First Quarterly Report 2009

上海棟華石油化工股份有限公司
SHANGHAI TONVA PETROCHEMICAL CO., LTD.*

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

Stock Code: 8251

** For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONGLIMITED

GEM has been positioned as a market designed to accommodate companies to which a high investment risk maybe attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report 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 3 months ended 31 March 2009 was approximately RMB275,680,000 (3 months ended 31 March 2008: approximately RMB232,451,000). A growth of approximately 18.6% was recorded year-on-year.

2. Profit attributable to the equity holders of the Company for the 3 months ended 31 March 2009 was approximately RMB13,456,000 (3 months ended 31 March 2008: approximately RMB10,314,000). A growth of approximately 30.5% 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 months ended 31 March 2009 together with comparative unaudited figures for the corresponding periods in 2008.

UNAUDITED CONSOLIDATED RESULTS

		For the three months ended 31 March	
		2009	2008
	Note	**RMB'000**	RMB'000
Revenue	*2*	**275,680**	232,451
Cost of sales		**(227,538)**	(208,010)
Gross profit		**48,142**	24,441
Distribution costs		**(4,497)**	(7,929)
Administrative expenses		**(14,595)**	(5,113)
Other income	*2*	**4,335**	12,638
Other losses		**(62)**	(4,040)
Operating profit		**33,323**	19,997
Finance costs – net		**(6,421)**	(5,553)
Share of loss of associates		**(101)**	(2,276)
Profit before income tax		**26,801**	12,168
Income tax expenses	*3*	**(7,601)**	(1,020)
Profit for the period		**19,200**	11,148
Attributable to:			
Equity holders of the Company		**13,456**	10,314
Minority interest		**5,744**	834
		19,200	11,148
Earning per share for profit attributable to equity holders of the Company during the period **(Expressed in RMB per share)**	*4*	**0.014**	0.011
Dividend	*5*	**–**	–

MOVEMENT TO AND FROM CONSOLIDATED RESERVES – UNAUDITED

	Capital reserve	Statutory common reserve fund	Other reserve	Currency translation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008	221,766	25,227	–	(3,363)	125,841	369,471
Currency translation difference	–	–	–	(1,522)	–	(1,522)
Profit for the period	–	–	–	–	10,314	10,314
Balance at 31 March 2008	221,766	25,227	–	(4,885)	136,155	378,263
Balance at 1 January 2009	221,766	28,767	17,912	(5,262)	143,662	406,845
Currency translation difference	–	–	–	5	–	5
Profit for the period	–	–	–	–	13,456	13,456
Balance at 31 March 2009	221,766	28,767	17,912	(5,257)	157,118	420,306

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 2008.

2. REVENUE

Revenue represents of sales from asphalt and fuel oil, income from logistic services and road and bridge constructions net of taxes, discounts, returns and allowances, where applicable and after eliminating sales with the Group.

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
Revenue:		
Sales of asphalt	**111,798**	108,290
Sales of fuel oil	**32,469**	116,008
Logistic services	**5,701**	8,153
Road and bridge constructions	**125,712**	–
	275,680	232,451
Other income:		
Dividend income from unlisted investments	**3,778**	6,393
Subsidy income	**240**	–
Agency income	**–**	5,025
Interest income	**4**	511
Others	**313**	709
	4,335	12,638
Total revenues	**280,015**	245,089

3. TAXATION

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
PRC enterprise income tax	**7,497**	952
Hong Kong profit tax	**104**	68
	7,601	1,020

The Company and Shenhua Logistics are incorporated in Pudong New Area of Shanghai. Pursuant to the implementation guidance of the new CIT Law, the Company and Shenhua Logistics are subject to 20% (for the three months ended 31 March 2008: 18%) on their assessable profit for the three months ended 31 March 2009. Such tax rate will gradually increase to 25% in a four-year period from 2009 to 2012.

The enterprise income tax rates of other group entities are as follows:

	Enterprise income tax rate For the three months ended 31 March	
Name of subsidiary	**2009**	2008
Wuhan Hualong Highway Resources Company Limited	**25%**	25%
Donghua (Hong Kong) Limited	**16.5%**	17.5%
Shanghai Shenhua Logistic Company Limited	**20%**	18%
Zhenzhou Huasheng Petrochemical Company Limited	**25%**	25%
Quanjiao Puxing Petrochemical Company Limited	**25%**	25%
Wuhan Shenlong Logistics Company Limited	**25%**	25%
Tonva Shipping Limited	**16.5%**	17.5%
Panva Shipping Limited	**16.5%**	17.5%
Shanghai Taihua Petrochemical Co., Ltd.	**25%**	25%
Shanghai Huayang Shipping Technical Service Limited	**25%**	25%
Taizhou Huaye Petrochemcial Company Limited	**25%**	25%
Jiangsu Donghua Communication Materials Company Limited	**25%**	25%
Nantong Jiuzhou Highway Machinery Maintenance Engineering Limited	**25%**	25%
Nantong Jiuzhou Construction Engineering Testing Co., Ltd.	**25%**	25%
Nantong Shenzhou Investment Development Co., Ltd.	**25%**	25%

Jiaugsu Suzheng Oil Shipping Company Limited and Shanghai Shenhua Logistics (Dongtai) Company Limited, are treated as small-scale companies for income tax purpose. According to a circular issued by Jiangsu provincial tax bureau in December 2003, the income tax of Suzhong Shipping and Shenhua Dongtai are charged at 3.3% of their revenue.

4. EARNINGS PER SHARE

The calculation of the earnings per share for the three months ended 31 March 2009 is based on the profit attributable to equity holders of the Company of RMB13,456,000 and the number of 936,190,000 shares (three months ended 31 March 2008: 936,190,000 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 3 months ended 31 March 2009 (three months ended 31 March 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The global economy of the first quarter in 2009 still posted a significant slowdown in the aftermath of the global financial crisis. As a strategic move in the mixed operating environment since last year, the Group's road and bridge construction business recorded remarkable performance, contributing new income and profit streams during the period under review. Its satisfactory results came into play as an offset to the noticeable decrease in sales volume and amount of fuel oil on the back of the diminished demand from power plants, glass and shipping industries due to the financial crisis. The Group believes that in the future, its four business arms will better complement each other and deliver more business synergy. In addition, the asphalt materials supply contracts for Shanghai World Expo won by the Group early this year is expected to push up the Group asphalt sales volume this year.

Business Operations

The Group is principally engaged in the sales of asphalt and fuel oil, road and bridge construction and provision of logistic service in PRC. The Group offers one-stop services to its clients from procurement, storage and delivery of asphalt and fuel oil. The Group's asphalt and fuel oil trading business geographically covers the midstream and downstream regions of Yangtze River and some inland provinces. Its logistics services cover vehicle transportation, waterway transportation, inland water transportation and the storage of asphalt and fuel oil products. As for the road and bridge construction business, the Group is certified for the first class of highway engineering contract and the first class of multiple public engineering contract.

Currently, the asphalt and fuel oil storage facilities operated by the Group include: 10 asphalt storage hubs with a total capacity of 172,000 tons, one fuel oil storage hub with a capacity of 10,000 tons. In respect of the transportation facilities, the Group currently operates 2 ocean carriers, 6 river carriers and 32 asphalt delivery vehicles, with a total loading capacity of 11,118 tons.

Asphalt Trading Business

For the three months ended 31 March 2009, the Group's turnover for asphalt trading business amounted to approximately RMB111,798,000 (for the three months ended 31 March 2008: approximately RMB108,290,000), representing an increase of 3.2% when compared with the corresponding period last year. The income from asphalt trading business accounted for about 41.0% of the Group's total turnover in the review period.

Gross margin of the asphalt trading business decreased to 10.6% from 15.1% in the corresponding period last year. For the three months ended 31 March 2009, the Group's gross profit from the sales of asphalt was approximately RMB11,853,000, (for the three months ended 31 March 2008: approximately RMB16,339,000), representing a decrease of 27.5% when compared with the corresponding period last year.

Although the sales volume of asphalt increase by 12.4% the three months ended 31 March 2009 as compared to the corresponding period last year, the decrease in the average selling price of asphalt outpaced the decrease in average purchase cost which resulted in a decrease in gross profit and gross margin.

Fuel Oil Trading Business

For the three months ended 31 March 2009, the Group's turnover for fuel oil trading business was approximately RMB32,469,000 (for the three months ended 31 March 2008: approximately RMB116,008,000), representing a decrease of 72.0% when compared with the corresponding period last year. The income from fuel oil trading business contributed approximately 12.0% to the Group's total turnover in the review period.

For the three months ended 31 March 2009, gross profit was approximately RMB5,252,000 (for the three months ended 31 March 2008: approximately RMB6,903,000), representing a decrease of 23.9% year or year while gross margin increased to 16.2% from 6.0% as compared with the corresponding period last year. The higher gross margin was attributable to the price hike of fuel oil in the first quarter of 2009 as compared with the end of 2008, which broaden profit margins in selling the inventories at the end of 2008 and the first quarter of 2009 that the purchasing cost was relatively lower.

The decrease in gross profit of Group's fuel oil trading business was mainly attributable to the decline of demand for fuel oil from various industries such as power factories, glass plants, shipping amid the financial crisis. The sales volume of fuel oil decreased 41.7% when compared with the corresponding period last year.

Logistic Business

For the three months ended 31 March 2009, the Group's turnover for logistic services was approximately RMB5,701,000 (for the three months ended 31 March 2008: approximately RMB8,153,000), representing a decrease of 30.0% when compared with the corresponding period last year. The income from logistic business attributed to around 2.0% of the Group's total turnover in the review period. As the logistic business of the Group is mainly providing storage and transportation service, but most of the road construction projects are still partially suspended in Shanghai and Jaugsu province in the first quarter of 2009 due to global financial crisis, the decline of demand fro fuel oil from various industries such as power factories, glass plants, shipping that caused the decrease in income from the logistic business.

Gross margin for logistic business decreased from 14.7% in the corresponding period last year to 5.3% in the review period. The decrease in gross margin was mainly attributable to the lower trading volume of the Group's logistic business while the fixed cost such as depreciation of logistic facilities and rental cost did not decrease accordingly. For the three months ended 31 March 2009, gross profit of the logistic business was approximately RMB305,000, representing a decrease of 74.6% when compared with the corresponding period last year.

Road and Bridge Constructions Business

For the three months ended 31 March 2009, the Group's turnover for road and bridge construction business was approximately RMB125,712,000 (the Group did not have road and bridge construction business for the three months ended 31 March 2008). The income from road and bridge construction business attributed to around 46% of the Group's total turnover. For the three months ended 31 March 2009, gross margin of the Group's road and bridge construction business was approximately 24.4% and the gross profit was RMB30,732,000.

Other income

For the three months ended 31 March 2009, the Group's other income was approximately RMB4,335,000 (for the three months ended 31 March 2008: approximately RMB12,638,000), representing a decrease of 65.7% comparing with the corresponding period last year. The decrease was mainly attributed to the drop of dividend income from unlisted investment to approximately RMB3,778,000 this year from approximately RMB6,393,000 for the corresponding period last year. Also, there was an one-off non-recurring agency income of approximately RMB5,025,000 from logistic business recorded in last year but there is no such income in this year.

Distribution costs

The Group's distribution costs for the three months ended 31 March 2009 were approximately RMB4,497,000 (for the three months ended 31 March 2008: approximately RMB7,929,000), representing a decrease of 43.3% from the corresponding period last year. The decrease was mainly attributed to the decrease in logistic of asphalt shipping this year.

Administrative expenses

The Group's administrative expenses for the three months ended 31 March 2009 were approximately RMB14,595,000 (for the three months ended 31 March 2008: approximately RMB5,113,000), representing an increase of 185.5% from the corresponding period last year. The increase was mainly attributed to the consolidation of Nantong group financial statement. The Group increased its equity interests in Nantong group from 25% to 62.44% since August 2008.

Other losses

The Group's other losses for the three months ended 31 March 2009 were approximately RMB62,000 (for the three months ended 31 March 2008: approximately RMB4,040,000). The decrease was mainly due to the appreciation of RMB, which gave rise to an exchange loss of approximately RMB3,577,000 in the first quarter of 2008 in relation to the proceeds of placement and open offer in 2007 which were denominated in Hong Kong Dollars.

Profit attributable to shareholders

Profit attributable to equity holders of the Group for the three months ended 31 March 2009 was approximately RMB13,456,000 (for the three months ended 31 March 2008: approximately RMB10,314,000), representing an increase of approximately 30.5% comparing with the corresponding period last year. The basic and diluted earnings per share for profit attributable to equity holders of the Company during the reporting period was RMB0.014 (for the three months ended 31 March 2008: approximately RMB0.011), representing an increase of approximately 27.3% comparing with the corresponding period last year.

Prospects

Looking forward to 2009, the global economy is to stay grim with business players shadowed by the financial crisis. It should be a comfort that China government, further to the RMB4 billion stimulus package announced at the end of 2008 to stimulate infrastructure and domestic demand, rolled out the pump-priming policies for ten major industries recently to fulfill its commitment to securing 8% GDP growth. Demonstrating the government's support to road infrastructure, petrochemical and logistics sectors, such measures are expected to boost domestic infrastructure construction and domestic demand growth in future, which is beneficial to the sustainable and steady development of China.

In addition, Shanghai World Expo to be held in 2010 is expected to stimulate new road construction and maintenance in Shanghai and its surrounding areas and thus the demand for asphalt. In view of the vast opportunities for asphalt trade brought by Shanghai World Expo, the Group has obtained asphalt materials supply contracts for Middle Ring Line (Pudong Section) in Shanghai, Inner Ring Line (Pudong Section) in Shanghai and North Passage of Pudong International Airport Project, with a total contractual value of RMB160 million. We believe such projects will help to boost the Group's revenue and profit.

The Group will continue its prudent and flexible operating strategy to address the market uncertainties. While consolidating the existing businesses by complementing each other, the Group will leverage the government's new initiatives and the opportunities from Shanghai World Expo, seeking to expand income and profit sources. The Group is committed to securing sound results in the opaque market for a maximum of shareholders' value.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 31 March 2009, 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 Personal interest	Family interest	Total long 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
Qian Wenhua (Executive Director)	Beneficial owner	191,792,000 *(Note 2)* (domestic shares)	35,854,000 *(Note 1)* (domestic Shares)	227,646,000	47.43	24.32
Lu Yong (Executive Director)	Beneficial owner	62,618,000 (domestic shares)	–	62,618,000	13.05	6.69
Li Hongyuan (Executive Director)	Beneficial owner	18,400,000 *(Note 3)* (domestic shares)	–	18,400,000	3.83	1.96
Zhang Jinhua (Executive Director)	Beneficial owner	15,152,000 (domestic shares)	–	15,152,000	3.16	1.62

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.

Note 2: On 29 December 2008, Qian Wenhua entered into an agreement with the promoters of the Company, namely Shanghai Changlu Trading Company Limited and Wang Jinfeng respectively, pursuant to which Qian Wenhua was transferred the 27,224,000 domestic shares held in the Company by Shanghai Changlu Trading Company Limited and the 6,690,000 domestic shares held in the Company by Wang Jinfeng. The share transfer agreement was approved at the extraordinary general meeting held on 19 February 2009 and by the relevant competent authorities in the PRC. The procedures of such share transfer are still in progress. Upon completion of the transfer, Qian Wenhua will have a personal interest and total interest of 225,706,000 shares and 261,560,000 shares in the Company respectively, accounting for 54.49% of such class of shares and approximately 27.94% of the registered capital of the Company.

Note 3: On 29 December 2008, Li Hongyuan entered into an agreement with the promoters of the Company, namely Le Fengchun and Jin Guoren, pursuant to which Li Hongyuan was transferred the 22,400,000 domestic shares held in the Company by Le Fengchun and the 9,454,000 domestic shares held in the Company by Jin Guoren. The share transfer agreement was approved at the extraordinary general meeting held on 19 February 2009 and by the relevant competent authorities in the PRC. The procedures of such share transfer are still in progress. Upon completion of the transfer, Li Hongyuan will have a personal interest and total interest of 50,254,,000 shares in the Company, accounting for 10.47% of such class of shares and approximately 5.37% of the registered capital of the Company.

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

At 31 March 2009, 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 deem 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 Personal interest	Number of shares Family interest	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
Liu Huiping *(Note 1)*	Beneficial owner	35,854,000 (domestic shares)	191,792,000 *(Note 1)* *(Note 2)* (domestic Shares)	227,646,000	–	47.43	24.32
Yao Peie	Beneficial owner	34,546,000 (domestic shares)	–	34,546,000	–	7.20	3.69
Simosa Oil Co., Ltd (中塑油品股份有限公司)	Beneficial owner	38,498,460 (H Shares)	–	38,498,460	–	8.44	4.11
Calyon Capital Markets Asia B.V.	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
Calyon Capital Markets International SA	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
Calyon S.A. (previously known as Credit Agricole Indosuez)	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
CLSA B.V.	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69

Name of Person	Capacity	Number of shares Personal interest	Family interest	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
CLSA Capital Partners Limited (formerly known as CLSA Funds Limited)	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
CLSA Private Equity Management Limited	Investment manager	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
Credit Agricole S.A.	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
SAS Rue la Boetie	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 3)*	–	38.36	18.69
Aria Investment Partners III, L.P. ("Aria III")	Interest in a controlled corporation	140,000,000 (H shares)	–	140,000,000 *(Note 3)*	–	30.69	14.95
Babylon Limited	Beneficial owner	140,000,000 (H shares)	–	140,000,000 *(Note 3)*	–	30.69	14.95
Aria Investment Partners II, L.P. ("Aria II")	Interest in a controlled corporation	35,000,000 (H shares)	–	35,000,000 *(Note 3)*	–	7.67	3.74
Mumiya Limited	Beneficial owner	35,000,000 (H shares)	–	35,000,000 *(Note 3)*	–	7.67	3.74

Note 1: Liu Huiping is the wife of Qian Wenhua.

Note 2: On 29 December 2008, Qian Wenhua entered into an agreement with the promoters of the Company, namely Shanghai Changlu Trading Company Limited and Wang Jinfeng respectively, pursuant to which Qian Wenhua was transferred the 27,224,000 domestic shares held in the Company by Shanghai Changlu Trading Company Limited and the 6,690,000 domestic shares held in the Company by Wang Jinfeng. The share transfer agreement was approved at the extraordinary general meeting held on 19 February 2009 and by the relevant competent authorities in the PRC. The procedures of such share transfer are still in progress. Upon completion of the transfer, Liu Huiping will have a family interest and long position of 225,706,000 shares and 261,560,000 shares in the Company respectively, accounting for 54.49% of such class of shares and approximately 27.94% of the registered capital of the Company.

Note 3: Mumiya Limited and Babylon Limited hold 35,000,000 and 140,000,000 H shares of the Company respectively. As Aria II controls more than one-third of the voting power at general meetings of Mumiya Limited, Aria II is deemed to be interested in 35,000,000 H shares held by Mumiya Limited pursuant to the SFO. Aria III controls more than one-third of the voting power at general meetings of Babylon Limited and is thus deemed to be interested in 140,000,000 H shares held by Babylon Limited pursuant to the SFO. As CLSA Private Equity Management Ltd. is the investment manager of Aria II and Aria III, it is deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO. Credit Agricole S.A. controls more than one-third of the voting power at general meetings of Calyon S.A., which in turn controls more than one-third of the voting power at general meetings of Calyon Capital Markets International SA, which in turn controls more than one-third of the voting power at general meetings of Calyon Capital Markets Asia B.V., which in turn controls more than one-third of the voting power at general meetings of CLSA B.V., which in turn controls more than one-third of the voting power at general meetings of CLSA Capital Partners Limited, which in turn controls more than one-third of the voting power at general meetings of CLSA Private Equity Management Ltd. Therefore, Credit Agricole S.A., Calyon S.A., Calyon Capital Markets International SA, Calyon Capital Markets Asia B.V., CLSA B.V. and CLSA Capital Partners Limited are deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO.

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 during the period ended 31 March 2009.

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 and one non-executive Director, Mr. Ho Man. Mr. Li Li is the chairman of the audit committee.

The audit committee has reviewed the Group’s unaudited consolidated financial statements for the three months ended 31 March 2009, and was of an opinion that the preparation of such results complied with the applicable accounting and reporting standards and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 March 2009, 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 or the management shareholders and their respective associates (as defined under the GEM Listing Rules) had an interest in a business which competes with the Company or may compete with the business of the Group.

Qian Wenhua
Chairman

Shanghai, the PRC, 12 May 2009

As at the date of this report, the Board comprises six executive Directors: Qian Wenhua, Lu Yong, Jin Xiaohua, Mo Luojiang, Zhang Jinhua and Li Hongyuan; two non-executive Directors: Hsu Chun-min and Ho Man; three independent non-executive Directors: Zhu Shengfu, Li Li and Ye Mingzhu.