,023
TOTAL EQUITY		**637,344**	573,642

On behalf of the Board

Lan Huasheng
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Capital reserve *(note 32(a))* RMB'000	Statutory reserve fund *(note 32(b))* RMB'000	Other reserve *(note 32(c))* RMB'000	Currency translation reserve *(note 32(d))* RMB'000	Retained earnings *(note 32(e))* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests *(note 21)* RMB'000	Total RMB'000
Balance at 1 January 2013	93,619	221,766	77,206	17,912	(7,037)	280,840	684,306	117,646	801,952
Profit for the year	–	–	–	–	–	138,959	138,959	35,154	174,113
Exchange differences on translating foreign operations	–	–	–	–	(935)	–	(935)	–	(935)
Total comprehensive income for the year	–	–	–	–	(935)	138,959	138,024	35,154	173,178
2012 final dividends paid	–	–	–	–	–	(33,703)	(33,703)	–	(33,703)
2013 interim dividends paid *(note 15)*	–	–	–	–	–	(23,405)	(23,405)	–	(23,405)
Transfer to statutory reserve fund	–	–	23,037	–	–	(23,037)	–	–	–
Acquisition of additional equity interests in a subsidiary *(note 21)*	–	–	–	–	–	(5)	(5)	(1,995)	(2,000)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(9,732)	(9,732)
Balance at 31 December 2013 and 1 January 2014	**93,619**	**221,766**	**100,243**	**17,912**	**(7,972)**	**339,649**	**765,217**	**141,073**	**906,290**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**168,083**	**168,083**	**34,440**	**202,523**
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**309**	**–**	**309**	**–**	**309**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**309**	**168,083**	**168,392**	**34,440**	**202,832**
Bonus issue *(note 31(a))*	**46,810**	**(46,810)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2013 final dividends paid *(note 15)*	**–**	**–**	**–**	**–**	**–**	**(41,192)**	**(41,192)**	**–**	**(41,192)**
Transfer to statutory reserve fund	**–**	**–**	**12,161**	**–**	**–**	**(12,161)**	**–**	**–**	**–**
Acquisition of additional equity interests in a subsidiary *(note 21)*	**–**	**–**	**–**	**–**	**–**	**179**	**179**	**(29,267)**	**(29,088)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,312)**	**(11,312)**
Balance at 31 December 2014	**140,429**	**174,956**	**112,404**	**17,912**	**(7,663)**	**454,558**	**892,596**	**134,934**	**1,027,530**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before income tax expense		**264,929**	232,181
Adjustments for:			
Dividend income		**(2,500)**	(6,000)
Interest income		**(8,201)**	(11,739)
Finance costs		**100,568**	99,784
Gain on disposal of a subsidiary	*33*	**(84,850)**	–
Amortisation of intangible assets		**29**	67
Amortisation of payments for leasehold land held for own use under operating leases		**265**	376
Depreciation of property, plant and equipment		**10,498**	14,267
Impairment loss on property, plant and equipment		**–**	19,362
(Gain)/loss on disposal of property, plant and equipment		**(58)**	939
Depreciation of investment property		**75**	–
Share of (profits)/losses of associates		**(3,052)**	3,202
Impairment loss/(reversal of impairment loss) on trade and other receivables, net		**66,409**	(19,270)
Operating profit before working capital changes		**344,112**	333,169
(Increase)/decrease in inventories		**(169,695)**	26,233
Increase in trade and other receivables		**(580,703)**	(595,243)
Increase in trade and other payables		**809,057**	224,335
Decrease/(increase) in amounts due from/(to) customers for contract work		**123,695**	(68,962)
Cash generated from/(used in) operations		**526,466**	(80,468)
Interest paid		**(122,436)**	(143,902)
Income taxes paid		**(45,456)**	(43,487)
Net cash from/(used in) operating activities		**358,574**	(267,857)
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		**(27,024)**	(18,031)
Proceeds from disposal of property, plant and equipment		**1,087**	2,187
Increase in restricted bank deposits		**(50,897)**	(43,248)
Interest received		**8,201**	11,739
Dividends received from an associate		**2,940**	2,939
Disposal of a subsidiary, net of cash received	*33*	**94,931**	–
Dividends received from available-for-sale financial asset		**2,500**	6,000
Net cash from/(used in) investing activities		**31,738**	(38,414)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
New borrowings		**1,222,000**	1,782,526
Repayment of borrowings		**(1,718,611)**	(1,628,915)
Advances from independent third parties		**18,526**	–
Acquisition of non-controlling interests		**(29,088)**	(2,000)
Dividends paid to owners of the Company		**(41,192)**	(57,108)
Dividends paid to non-controlling interests		**(11,312)**	(9,732)
Net cash (used in)/from financing activities		**(559,677)**	84,771
Net decrease in cash and cash equivalents		**(169,365)**	(221,500)
Cash and cash equivalents at beginning of year		**279,780**	502,215
Effect of exchange rate changes on cash and cash equivalents		**309**	(935)
Cash and cash equivalents at end of year		**110,724**	279,780

1. GENERAL

Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (together as the "Group") are principally engaged in road and bridge construction and trading of petrochemical products in the People's Republic of China (the "PRC"). For the road and bridge construction business, the Group has construction contract tier-one qualification and municipal utility contract tier-one qualification. The Group also offers "one-stop" solutions to customers ranging from procurement, storage and delivery of petrochemical products. The Group's petrochemical products supply chain service geographically covers the downstream region of the Yangtze River and some inland provinces.

The Company is a joint stock limited company incorporated in the PRC. The address of the Company's registered office is 706 Renhe Building, No. 2056 Pudong Road, Pudong New Area, Shanghai, the PRC. Its principal place of business is located at 35/F, Aurora Plaza, No. 99 Fu Cheng Road, Pudong New District, Shanghai, the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) Adoption of amendments to HKFRSs – effective 1 January 2014 *(continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 - Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these pronouncements and the directors so far concluded that they are not yet in a position to quantify the effects on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

The Group also prepares consolidated financial statements in accordance with the generally accepted accounting principles in the People's Republic of China (the "PRC GAAP") for statutory filing purpose. As there are differences between HKFRSs and PRC GAAP, there may be discrepancies in the Group's financial position and results as presented in the consolidated financial statements prepared under HKFRSs and in those prepared under PRC GAAP.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. The financial statements of the Group's associates are prepared using uniform accounting policies with the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 to 30 years
Leasehold improvement	over the lease term
Machinery	10 years
Storage facilities	12 to 20 years
Furniture, fixtures and testing equipment	5 to 10 years
Transportation facilities	2 to 20 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less any impairment loss and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Customer contracts	Over the contract period
Construction licence	Indefinite
Computer software	5 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policy in respect of impairment of other assets in note 4(r) below).

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leasing *(continued)*

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

The Group's financial liabilities at amortised cost, including trade and other payables, borrowings and other monetary liabilities, are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(k) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the contract cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Inventories

The Group's inventories represent petrochemical products for resale, asphalt for construction and other construction materials. They are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of petrochemical products for resale is calculated using the first-in first-out method, while the cost of asphalt for construction and other construction materials is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Construction contracts *(continued)*

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as "amounts due to customers for contract work".

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as "amounts due from customers for contract work".

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(o) Revenue recognition

Revenue from individual construction contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, depending on the nature of the contract, is measured mainly by reference to (a) the amount of work certified by site engineer; or (b) completion of physical proportion of the contract work. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customers and are capable of being reliably measured. Anticipated losses are fully provided on contracts when identified.

Revenue from construction consulting services income is recognised when the services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from rendering of petrochemical products transportation services is recognised upon the completion of services, which generally coincides with the date of receipt of goods by the receivers.

Revenue from petrochemical products storage services is recognised in the period the services are provided.

Revenue from agency services for petrochemical products is recognised when the services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

Rental income under operating leases of investment property, transportation and storage facilities is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholder's right to receive payment is established.

(p) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as currency translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as currency translation reserve.

On disposal of a foreign operation (i.e. disposal involving loss of control over a subsidiary), the cumulative exchange differences recognised in the currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over subsidiary, the proportionate share of cumulative exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- payments for leasehold land held for own use under operating leases;
- property, plant and equipment;
- construction in progress;
- investment property;
- intangible assets with finite lives; and
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(s) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of goodwill and construction licence

The Group tests annually whether goodwill and construction licence have suffered any impairment in accordance with the Group's accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 20).

(b) Impairment of trade and other receivables

Management reviews the Group's trade and other receivables at the end of each reporting period to determine whether there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate.

If any assumption of the impairment of these receivables had been changed, the amount of impairment changed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(c) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction business, the date on which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increase or decrease in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(d) Financial guarantee contracts

The Group has issued financial guarantee contracts in favour of third parties (see note 34). The initial and subsequent measurement of the value of these financial guarantee contracts involve high degree of judgements and estimations by the Group's management.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

During the year ended 31 December 2014, the chief operating decision maker decided to rename the operating segment of sale of fuel oil and asphalt to sale of petrochemical products, starting from 1 January 2014, so as to conform with the Group's strategy. Corresponding name of the operating segment for the year ended 31 December 2013 has been amended.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The operating segments for the year ended 31 December 2014 are as follows:

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000	Group RMB'000
Reportable segment revenue from external customers *(note (i))*	1,286,935	4,928,956	6,215,891
Reportable segment profit	128,313	74,210	202,523
Interest income	2,599	5,602	8,201
Finance costs	35,466	65,102	100,568
Capital expenditures *(note (iii))*	24,653	2,371	27,024
Amortisation of intangible assets	29	–	29
Amortisation of payments for leasehold land held for own use under operating leases	209	56	265
Depreciation of property, plant and equipment	4,469	6,029	10,498
Depreciation of investment property	–	75	75
Gain on disposal of property, plant and equipment	39	19	58
Gain on disposal of a subsidiary	–	84,850	84,850
Share of profit of associates	–	3,052	3,052
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	(4,276)	70,685	66,409
Income tax expense	47,043	15,363	62,406
Interests in associates	–	32,580	32,580
Reportable segment assets	2,242,860	1,698,497	3,941,357
Reportable segment liabilities	1,723,811	1,190,016	2,913,827

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

The operating segments for the year ended 31 December 2013 are as follows:

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000	Group RMB'000
Reportable segment revenue from external customers *(notes (i) & (ii))*	1,005,190	4,880,443	5,885,633
Reportable segment profit	112,843	61,270	174,113
Interest income	9,193	2,546	11,739
Finance costs	7,367	92,417	99,784
Capital expenditures *(note (iii))*	16,856	1,175	18,031
Amortisation of intangible assets	29	38	67
Amortisation of payments for leasehold land held for own use under operating leases	209	167	376
Depreciation of property, plant and equipment	4,959	9,308	14,267
Impairment loss on property, plant and equipment	–	19,362	19,362
(Gain)/loss on disposal of property, plant and equipment	(391)	1,330	939
Share of losses of associates	–	3,202	3,202
Reversal of impairment loss on trade and other receivables, net	18,800	470	19,270
Income tax expense	37,388	20,680	58,068
Interests in associates	–	32,468	32,468
Reportable segment assets	2,040,445	1,413,758	3,454,203
Reportable segment liabilities	1,589,034	958,879	2,547,913

Notes:

(i) The revenue from road and bridge construction segment included contract revenue and construction consulting services income of RMB1,286,935,000 (2013: RMB989,098,000) and nil (2013: RMB16,092,000) for the year ended 31 December 2014, respectively.

(ii) The revenue from sale of petrochemical products segment included agency services income of RMB10,139,000 for the year ended 31 December 2013.

(iii) The amounts represent capital expenditure on payments for leasehold land held for own use under operating leases, property, plant and equipment, construction in progress, investment property and intangible assets.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

There were two customers (2013: three) contributed to 10% or more revenue to the Group's revenue for the year ended 31 December 2014.

	Year ended 31 December 2014 Sale of petrochemical products RMB'000	Year ended 31 December 2013 Sale of petrochemical products RMB'000
Customer A	**678,959**	927,027
Customer B	**619,224**	–
Customer C	**–**	1,344,745
Customer D	**–**	704,747

(c) Geographical information

The entire Group's revenue from external customers is derived from customers located in the PRC.

All the Group's non-current assets are located in the PRC.

7. OTHER INCOME AND GAINS

	Group	
	2014 RMB'000	2013 RMB'000
Reversal of impairment loss on trade and other receivables, net *(note 25(d))*	**–**	19,270
Gain on disposal of a subsidiary *(note 33)*	**84,850**	–
Dividend income from available-for-sale financial asset	**2,500**	6,000
Gross rental income from investment property	**95**	–
Rental income from machineries	**2,695**	3,662
Penalty income of late payment from customers	**2,291**	5,395
Interest income	**8,201**	11,739
Government grants	**5,767**	1,402
Gain on disposal of property, plant and equipment	**58**	–
Others	**5,243**	4,921
	111,700	52,389

8. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense on borrowings wholly repayable within five years	**88,644**	106,760
Interest expense on discounted commercial notes	**31,078**	34,392
Others	**2,714**	2,750
Total finance costs	**122,436**	143,902
Less: amount capitalised *(note)*	**(21,868)**	(44,118)
	100,568	99,784

Note: Borrowing costs capitalised during the year arose on the general borrowings during the year and were calculated by applying a capitalisation rate of approximately 6.5% per annum (2013: 6.1% per annum) to expenditure on qualifying assets.

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Group	
	2014	2013
	RMB'000	RMB'000
Amortisation of intangible assets	**29**	67
Amortisation of payments for leasehold land held for own use under operating leases	**265**	376
Auditor's remuneration	**2,238**	2,338
Cost of inventories recognised as expenses	**5,086,821**	4,617,098
Depreciation of property, plant and equipment	**10,498**	14,267
Depreciation of investment property	**75**	–
Impairment loss on property, plant and equipment	**–**	19,362
(Gain)/loss on disposal of property, plant and equipment	**(58)**	939
Operating lease rental expenses in respect of:		
– Land and buildings	**2,864**	2,261
– Machinery and others	**17,212**	11,332
Direct operating expenses arising from investment property that generated rental income during the year	**5**	–
Impairment loss/(reversal of impairment loss) on trade and other receivables, net	**66,409**	(19,270)

10. STAFF COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**42,926**	58,960
Social security costs	**2,928**	2,718
Contributions on defined contribution retirement plans	**3,652**	3,689
	49,506	65,367

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments paid to each of the directors and supervisors of the Company are as follows:

For the year ended 31 December 2014

Name	Fees	Basic salaries and allowances	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Lan Huasheng *(note (a))*	–	160	340	1	501
Mr. Wang Liguo *(note (a))*	–	373	207	8	588
Mr. Mo Luojiang *(note (b))*	–	840	1,010	38	1,888
Mr. Qian Wenhua *(note (c))*	–	344	1,490	12	1,846
Mr. Li Hongyuan *(note (c))*	–	200	640	12	852
Non-executive directors					
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Chung Cheuk Ming	68	–	–	–	68
Ms. Pan Min	51	–	–	–	51
Mr. Zhou Jianhao	51	–	–	–	51
Supervisors					
Mr. Bian Ji *(note (d))*	–	77	4	12	93
Ms. Ye Mingzhu	51	–	–	–	51
Mr. Zhang Liangjun *(note (e))*	29	–	–	–	29
Mr. Lu Tingfu *(note (a))*	–	–	–	–	–
Ms. Zhao Liping *(note (f))*	–	8	–	3	11
	370	2,002	3,691	86	6,149

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

For the year ended 31 December 2013

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Qian Wenhua *(note (c))*	–	910	910	35	1,855
Mr. Mo Luojiang *(note (b))*	–	670	490	35	1,195
Mr. Lu Yong *(note (g))*	–	75	140	9	224
Mr. Li Hongyuan *(note (c))*	–	520	480	35	1,035
Non-executive directors					
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Chung Cheuk Ming	66	–	–	–	66
Ms. Pan Min	50	–	–	–	50
Mr. Zhou Jianhao	50	–	–	–	50
Supervisors					
Mr. Bian Ji *(note (d))*	36	58	15	12	121
Ms. Ye Mingzhu	50	–	–	–	50
Mr. Zhang Liangjun *(note (e))*	50	–	–	–	50
	422	2,233	2,035	126	4,816

Notes:

(a) Appointed in June 2014
(b) Resigned in June 2012 and reappointed in April 2013
(c) Resigned in April 2014
(d) Resigned in November 2014
(e) Resigned in June 2014
(f) Appointed in November 2014
(g) Passed away in March 2013

The discretionary bonuses for both years were determined with reference to the performance against corporate objectives, the profits of the Group and the achievement of individual performance targets.

None of the directors waived emoluments during the years ended 31 December 2014 and 2013.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors of the Company whose emoluments are disclosed in above. The emoluments of the remaining two (2013: two) individuals in 2014 were as follows:

	2014 **RMB'000**	2013 RMB'000
Basic salaries and allowances	**1,700**	983
Discretionary bonus	**820**	660
Retirement scheme contributions	**35**	70
	2,555	1,713

The emoluments of the two (2013: two) non-director individuals in 2014 with the highest emoluments were within the following band:

	2014 **Number of** **individuals**	2013 Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	Group	
	2014	2013
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax ("EIT")		
– tax for the year	**76,657**	56,284
– Under/(over) provision in respect of prior years, net	**1,606**	(233)
Hong Kong profits tax		
– tax for the year	**–**	–
Deferred tax *(note 30)*	**(15,857)**	2,017
	62,406	58,068

Profits of subsidiaries established in the PRC are subject to EIT at 25% (2013: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2013: 16.5%).

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before income tax expense	**264,929**	232,181
Tax calculated at tax rate of 25% (2013: 25%)	**66,232**	58,045
Effect of different tax rates for certain subsidiaries	**(114)**	(787)
Income and expense items that are not subject to tax, net	**151**	5,197
Utilisation of tax losses previously not recognised	**(5,469)**	(4,154)
Under/(over) provision in respect of prior years, net	**1,606**	(233)
Income tax expense	**62,406**	58,068

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB34,365,000 (2013: RMB44,589,000).

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2014	2013 (Restated)
Profit attributable to owners of the Company (RMB'000)	**168,083**	138,959
Weighted average number of ordinary shares in issue (thousands)	**1,404,285**	1,404,285
Basic earnings per share (RMB per share)	**0.120**	0.099

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the Bonus Issue (as defined and described in note 31(a)) on 29 October 2014. Immediately after the completion of the Bonus Issue, the total number of shares in issue increased to 1,404,285,000 shares which comprises of 684,285,000 H Shares and 720,000,000 domestic shares.

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2014 and 2013. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

15. DIVIDENDS

	Company	
	2014 RMB'000	2013 RMB'000
Interim, declared and paid – Nil per share (2013: RMB0.025)	–	23,405
Final, proposed – RMB0.03625 per share (2013: RMB0.044)	**50,905**	41,192
	50,905	64,597

On 25 March 2015, the board of directors recommended the payment of a final dividend of RMB0.03625 per share (2013: RMB0.044 per share), totalling approximately RMB50,905,000 (2013: approximately RMB41,192,000) for the year ended 31 December 2014. The proposed final dividend per share is based on the number of issued shares of the Company (i.e. 1,404,285,000 shares) as of the date of the board meeting (i.e. 25 March 2015) determining the final dividend.

Upon the proposed rights issue of the Company, as mentioned in note 41(b), becoming unconditional on 26 March 2015, 631,928,250 rights shares will be allotted and issued to the qualifying shareholders on or around 30 March 2015. Immediately after completion of the rights issue, the Company's number of issued shares will be increased to 2,036,213,250 shares. If the rights issue proceeds and completes before the record date for determining the entitlement of the aforesaid final dividend, the holders of the rights shares will be entitled to the final divided, and that the final dividend will be RMB0.025 per share of the Company, totaling approximately RMB50,905,000. The proposed final dividend is based on the number of issued shares of the Company after completion of the rights issue (i.e. 2,036,213,250 shares).

The final dividend for 2014 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming annual general meeting. The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2014.

16. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's interests in land use rights are located in the PRC with medium-term lease terms ranging from 40 to 50 years.

	Group RMB'000
2014	
Cost	
At 1 January 2014	**18,881**
Disposals of a subsidiary	**(8,339)**
At 31 December 2014	**10,542**
Accumulated amortisation	
At 1 January 2014	**1,670**
Disposals of a subsidiary	**(1,224)**
Provided for the year	**265**
At 31 December 2014	**711**
2013	
Cost	
At 1 January 2013 and 31 December 2013	18,881
Accumulated amortisation	
At 1 January 2013	1,294
Provided for the year	376
At 31 December 2013	1,670
Net book values	
At 31 December 2014	**9,831**
At 31 December 2013	17,211

At 31 December 2014, payments for leasehold land held for own use under operating leases with a net book value of RMB8,397,000 (2013: RMB8,610,000) were pledged as security for the Group's borrowings (note 29(a)).

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation Facilities RMB'000	Total RMB'000
2014							
Cost							
At 1 January 2014	29,129	–	40,165	61,548	22,503	8,309	161,654
Additions	–	315	1,315	–	2,108	1,084	4,822
Disposals	–	–	(2,559)	(9,471)	(753)	(897)	(13,680)
Disposals of a subsidiary	(1,450)	–	(4,960)	(18,860)	(28)	(379)	(25,677)
Transfer to investment property	(19,124)	–	–	–	–	–	(19,124)
At 31 December 2014	8,555	315	33,961	33,217	23,830	8,117	107,995
Accumulated depreciation and impairment loss							
At 1 January 2014	8,183	–	21,930	44,065	11,189	1,055	86,422
Provided for the year	1,299	66	2,529	2,741	2,409	1,454	10,498
Eliminated on disposals	–	–	(1,936)	(9,471)	(529)	(715)	(12,651)
Eliminated on disposals of a subsidiary	(1,450)	–	(4,960)	(18,860)	(28)	(379)	(25,677)
Transfer to investment property	(7,721)	–	–	–	–	–	(7,721)
At 31 December 2014	311	66	17,563	18,475	13,041	1,415	50,871
2013							
Cost							
At 1 January 2013	29,129	–	41,533	64,912	21,150	18,028	174,752
Additions	–	–	1,043	–	2,522	1,168	4,733
Disposals	–	–	(2,411)	(3,364)	(1,169)	(10,887)	(17,831)
At 31 December 2013	29,129	–	40,165	61,548	22,503	8,309	161,654
Accumulated depreciation and impairment loss							
At 1 January 2013	5,710	–	17,443	25,213	9,334	9,798	67,498
Provided for the year	1,451	–	3,622	5,347	2,351	1,496	14,267
Impairment loss	1,022	–	2,895	15,445	–	–	19,362
Eliminated on disposals	–	–	(2,030)	(1,940)	(496)	(10,239)	(14,705)
At 31 December 2013	8,183	–	21,930	44,065	11,189	1,055	86,422
Net book values							
At 31 December 2014	8,244	249	16,398	14,742	10,789	6,702	57,124
At 31 December 2013	20,946	–	18,235	17,483	11,314	7,254	75,232

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Buildings RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2014					
Cost					
At 1 January 2014	**19,124**	**7,096**	**1,940**	**5,420**	**33,580**
Disposals	**–**	**–**	**(11)**	**(143)**	**(154)**
Transfer to investment property	**(19,124)**	**–**	**–**	**–**	**(19,124)**
At 31 December 2014	**–**	**7,096**	**1,929**	**5,277**	**14,302**
Accumulated depreciation					
At 1 January 2014	**6,888**	**2,359**	**725**	**1,130**	**11,102**
Provided for the year	**833**	**337**	**183**	**628**	**1,981**
Eliminated on disposals	**–**	**–**	**(10)**	**(137)**	**(147)**
Transfer to investment property	**(7,721)**	**–**	**–**	**–**	**(7,721)**
At 31 December 2014	**–**	**2,696**	**898**	**1,621**	**5,215**
2013					
Cost					
At 1 January 2013	19,124	7,096	1,965	5,721	33,906
Additions	–	–	–	1,168	1,168
Disposals	–	–	(25)	(1,469)	(1,494)
At 31 December 2013	19,124	7,096	1,940	5,420	33,580
Accumulated depreciation					
At 1 January 2013	5,980	2,022	561	1,832	10,395
Provided for the year	908	337	188	694	2,127
Eliminated on disposals	–	–	(24)	(1,396)	(1,420)
At 31 December 2013	6,888	2,359	725	1,130	11,102
Net book values					
At 31 December 2014	**–**	**4,400**	**1,031**	**3,656**	**9,087**
At 31 December 2013	12,236	4,737	1,215	4,290	22,478

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2014 and 2013, the following property, plant and equipment of the Group and the Company were pledged as security for the Group's borrowings (note 29(a)):

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Buildings	**5,610**	17,796	–	12,235

Due to the low usage of two of the storage facilities of the Group, management terminated the rental agreement of a piece of land on which one of the storage facilities is located with the landlord during the year ended 31 December 2014. According to the rental agreement, the ownership of any assets on the land will be transferred to the landlord if the lessee terminates the agreement. The Group hence fully impaired those assets with net book value of RMB4,050,000 on that piece of land during the year ended 31 December 2013. Management estimated the recoverable amount of the other storage facilities and its related office building and machinery to be negligible and accordingly the Group fully impaired these assets with a net book value of RMB15,312,000 during the year ended 31 December 2013.

18. CONSTRUCTION IN PROGRESS

Group	**RMB'000**
At 1 January 2013	2,656
Additions	13,298
At 31 December 2013 and 1 January 2014	**15,954**
Additions	**22,202**
At 31 December 2014	**38,156**

The construction in progress amounted to RMB37,136,000 relating to the Group's new office in Nantong City, which is currently under construction. It will be depreciated once the property is complete and available for use.

19. INVESTMENT PROPERTY

Group and Company

	RMB'000
2014	
Cost	
At 1 January 2014	–
Transfer from property, plant and equipment	11,403
At 31 December 2014	11,403
Accumulated amortisation	
At 1 January 2014	–
Provided for the year	(75)
At 31 December 2014	(75)
Net book values	
At 31 December 2014	11,328
Fair value	
At 31 December 2014	21,000

During the year ended 31 December 2014, the Group changed the usage of one of its office buildings from its own use to earn rental income. As such, the carrying amount of this office building was transferred from property, plant and equipment to investment property.

The estimated useful life of the investment property is 20 years and it is pledged to bank to secure the Group's borrowings (note 29(a)).

Fair value is determined by applying income approach by taking into account the net rental incomes of the properties derived from the existing tenants with due allowance for the reversionary income potential of the tenants, which are then capitalised into the values at appropriate capitalisation rates.

The fair value of the investment property has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

19. INVESTMENT PROPERTY *(continued)*

The levels of fair value measurements are as follows:

Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuation: Fair value measured using significant unobservable inputs.

The investment property of the Group is measured at cost. The fair value disclosed is categorised as Level 3 valuation.

The highest and best use of the investment property of the Group does not differ from its current use.

20. INTANGIBLE ASSETS

Group	Goodwill RMB'000	Construction licence *(note)* RMB'000	Computer software RMB'000	Customer contracts RMB'000	Total RMB'000
2014					
Cost					
At 1 January 2014 and 31 December 2014	**16,930**	**131,266**	**819**	**–**	**149,015**
Accumulated amortisation					
At 1 January 2014	**–**	**–**	**677**	**–**	**677**
Provided for the year	**–**	**–**	**29**	**–**	**29**
At 31 December 2014	**–**	**–**	**706**	**–**	**706**
2013					
Cost					
At 1 January 2013	16,930	131,266	819	18,558	167,573
Written off	–	–	–	(18,558)	(18,558)
At 31 December 2013	16,930	131,266	819	–	149,015
Accumulated amortisation					
At 1 January 2013	–	–	610	18,558	19,168
Provided for the year	–	–	67	–	67
Eliminated on written off	–	–	–	(18,558)	(18,558)
At 31 December 2013	–	–	677	–	677
Net book values					
At 31 December 2014	**16,930**	**131,266**	**113**	**–**	**148,309**
At 31 December 2013	16,930	131,266	142	–	148,338

Note: Construction licence represents construction contract tier-one qualification and municipal utility contract tier-one qualification for road and bridge constructions.

Impairment tests for goodwill and construction licence:

Goodwill and construction licence are solely allocated to one of the Group's cash-generating units ("CGUs"), namely road and bridge construction segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average annual growth rate of 3% (2013: 3%).

20. INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill and construction licence: *(continued)*

The key assumptions used for value-in-use calculations are as follows:

	2015	2016	2017	2018	2019
Weighted average gross margin	21.2%	10.2%	10.2%	10.2%	10.2%
Weighted average growth rate	14%	6.0%	6.0%	6.0%	6.0%
Percentage of working capital over revenue	55%	50%	50%	50%	50%
Discount rate	10.5%	10.5%	10.5%	10.5%	10.5%

Management determined weighted average gross margin, weighted average growth rates and percentage of working capital over revenue based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the road and bridge construction segment.

Company	Computer software RMB'000
2014	
Cost	
At 1 January 2014 and 31 December 2014	**565**
Accumulated amortisation	
At 1 January 2014 and 31 December 2014	**565**
2013	
Cost	
At 1 January 2013 and 31 December 2013	565
Accumulated amortisation	
At 1 January 2013	528
Provided for the year	37
At 31 December 2013	565
Net book values	
At 31 December 2014	**–**
At 31 December 2013	–

21. INVESTMENT IN SUBSIDIARIES

	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	**460,399**	431,311

The following are the details of the Group's principal subsidiaries at 31 December 2014:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held Directly	Equity interests held Indirectly
南通路橋工程有限公司 Nantong Road and Bridge Engineering Co., Ltd. ("Nantong Road and Bridge") *(note a)*	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB300,080,000	74.87%	–
江蘇九州市政工程有限公司 Jiangsu Jiuzhou Municipal Engineering Co., Ltd.	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB50,000,000	–	74.87%
楝華(香港)有限公司 Donghua (Hong Kong) Limited	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$39,000,000 of 39,000,000 ordinary shares	100%	–
武漢華隆公路物資有限公司 Wuhan Hualong Highway Resources Company Limited	PRC, limited liability company	Petrochemical trading in the PRC	RMB30,000,000	100%	–
上海楝華瀝青有限公司 Shanghai Tonva Asphalt Company Limited	PRC, limited liability company	Petrochemical trading in the PRC	RMB80,000,000	100%	–

21. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held	
				Directly	Indirectly
上海泰華石油化工有限公司 Shanghai Taihua Petrochemical Co., Ltd.	PRC, limited liability company	Petrochemical trading in the PRC	RMB60,000,000	100%	–
上海神華物流有限公司 Shanghai Shenhua Logistics Company Limited	PRC, limited liability company	Petrochemical trading in the PRC	RMB108,000,000	100%	–
棟華貿易(香港)有限公司 Tonva Trading (Hong Kong) Limited	Hong Kong, limited liability company	Petrochemical trading in Hong Kong	HK$100,000 of 100,000 ordinary shares	–	100%

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) During the year ended 31 December 2014, the Group acquired additional 6% equity interests in Nantong Road and Bridge from its non-controlling interests with total cash consideration of RMB29,088,000. At the acquisition date, the carrying value of net assets acquired was RMB29,267,000. The difference of RMB179,000 has been credited to retained earnings. Nantong Road and Bridge also raised additional registered capital of RMB100,000,000 (2013: RMB75,000,000) in 2014.

(b) During the year ended 31 December 2014, the Group disposed a wholly owned subsidiary, 鄭州華盛石油制品有限公司 (Zhengzhou Huasheng Petroleum Products Co. Ltd.) ("Zhengzhou Huasheng"). See note 33 for details.

(c) During the year ended 31 December 2014, the Group liquidated a wholly owned subsidiary, 上海神華物流東台有限公司 (Shanghai Shenhua Logistics (Dongtai) Company Limited).

21. INVESTMENT IN SUBSIDIARIES *(continued)*

Nantong Road and Bridge, a 74.87% (2013: 68.87%) owned subsidiary of the Company, has material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Nantong Road and Bridge, before intra-group eliminations, is presented below:

	2014 RMB'000	2013 RMB'000
For the year ended 31 December		
Revenue	1,286,935	1,005,190
Profit	128,313	112,843
Total comprehensive income	128,313	112,843
Profit allocated to NCI	34,440	35,154
Dividends paid to NCI	11,312	9,732
For the year ended 31 December		
Cash flows from/(used in) operating activities	168,432	(72,882)
Cash flows used in investing activities	(48,470)	(25,336)
Cash flows used in financing activities	(185,508)	(51,758)
Net cash outflows	(65,546)	(149,976)
As at 31 December		
Current assets	1,384,812	1,310,419
Non-current assets	858,048	730,026
Current liabilities	(1,642,615)	(1,574,754)
Non-current liabilities	(81,196)	(14,280)
Net assets	519,049	451,411
Accumulated non-controlling interests	134,934	141,073

21. INVESTMENT IN SUBSIDIARIES *(continued)*

On 16 July 2014, the Group acquired additional 6% (2013: 0.53%) equity interests in Nantong Road and Bridge from its non-controlling interests. Following the acquisition, the Group had 74.87% (2013: 68.87%) equity interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2014 RMB'000	2013 RMB'000
Cash consideration paid for 6% (2013: 0.53%) equity interests	29,088	2,000
Net assets attributable to 6% (2013: 0.53%) equity interests	(29,267)	(1,995)
(Increase)/decrease in equity attributable to owners of the Company (included in retained earnings)	(179)	5

22. INTERESTS IN ASSOCIATES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	–	–	17,764	17,594
Share of net assets	32,580	32,468	–	–
	32,580	32,468	17,764	17,594

The details of the Group's associates at 31 December 2014 are as follows:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Equity interests held	
				Directly	Indirectly
上海浦東路橋瀝青材料有限公司 Shanghai Pudong Road and Bridge Asphalt-Based Materials Co., Ltd. ("Pudong Road and Bridge")	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	49%	–
武漢大通華利船務有限公司 Wuhan Datong Huali Shipping Company Limited	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB50,000,000	–	30%

22. INTERESTS IN ASSOCIATES *(continued)*

In the opinion of the directors, the above associates are not material to the Group and the summarised financial information is set out below:

	2014 RMB'000	2013 RMB'000
Profits/(losses) from continuing operations	**6,890**	(14,049)
Other comprehensive income	**–**	–
Total comprehensive income	**6,890**	(14,049)

23. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2014 RMB'000	2013 RMB'000
Unlisted equity security, at cost	**800**	800

Available-for-sale financial asset represents investment in an unlisted company in the PRC. It is measured at cost less impairment, if any, at the end of each reporting period because the directors of the Company are of the opinion that the fair value cannot be measured reliably. The directors of the Company have no intention to dispose of the available-for-sale financial asset at the end of reporting period.

24. INVENTORIES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Petrochemical products for resale	**177,730**	10,968	**2**	2
Asphalt for construction	**3,935**	4,266	**–**	–
Other construction materials	**12,675**	11,105	**–**	–
	194,340	26,339	**2**	2

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**1,956,919**	1,918,729	**354,019**	475,605
Commercial notes receivable	**47,430**	134,746	**–**	3,600
Retention sum for construction contracts	**544,743**	307,455	**–**	–
Total trade and notes receivables *(note (a))*	**2,549,092**	2,360,930	**354,019**	479,205
Prepayments and deposits *(note (b))*	**549,065**	145,443	**3,952**	71
Other receivables	**37,692**	50,690	**761**	635
Amounts due from associates *(note (c))*	**1,413**	20,210	**730**	–
Amounts due from subsidiaries *(note (c))*	**–**	–	**406,480**	71,568
	3,137,262	2,577,273	**765,942**	551,479
Less: Impairment losses *(note (d))*	**(123,073)**	(77,378)	**(92)**	(6,639)
	3,014,189	2,499,895	**765,850**	544,840
Classified as:				
Non-current assets	**663,002**	539,781	**–**	–
Current assets	**2,351,187**	1,960,114	**765,850**	544,840
	3,014,189	2,499,895	**765,850**	544,840

25. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables

As at 31 December 2014, no trade receivables (2013: RMB30,581,000) were pledged as security for the Group's borrowings.

The ageing analysis of trade and notes receivables based on invoice date and before impairment loss is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction *(note (i))*:				
Less than 6 months	**1,484,880**	1,057,670	**–**	–
6 months to less than 1 year	**98,252**	74,604	**–**	–
1 year to less than 2 years	**43,446**	125,893	**–**	–
2 years to less than 3 years	**31,610**	29,743	**–**	–
3 years and over	**15,928**	28,966	**–**	–
	1,674,116	1,316,876	**–**	–
Sale of petrochemical products *(note (ii))*:				
Less than 31 days	**479,967**	645,838	**240,942**	272,096
31 to 60 days	**22,798**	163,657	**7,249**	85,870
61 to 90 days	**683**	98,940	**–**	74,154
91 days to less than 1 year	**305,003**	120,519	**105,828**	47,085
1 year to less than 2 years	**59,603**	7,159	**–**	–
2 years to less than 3 years	**2,638**	2,027	**–**	–
3 years and over	**4,284**	5,914	**–**	–
	874,976	1,044,054	**354,019**	479,205
	2,549,092	2,360,930	**354,019**	479,205

25. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables *(continued)*

Note (i):

In respect of road and bridge construction, the average credit period is negotiated on individual basis in accordance with contract terms. Normally the general credit period is ranging from 0 day to 3 years.

The ageing analysis of trade receivables related to road and bridge construction which were past due but not impaired is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months past due	**334,651**	185,816	**–**	–
6 months to less than 1 year past due	**77,147**	80,905	**–**	–
1 year to less than 2 years past due	**57,617**	25,553	**–**	–
2 years to less than 3 years past due	**7,433**	12,385	**–**	–
3 years and over past due	**3,879**	5,976	**–**	–
	480,727	310,635	**–**	–

Substantially all customers of road and bridge construction are PRC government-related corporations which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 2 years) after completion of the contract.

25. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables *(continued)*

Note (ii):

For sale of petrochemical products, the credit terms granted to individual customers vary on a customer by customer basis which is determined by management with reference to the creditability of respective customers. Normally the general credit period is ranging from 30 days to 180 days.

The ageing analysis of trade receivables related to sale of petrochemical products which were past due but not impaired is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 91 days past due	**2,451**	767,367	**–**	428,520
91 days to 1 year past due	**236,653**	103,402	**105,828**	40,446
Over 1 year past due	**33,282**	–	**–**	–
	272,386	870,769	**105,828**	468,966

The amounts that were neither past due nor impaired relate to a number of independent customers which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

(b) Prepayments and deposits

Included in prepayments and deposits was a guaranteed deposit to a customer in the road and bridge construction segment in the amount of RMB25,459,000 (2013: RMB30,650,000). Pursuant to relevant agreement, such amount is receivable within 1 to 5 years and bears interest of 12% (2013: 12.9%) per annum.

(c) Amounts due from associates and subsidiaries

These amounts are interest-free, unsecured and repayable on demand.

25. TRADE AND OTHER RECEIVABLES *(continued)*

(d) Impairment losses

The below table reconciles the impairment loss of trade and other receivables for the year:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**77,378**	96,648	**6,639**	6,091
Impairment loss recognised	**83,526**	14,392	**20,714**	548
Recovery of impairment loss previously recognised	**(17,117)**	(33,662)	**(6,547)**	–
Written off *(note)*	**(20,714)**	–	**(20,714)**	–
At 31 December	**123,073**	77,378	**92**	6,639

Note: During the year ended 31 December 2014, the Group disposed the trade and other receivables balances of RMB527,671,000 to independent third parties with total considerations of RMB506,957,000.

26. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2014	2013
	RMB'000	RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses	**4,628,661**	3,695,077
Less: progress billings	**(4,655,498)**	(3,620,087)
Contract work-in-progress at the end of reporting period	**(26,837)**	74,990
Represented by:		
Amounts due from customers for contract work included in current assets	**17,162**	115,042
Amounts due to customers for contract work included in current liabilities	**(43,999)**	(40,052)
	(26,837)	74,990

27. RESTRICTED BANK DEPOSITS

The Group's and the Company's restricted bank deposits were denominated in RMB, United States Dollars ("USD") and Hong Kong Dollars ("HK$"), and as collateral for the issuance of performance bonds, bid bonds and bank borrowings. The effective interest rates on restricted bank deposits were ranging from 0.4% to 2.6% per annum as at 31 December 2014 (2013: from 0.4% to 2.9% per annum).

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**1,073,175**	516,846	**290,739**	15,237
Notes payable	**555,300**	418,700	**186,900**	100,000
	1,628,475	935,546	**477,639**	115,237
Amount due to an associate *(note (i))*	**662**	4,171	**–**	–
Amounts due to subsidiaries *(note (i))*	**–**	–	**92,536**	48,164
Deposits received	**81,536**	51,184	**17,254**	840
Other payables *(note (ii))*	**178,673**	55,939	**26,278**	3,436
Accruals	**5,562**	20,554	**3,215**	15,721
	1,894,908	1,067,394	**616,922**	183,398

Notes: (i) These amounts are interest-free, unsecured and repayable on demand.

(ii) The amount included advances from independent third parties of RMB18,526,000 (2013: nil), which are interest-free, unsecured and repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of reporting period based on invoice date:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction:				
Less than 6 months	**735,370**	601,846	**–**	–
6 months to less than 1 year	**61,256**	38,282	**–**	–
1 year to less than 2 years	**37,064**	25,188	**–**	–
2 years to less than 3 years	**22,417**	714	**–**	–
3 years and over	**10,015**	10,572	**–**	–
	866,122	676,602	**–**	–
Sale of petrochemical products:				
Less than 31 days	**446,383**	120,795	**253,756**	64,961
31 to 60 days	**1,328**	75,336	**–**	50,000
61 to 90 days	**66,708**	30,000	**66,709**	–
91 days to less than 1 year	**246,920**	31,812	**156,900**	–
1 year to less than 2 years	**28**	–	**–**	–
2 years to less than 3 years	**–**	631	**–**	–
3 years and over	**986**	370	**274**	276
	762,353	258,944	**477,639**	115,237
	1,628,475	935,546	**477,639**	115,237

29. BORROWINGS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured – interest-bearing loans *(note (a) and (b))*	**322,000**	375,300	**33,000**	158,000
Unsecured – interest-bearing loans *(note (b))*	**570,000**	1,013,311	**10,000**	210,000
	892,000	1,388,611	**43,000**	368,000

At the end of the reporting period, total borrowings of the Group were repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**822,000**	1,388,611	**43,000**	368,000
In the second year	**70,000**	–	**–**	–
	892,000	1,388,611	**43,000**	368,000

Notes:

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings are as follows:

(a) The borrowings are secured by:

	2014	2013
	RMB'000	RMB'000
Payments for leasehold land held for own use under operating leases *(note 16)*	**8,397**	8,610
Property, plant and equipment *(note 17)*	**5,610**	17,796
Investment property *(note 19)*	**11,328**	–
Trade receivables *(note 25(a))*	**–**	30,581
Restricted bank deposits *(note 27)*	**–**	12,000

(b) The secured and unsecured borrowings of the Group to the extent of RMB329,000,000 (2013: RMB1,367,500,000) were guaranteed by certain directors of the Company and its subsidiaries. As at 31 December 2014, none of the guaranteed amounts (2013: RMB30,000,000) was guaranteed by the directors of the Company.

As at 31 December 2014, one (2013: one) of the banking facilities of the Group is subject to the fulfilment of covenants relating to certain of the Company's financial ratios. If the Group was to breach the covenants, the drawn down facilities of RMB33,000,000 as at 31 December 2014 (2013: RMB50,000,000) would become repayable on demand.

The Company regularly monitors its compliance with these covenants. As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached (2013: none).

30. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

Deferred tax assets – Group

	Impairment loss and discounting on trade and other receivables RMB'000
At 1 January 2013	26,783
Charged to profit or loss	(2,006)
At 31 December 2013 and 1 January 2014	24,777
Credited to profit or loss	15,656
At 31 December 2014	40,433

Deferred tax liabilities – Group

	Fair value surplus in respect of business combination RMB'000	Capitalisation of borrowing costs RMB'000	Total RMB'000
At 1 January 2013	33,755	492	34,247
Charged to profit or loss	–	11	11
At 31 December 2013 and 1 January 2014	33,755	503	34,258
Credited to profit or loss	–	(201)	(201)
At 31 December 2014	33,755	302	34,057

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of RMB12,038,000 (2013: RMB10,701,000) can be carried forward indefinitely and the tax losses of nil (2013: RMB21,874,000) will expire in five years' time.

30. DEFERRED TAX *(continued)*

Deferred tax assets – Company

	Impairment loss and discounting on trade and other receivables RMB'000
At 1 January 2013	2,229
Charged to profit or loss	(513)
As 31 December 2013 and 1 January 2014	1,716
Charged to profit or loss	(1,693)
At 31 December 2014	23

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Deferred tax assets	**17,572**	4,799	**23**	1,716
Deferred tax liabilities	**(11,196)**	(14,280)	**–**	–
	6,376	(9,481)	**23**	1,716

31. SHARE CAPITAL

(a) Authorised and issued share capital

	Company	
	Number of shares	Amount
		RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014	936,190,000	93,619
Bonus Issue *(note)*	468,095,000	46,810
At 31 December 2014	1,404,285,000	140,429

Note:

Pursuant to the special resolution passed at the annual general meeting and respective class meetings of the Company on 25 June 2014, it was approved to issue bonus shares to all the shareholders of the Company on the basis of five new shares (the "Bonus Shares") for every ten existing shares of the Company held by the member on the register of members of the Company on 9 July 2014 (the "Bonus Issue"). The Bonus Shares rank pari passu in all respects with the existing shares of the Company. A total of 468,095,000 Bonus Shares has been issued on 29 October 2014 and the Bonus Shares comprises of 228,095,000 bonus H shares and 240,000,000 bonus domestic shares.

(b) Capital management policy

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings as described in note 29 divided by total capital. The Group regards its equity attributable to the Company's owners as its capital.

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**892,000**	1,388,611	**43,000**	368,000
Equity attributable to the Company's owners	**892,596**	765,217	**637,344**	573,642
Debt-to-equity ratio	**99.9%**	181.5%	**6.7%**	64.2%

The Group is also subject to externally imposed requirements in relation to certain bank covenants. Please refer to note 29 for details.

32. RESERVES

Company	Capital reserve *(note (a))* RMB'000	Statutory reserve fund *(note (b))* RMB'000	Retained earnings *(note (e))* RMB'000	Total RMB'000
At 1 January 2013	221,766	44,648	183,602	450,016
Profit for the year	–	–	87,115	87,115
Transfer to statutory reserve fund	–	8,712	(8,712)	–
2012 final dividends paid	–	–	(33,703)	(33,703)
2013 interim dividends paid *(note 15)*	–	–	(23,405)	(23,405)
At 31 December 2013 and 1 January 2014	221,766	53,360	204,897	480,023
Profit for the year	–	–	104,894	104,894
Bonus Issue *(note 31(a))*	(46,810)	–	–	(46,810)
Transfer to statutory reserve fund	–	10,489	(10,489)	–
2013 final dividends paid *(note 15)*	–	–	(41,192)	(41,192)
At 31 December 2014	174,956	63,849	258,110	496,915

Notes:

(a) The amount represents share capital in excess of nominal value. On 13 November 2007, the Company issued 250,190,000 shares to the subscribers and the H share shareholders, at an issue price of HK$1.10 per share. On 29 October 2014, a total of 468,095,000 Bonus Shares has been issued, the amount of HK$46,810,000 is transferred from capital reserve to share capital (See note 31(a)).

(b) Pursuant to the relevant PRC regulations and the Articles of Association of the PRC companies within the Group, each of the PRC companies within the Group is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve shall be made before distribution of dividends to shareholders.

The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital. Upon approval by a resolution of the shareholders' general meeting, each of the PRC companies within the Group may convert its statutory reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings, or to increase the nominal value of each share currently held by the shareholders, provided that the balance of the statutory reserve fund after such issue is not less than 25% of the registered capital.

(c) The Group's other reserve represents its share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired additional equity interests of certain subsidiaries in 2008.

(d) The Group's currency translation reserve represents gain or loss arising on retranslating the net assets of foreign operations into RMB, the presentation currency of the financial statements.

(e) The amount represents cumulative net gains and losses recognised in profit or loss.

33. DISPOSAL OF A SUBSIDIARY

On 9 May 2014, the Group disposed of its 100% equity interests in the subsidiary, Zhengzhou Huasheng, which is engaged in the petrochemical trading in the PRC, to an independent third party. Net assets of Zhengzhou Huasheng at the date of disposal are as follows:

	Carrying amount RMB'000
Payments for leasehold land held for own use under operating leases	7,115
Deferred tax assets	1,341
Inventories	1,694
Cash and cash equivalents	69
Other payables	(69)
Net assets disposed	10,150
Total consideration	(95,000)
Gain on disposal of a subsidiary	84,850

Satisfied by:

	RMB'000
Cash consideration received	95,000

Net cash inflow arising on disposal:

	RMB'000
Cash and cash equivalents disposed	(69)
Cash consideration received	95,000
	94,931

Zhengzhou Huasheng contributed a turnover of RMB36,990,000 and net profit of RMB1,628,000 to the Group for the period from 1 January 2014 to the date of disposal.

34. FINANCIAL GUARANTEE CONTRACTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fair value of outstanding financial guarantees	**–**	–	**7**	552

Company

The Company has provided guarantees to banks for the borrowings of RMB799,000,000 (2013: RMB995,500,000) granted to its subsidiaries.

35. OPERATING LEASE COMMITMENTS

Operating leases – lessee

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of transportation facilities, machineries, office premises and warehouse facilities as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**5,560**	4,138	**3,212**	–
Later than one year and not later than five years	**1,472**	9,885	**–**	–
Later than five years	**–**	3,433	**–**	–
	7,032	17,456	**3,212**	–

The leases typically run for an initial period of 1 to 5 years without extension option. None of these leases includes contingent rentals.

35. OPERATING LEASE COMMITMENTS *(continued)*

Operating leases – lessor

At the reporting date, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of the investment property as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**1,140**	–	**1,140**	–
Later than one year and not later than five years	**1,045**	–	**1,045**	–

The Group's investment property is leased to a tenant, with a lease term of two years, and there is no contingent rental.

36. CONTINGENT LIABILITIES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees in respect of performance bonds and advance payment bonds issued by banks	**296,683**	182,143	**–**	–

The guarantees in respect of performance bonds and advance payment bonds issued by banks, which are fully secured by restricted bank deposits, are related to the construction projects of the Group's non-wholly owned subsidiary, Nantong Road and Bridge.

37. RELATED PARTY TRANSACTIONS

(a) During the year, apart from the related party transactions disclosed in notes 21 and 29(b), the Group entered into the following transactions with related parties:

(i) Sale of petrochemical products to

	2014 RMB'000	2013 RMB'000
Pudong Road and Bridge, an associate	2,947	27,051

(ii) Provision of services to

	2014 RMB'000	2013 RMB'000
Pudong Road and Bridge, an associate	–	173

(b) Key management compensation

	2014 RMB'000	2013 RMB'000
Directors' fees, basic salaries and allowances	4,075	4,028
Discretionary bonus	4,336	2,845
Retirement scheme contributions	121	196
	7,938	7,069

Remuneration for key management personnel of the Group includes amounts paid to the directors, supervisors and three (2013: three) senior management personnel of the Company. The remuneration of the directors, supervisors and one senior management personnel are disclosed in note 11. The emolument paid to the remaining two (2013: one) senior management personnel was within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	2	1

38. CAPITAL COMMITMENT

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Commitments for building office premises:				
– contracted for but not provided	**17,627**	28,944	**–**	–

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE

The Group's activities expose itself to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management

(a) Foreign currency risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognised assets and liabilities are denominated in RMB. In the opinion of the directors, the Group's exposure to the foreign currency risk is minimal.

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Risk management *(continued)*

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to bank deposits, guaranteed deposits described in note 25(b) and its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk.

The following tables detail the interest rate profile of the Group and the Company at the end of reporting period:

	Group			
	2014		2013	
	Effective interest rate Per annum	**RMB'000**	Effective interest rate Per annum	RMB'000
Floating guaranteed deposits	**12.0%**	**25,459**	12.9%	30,650
Fixed-rate bank deposits	**2.6%**	**269,242**	2.9%	238,345
Floating-rate bank deposits	**0.4%**	**130,217**	0.4%	279,347
		424,918		548,342
Fixed-rate borrowings	**6.2%**	**303,000**	6.4%	755,111
Floating-rate borrowings	**6.7%**	**589,000**	6.6%	633,500
		892,000		1,388,611

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after income tax expense would decrease/increase by approximately RMB3,250,000 (2013: RMB2,656,000) for the year ended 31 December 2014.

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Risk management *(continued)*

(b) Interest rate risk (continued)

	Company			
	2014		2013	
	Effective interest rate Per annum	RMB'000	Effective interest rate Per annum	RMB'000
Fixed-rate bank deposits	2.6%	22,600	2.9%	39,844
Floating-rate bank deposits	0.4%	10,500	0.4%	69,556
		33,100		109,400
Fixed-rate borrowings	6.2%	33,000	6.4%	180,000
Floating-rate borrowings	6.6%	10,000	6.0%	188,000
		43,000		368,000

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's profit after income tax expense would increase/decrease by approximately RMB4,000 (2013: RMB888,000) for the year ended 31 December 2014.

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial guarantee contracts that it issues.

While the Group's trade receivables relate to a number of customers, there is concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2014 represented 37% (2013: 42%) of total trade receivables, while 12% (2013: 19%) of the total receivables were due from the largest debtor. Credit risk with respect to trade receivables are limited because the Group regularly reviews the credit standing, credit terms and credit limits granted to individual customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The Group issues financial guarantee contracts in favour of only those counterparties that are financially strong and with good credit history.

The credit risk on the bank deposits are limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Risk management *(continued)*

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and business commitments.

The Group also has policy to regularly monitor its liquidity requirements and its compliance with lending covenants, so as to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and long terms.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2014				
Borrowings	**850,532**	**73,323**	**–**	**923,855**
Trade and other payables	**1,894,908**	**–**	**–**	**1,894,908**
At 31 December 2013				
Borrowings	1,423,220	–	–	1,423,220
Trade and other payables	1,067,394	–	–	1,067,394
Company				
At 31 December 2014				
Borrowings	**43,817**	**–**	**–**	**43,817**
Trade and other payables	**616,922**	**–**	**–**	**616,922**
Financial guarantees issued – maximum amount guaranteed	**799,000**	**–**	**–**	**799,000**
At 31 December 2013				
Borrowings	377,680	–	–	377,680
Trade and other payables	183,398	–	–	183,398
Financial guarantees issued – maximum amount guaranteed	995,500	–	–	995,500

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE *(continued)*

Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors considered that the carrying amounts of the financial assets and liabilities approximate their fair value, except for the available-for-sale financial asset which is measured at cost less impairment.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the financial instruments as at the end of each reporting period are categorised as follows:

Group

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables	**2,969,104**	2,935,990
Available-for-sale financial asset	**800**	800
	2,969,904	2,936,790
Financial liabilities		
Financial liabilities measured at amortised cost	**2,705,372**	2,364,266

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables	**794,999**	654,200
Available-for-sale financial asset	**800**	800
	795,799	655,000
Financial liabilities		
Financial liabilities measured at amortised cost	**642,668**	548,197

41. EVENTS AFTER THE REPORTING PERIOD

(a) Tonva Trading (Hong Kong) Limited ("Tonva Trading"), an indirect wholly-owned subsidiary of the Company entered into a memorandum of understanding ("MOU") for acquiring a group of companies whose operations are principally trading of refined oil products, maritime bunkering, vessel holding and vessel chartering in Hong Kong ("Possible Acquisition"). The MOU does not constitute a legally binding commitment on the part of the Company in respect of the proceeding of the Possible Acquisition and is subject to the execution of the formal agreement between Tonva Trading and the vendor in relation to the Possible Acquisition. The Possible Acquisition, if materialise, may constitute a major transaction on the part of the Company under the Listing Rules.

(b) On 19 December 2014, resolutions to approve the Rights Issue were duly passed at the extraordinary general meeting, the domestic shareholders class meeting and the H shareholders class meeting of the Company, respectively. On 17 February 2015, the Company proposed to raise approximately HK$494.3 million before expenses by way of a rights issue of 631,928,250 rights shares (comprising 324,000,000 domestic rights shares and 307,928,250 H rights shares) on the basis of 4.5 rights shares for every 10 existing shares held by the qualifying shareholders on 5 March 2015 at the subscription price of RMB0.62 per domestic rights share and HK$0.78 per H rights share payable in full on acceptance. On 9 March 2015, the prospectus of the rights issue was delivered to the qualifying shareholders. Details of which, please refer to the aforesaid prospectus.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2015.