

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, for which the directors of Shanghai Tonva Petrochemical Co., Ltd. (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Shanghai Tonva Petrochemical Co., Ltd. (the “Company”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

1. The Group's turnover for the 9 months ended 30 September 2007 was approximately RMB716,377,000 (9 months ended 30 September 2006: approximately RMB765,569,000). A decrease of approximately 6% was recorded year-on-year.
2. Profit attributable to the equity holders of the Company for the 9 months ended 30 September 2007 was approximately RMB54,867,000 (9 months ended 30 September 2006: approximately RMB51,802,000). A growth of approximately 6% was recorded year-on-year.
3. The Board did not recommend an interim dividend for this quarter.

The board of Directors (the “Board”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three and nine months ended 30 September 2007 together with comparative unaudited figures for the corresponding periods in 2006.

## UNAUDITED CONSOLIDATED RESULT

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2007	2006	2007	2006
		<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
			(restated)		(restated)
Turnover	2	300,960	316,361	716,377	765,569
Cost of sales		(265,388)	(282,405)	(615,105)	(677,709)
Gross profit		35,572	33,956	101,272	87,860
Other revenues	2	9,478	234	22,266	10,230
Distribution costs		(13,736)	(9,597)	(35,991)	(20,222)
General and administrative expenses		(5,877)	(5,876)	(17,063)	(14,547)
Other operating expenses		(815)	(201)	(1,393)	(932)
Operating profit		24,622	18,516	69,091	62,389
Finance costs		(3,186)	(2,280)	(10,849)	(4,679)
Share of profit/(loss) of associated companies		1,686	1,538	2,373	1,695
Profit before taxation		23,122	17,774	60,615	59,405
Taxation	3	(1,572)	(2,221)	(6,077)	(7,636)
Profit for the period		21,550	15,553	54,538	51,769
Attributable to:					
Equity holders of the Company					
		21,450	15,558	54,867	51,802
Minority interests					
		100	(5)	(329)	(33)
		21,550	15,553	54,538	51,769
Earning per share for profit attributable to equity holders of the Company during the period <b>(Expressed in RMB per share)</b>					
	4	0.031	0.023	0.080	0.076
Dividend					
	5	-	-	-	-

## MOVEMENT TO AND FROM CONSOLIDATED RESERVES – UNAUDITED

	Share premium <i>RMB '000</i>	Statutory common reserve fund <i>RMB '000</i>	Statutory common welfare fund <i>RMB '000</i>	Currency Translation reserve <i>RMB '000</i>	Retained earnings <i>RMB '000</i>	Total <i>RMB '000</i>
At 1 January 2006	34,117	9,428	4,714	(19)	57,444	105,684
Issuance of bonus shares	(34,117)	-	-	-	(183)	(34,300)
Currency translation difference	-	-	-	(524)	-	(524)
Profit for the period	-	-	-	-	51,802	51,802
Dividend	-	-	-	-	(18,591)	(18,591)
At 30 September 2006	-	9,428	4,714	(543)	90,472	104,071
At 1 January 2007	-	20,639	-	(934)	99,416	119,121
Currency translation difference	-	-	-	(992)	-	(992)
Profit for the period	-	-	-	-	54,867	54,867
Dividend declared and paid in respect of 2006	-	-	-	-	(15,092)	(15,092)
At 30 September 2007	-	20,639	-	(1,926)	139,191	157,904

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2006.

## 2. TURNOVER AND REVENUE

Turnover consists of sales from asphalt and income from logistics services.

	For the nine months ended 30 September	
	2007	2006
	RMB’000	RMB’000
		(restated)
Turnover:		
Sales of asphalt	517,432	738,852
Logistic income	198,945	26,717 <sup>1</sup>
	<hr/>	<hr/>
	716,377	765,569
Other revenues:		
Dividend income from unlisted investments	17,946	7,580
Subsidy income	2,284	2,000
Interest income	971	487
Others	1,065	163
	<hr/>	<hr/>
	22,266	10,230
	<hr/>	<hr/>
Total revenues	<b>738,643</b>	<b>775,799</b>

For the first nine months of 2006, logistics services did not qualify as a separate segment. However, with the subsequent expansion of logistics services through certain subsidiaries of the Group in 2006, logistics services business qualified as a separate segment by the end of 2006, and the corresponding figures for third quarter of 2006 have been restated.

1. The logistic income for the third quarter of 2006 was previously included in other revenues.

### 3. TAXATION

	<b>For the nine months</b>	
	<b>Ended 30 September</b>	
	<b>2007</b>	2006
	<b>RMB '000</b>	RMB '000
PRC enterprise income tax	<b>4,447</b>	7,636
Hong Kong profit tax	<b>1,630</b>	-
	<b>6,077</b>	7,636

The Company is subject to the Income Tax Law of the PRC. Being a company incorporated in Pudong New Area of Shanghai, the relevant PRC enterprise income tax rate is 15% on the assessable profit for the year.

The enterprise income tax rates of the Company's subsidiaries are as follows:

Name of subsidiary	Income tax rate
Wuhan Hualong Highway Resources Company Limited	33%
Donghua (Hong Kong) Limited	17.5%
Shanghai Shenhua Logistic Company Limited	15%
	(50% of income tax is exempted in 2007)
Zhenzhou Huasheng Petrochemical Company Limited	33%
Quanjiao Puxing petrochemical Company Limited	33%
Wuhan Shenlong Logistics Company Limited	18%
Tonva Shipping Limited	17.5%
Panva Shipping Limited	17.5%
Shanghai Taihua Petrochemical Co., Ltd.	15%

Dong Tai Shi Suzhong Oil Shipping Company Limited ("Suzhong Shipping"), a subsidiary of the Company, is classified as a small-scale company for income tax purpose. According to another circular issued by Jiangsu provincial tax bureau in December 2003, the income tax of Suzhong Shipping is charged at 3.3% of its revenue effective from February 2004 onwards.

Deferred taxation as at 30 September 2007 and 2006 was not significant.

#### **4. EARNINGS PER SHARE**

The calculation of the earnings per share for the nine months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of RMB54,867,000 and the number of 686,000,000 shares (nine months ended 30 September 2006: 686,000,000 shares).

Diluted earnings per share have not been calculated as there were no potential dilutive shares during the periods.

#### **5. DIVIDEND**

The Board did not recommend an interim dividend for the 9 months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

## **FINANCIAL AND BUSINESS REVIEW**

### **Asphalt trading business**

The Group's turnover for sales of asphalt for the nine months ended 30 September 2007 was approximately RMB517,432,000 (nine months ended 30 September 2006: approximately RMB738,852,000), representing a decrease of approximately 30% comparing with the corresponding period last year. One of the major factors caused such decrease is the macroeconomic austerity measures, which resulted in decrease in the fund injection from the financial institutions to the road construction projects when comparing with the corresponding period last year. Another is the decrease in market price. Within the reporting period, the selling price of asphalt has been dropped by approximately 16% and affected the turnover amount. Although the turnover was decreased comparing to the corresponding period, however, the gross profit margin has been raised from approximately 11% to approximately 12%. The increase in gross profit margin was mainly attributable to the enhancement of the efficiency of logistics operation and applying bulk purchasing strategy which results in a greater decrease in the cost of sales as compared to the decrease in the selling price of asphalt. The Group's gross profit for sales of asphalt for the nine months ended 30 September 2007 was approximately RMB63,429,000 (nine months ended 30 September 2006: approximately RMB79,638,000).

### **Logistic business**

For the nine months ended 30 September 2007, the Group recorded logistic revenue of approximately RMB198,945,000 (nine months ended 30 September 2006: approximately RMB26,717,000) which representing 28% of the total turnover of the Group. The turnover has been increased by approximately 645% comparing with the corresponding period last year. Cost of logistic business amounted to approximately RMB161,102,000 (nine months ended 30 September 2006: approximately RMB18,495,000), representing 26% of the total costs of sales of the Group. The substantial growth of the revenue from the logistics business was principally attributable to the addition of logistics and transportation equipment and the expansion of the Group's logistics business. For the nine months ended 30 September 2007, the Group's gross profit from the logistic business was approximately RMB37,843,000, representing a gross profit margin of 19%.

### **Other revenues**

The Group's other revenues for the nine months ended 30 September 2007 were approximately RMB22,266,000 (nine months ended 30 September 2006: approximately RMB10,230,000). The increase in other revenue was mainly resulted from the dividend income received from the investment in unlisted company and the increase in the financial subsidy provided by the local government of the PRC.



### **Distribution costs**

The Group's distribution costs for the nine months ended 30 September 2007 were approximately RMB35,991,000 (nine months ended 30 September 2006: approximately RMB20,222,000). The increase in distribution costs was mainly attributable to the expansion of the scale of logistics business.

### **General and administration expenses**

The Group's general and administration expenses for the nine months ended 30 September 2007 were approximately RMB17,063,000 (nine months ended 30 September 2006: approximately RMB14,547,000). The increase was principally due to the expansion of the Company's scale and the increase in staff costs.

### **Profit attributable to shareholders**

Profit attributable to equity holders of the Company for the nine months ended 30 September 2007 was approximately RMB54,867,000 (nine months ended 30 September 2006: approximately RMB51,802,000), representing an increase of approximately 6% comparing with the corresponding period last year.

## **BUSINESS OPERATIONS**

The Group is principally engaged in the provision of one-stop asphalt sales and logistics services, including procurement, storage and delivery services to its customers through its constantly improving logistics system. At present, asphalt is the Group's only product of trading business, and the Group's logistics services cover vehicle transportation, ocean transportation, inland water transportation and the storage of asphalt.

The business scope of the Group covers the downstream region of Yangtze River and some inland provinces of the PRC, including Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Hubei Province and Henan Province. The Group currently operates 11 asphalt storage hubs of total capacity of 114,000 tons, while two asphalt storage hubs of total capacity of 38,000 tons and 22,000 tons are under construction.

With the view to providing better quality and efficient delivery services to its customers, the Group operates 32 delivery vehicles, 4 ocean carriers and 3 inland river carriers with a total loading capacity of 18,946 tons. In order to enhance its delivery capacity and reduce procurement and distribution cost, the Group may acquire more vehicles and vessels.

## **PROSPECTS**

China is a big country with a large population, and its economy has become one of the largest economies in the world. However, in terms of the development of roads and highways, China still lags far behind developed countries. Take the example of highways. By the end of 2006, China possessed 45,000 kilometers of highways, covering only provincial capital cities and some of the municipalities with a population of over 500,000. Only 60% of China's medium-sized cities (with population of more than 200,000 people) are connected by highways. As such, there has been a shortage in the supply of highways, and the potential for development is significant. As the construction of new highways and the maintenance of the existing ones will push the demand for asphalt, we expect a strong demand for asphalt in China in the foreseeable future.

## DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 September 2007, the interests of long or short position 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")) was required, (a) to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V 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 entered in the register required to be kept therein, pursuant to section 352 of the SFO; or (c) to notify to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors referred to in Rule 5.46 of the GEM Listing Rules are as follows:

### Long position in the shares of the Company:

Name of Directors	Capacity	Number of shares			Total interest	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest				
Qian Wenhua (Executive Director)	Beneficial owner	191,792,000 (domestic shares)	35,854,000 (Note 1) (domestic Shares)	227,646,000	47.23	33.18	
Lu Yong (Executive Director)	Beneficial owner	62,618,000 (domestic shares)	—	62,618,000	13.05	9.13	
Li Hongyuan (Executive Director)	Beneficial owner	18,400,000 (domestic shares)	—	18,400,000	3.83	2.68	
Zhang Jinhua (Executive Director)	Beneficial owner	15,152,000 (domestic shares)	—	15,152,000	3.16	2.21	

Note 1: The 35,854,000 shares are held by Liu Huiping, the wife of Qian Wenhua, and such shares are deemed to be family interests held by Qian Wenhua.

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

At 30 September 2007, the persons or company (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 are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 338 of the SFO and who were directly and/or indirectly deemed to be interested 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 are listed as follows:

Name of Person	Capacity	Number of shares			Total long position	Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest					
Liu Huiping (Note 1)	Beneficial owner	35,854,000 (domestic shares)	191,792,000 (Note 1) (domestic Shares)	227,646,000	-	47.23	33.18	
Yao Peie	Beneficial owner	34,546,000 (domestic shares)	—	34,546,000	-	7.20	5.04	
Simosa Oil Co., Ltd (中塑油品股份有限公司)	Beneficial owner	28,204,000 (H Shares)	—	28,204,000	-	13.69	4.11	
Shenyin Wanguo (H.K.) Ltd.	Interest of a controlled corporation	30,720,000 (H shares)	—	30,720,000	- 12,500,000	14.91 6.06	4.48 1.79	
Mumiya Limited and Babylon Limited	Beneficial owner (Note 2)	175,000,000 (H shares)	—	175,000,000	-	84.95	25.51	

*Notes:*

1. Liu Huiping is the wife of Qian Wenhua.

2. In October 2006, the Company entered into a subscription agreement with Mumiya Limited and Babylon Limited (together the "Subscribers") to place 175,000,000 new H shares to the Subscribers at a price of HK\$1.10 per share and to offer not more than 75,190,000 new H shares to its existing H shareholders at the same price by way of an open offer. CLSA Capital Partners is the investment adviser to the general partners of Aria Investment Partners II, L.P. and Aria Investment Partners III, L.P., which hold 100% of Mumiya Limited and Babylon Limited respectively.

### **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 any such right as at 30 September 2007.

### **AUDIT COMMITTEE**

In compliance with Rules 5.28 to 5.29 of the GEM Listing Rules, the Company established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, Ms. Ye Mingzhu, Mr. Zhu Shengfu and Mr. Li Li. Mr. Li Li is the chairman of the audit committee.

The audit committee has reviewed the Group's unaudited consolidated financial statements for the nine months ended 30 September 2007, and was of an opinion that the preparation of such results complied with the applicable accounting and reporting standards.

### **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

During the nine months ended 30 September 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

### **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

None of the Directors and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

### **COMPLIANCE ADVISER'S INTEREST**

Pursuant to the compliance adviser agreement dated 12 July 2005 entered into between the Company and Shenyin Wanguo Capital (H.K.) Limited ("SW Capital"), SW Capital has been appointed as the compliance adviser as required under the GEM Listing Rules for the period from 13 July 2005 to 31 December 2007. SW Capital is paid for acting as the Company's compliance adviser.

The Company has been notified by SW Capital, that as at 30 September 2007, Shenyin Wanguo Strategic Investments (H.K.) Ltd., an affiliated company of SW Capital held 5,720,000 H Shares of the Company. SW Capital entered into an underwriting agreement with the Company on 10 November 2006 in relation to the underwriting of the open offer of the Company, details of which are set out in the circular of the Company dated 1 December 2006. Save as disclosed above, none of SW Capital, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

By order of the Board

**Qian Wenhua**

*Chairman*

Shanghai, the PRC, 1 November 2007

*As at the date of this announcement, the Board comprises five executive Directors: Qian Wenhua, Lu Yong, Mo Luojiang, Zhang Jinhua and Li Hongyuan; one non-executive Director: Hsu Chun-min and three independent non-executive Directors: Zhu Shengfu, Li Li and Ye Mingzhu.*