Interim Report 2009

TONVA
上海栋华

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*

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The board of Directors (the "Board") of Shanghai Tonva Petrochemical Company Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three and six months ended 30 June 2009 together with comparative unaudited figures for the corresponding periods in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the three months ended 30 June		**For the six months ended 30 June**	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Revenue	*2*	**415,726**	320,476	**691,406**	552,927
Cost of sales		**(362,545)**	(278,317)	**(590,083)**	(486,327)
Gross profit		**53,181**	42,159	**101,323**	66,600
Distribution costs		**(11,033)**	(10,618)	**(15,530)**	(18,547)
Administrative expenses		**(20,424)**	(5,923)	**(35,019)**	(11,036)
Other income	*2*	**1,773**	2,830	**6,108**	15,468
Other losses		**(834)**	(631)	**(896)**	(4,671)
Operating profit	*4*	**22,663**	27,817	**55,986**	47,814
Finance costs – net	*5*	**(7,311)**	(5,951)	**(13,732)**	(11,504)
Share of profit/(loss) of associates		**303**	467	**202**	(1,809)
Profit before income tax		**15,655**	22,333	**42,456**	34,501
Income tax expenses	*6*	**(4,882)**	(4,743)	**(12,483)**	(5,763)
Profit for the period		**10,773**	17,590	**29,973**	28,738
Attributable to:					
Equity holders of the Company		**6,721**	17,316	**20,177**	27,630
Minority interests		**4,052**	274	**9,796**	1,108
		10,773	17,590	**29,973**	28,738
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the period **(Expressed in RMB per share)**	*7*	**0.007**	0.018	**0.022**	0.030
Dividends	*8*	**–**	–	**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
ASSETS			
Non-current assets			
Land use rights		10,081	11,840
Prepayment for land use rights		11,120	15,120
Property, plant and equipment		214,517	218,658
Construction-in-progress		11,985	13,365
Intangible assets		154,668	157,504
Investments in associates		45,231	45,040
Available-for-sale financial assets		800	800
Trade and other receivables	10	375,079	217,715
Deferred tax assets		3,207	3,076
		826,688	683,118
Current assets			
Inventories	9	167,074	62,285
Amount due from customers for contract work		67,486	33,201
Trade and other receivables	10	563,616	691,216
Restricted bank deposits		49,032	74,122
Cash and cash equivalents		127,421	38,964
		974,629	899,788
Total assets		1,801,317	1,582,906
LIABILITIES			
Non-current liabilities			
Borrowings	12	70,000	–
Deferred tax liabilities		24,405	24,405
		94,405	24,405
Current liabilities			
Trade and other payables	11	565,356	510,530
Amount due to customers for contract work		12,211	13,209
Current income tax liabilities		29,637	34,155
Borrowings	12	491,849	407,475
		1,099,053	965,369
Total liabilities		1,193,458	989,774

	Note	**As at 30 June 2009 Unaudited RMB'000**	As at 31 December 2008 Audited RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share Capital		**93,619**	93,619
Reserves		**416,699**	406,845
		510,318	500,464
Minority interest in equity		**97,541**	92,668
Total equity		**607,859**	593,132
Total liabilities and equity		**1,801,317**	1,582,906
Net current liabilities		**(124,424)**	(65,581)
Total assets less current liabilities		**702,264**	617,537

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity holders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Other reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Minority Interest RMB'000	Total RMB'000
Balance at 1 January 2008	93,619	221,766	25,227	–	(3,363)	125,841	7,379	470,469
Currency translation differences	–	–	–	–	(1,993)	–	–	(1,993)
Profit for the period	–	–	–	–	–	27,630	1,108	28,738
Dividend declared and paid in respect of the year 2007	–	–	–	–	–	(14,043)	–	(14,043)
Minority interest – capital injection by minority shareholders	–	–	–	–	–	–	21,580	21,580
Balance at 30 June 2008	93,619	221,766	25,227	–	(5,356)	139,428	30,067	504,751
Balance at 1 January 2009	**93,619**	**221,766**	**28,767**	**17,912**	**(5,262)**	**143,662**	**92,668**	**593,132**
Currency translation differences	**–**	**–**	**–**	**–**	**(25)**	**–**	**–**	**(25)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**20,177**	**9,796**	**29,973**
Dividend declared and paid in respect of the year 2008	**–**	**–**	**–**	**–**	**–**	**(10,298)**	**–**	**(10,298)**
Minority interest – capital injection by minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**3,600**	**3,600**
Minority interest – acquisition of additional equity interest in a subsidiary by the Group	**–**	**–**	**–**	**–**	**–**	**–**	**(5,504)**	**(5,504)**
Minority interest – a subsidiary paid out dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(3,019)**	**(3,019)**
Balance at 30 June 2009	**93,619**	**221,766**	**28,767**	**17,912**	**(5,287)**	**153,541**	**97,541**	**607,859**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash used in operating activities	**(47,378)**	(21,805)
Net cash used in investing activities	**(18,539)**	(159,693)
Net cash from/(used in) financing activities	**154,374**	(26,085)
Net increase/(decrease) in cash and cash equivalents	**88,457**	(207,583)
Cash and cash equivalents at beginning of the period	**38,964**	275,455
Cash and cash equivalents at the end of the period	**127,421**	67,872

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("interim financial statements") of the Group for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard No. 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the GEM Listing Rules.

The interim financial statements have been prepared on the basis of historical cost convention, as modified by the revaluation of available-for-sale investments. All significant inter-company transactions and balances within the Group are eliminated on consolidation. The accounting policies adopted in preparing the interim financial statements for the six months ended 30 June 2009 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2008.

2. REVENUE

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

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Revenue:		
Sales of asphalt	**274,409**	262,136
Sales of fuel oil	**127,235**	268,642
Logistic services	**18,989**	22,149
Road and bridge construction	**270,773**	–
	691,406	552,927
Other revenue:		
Dividend income from unlisted investments	**3,778**	6,393
Subsidy income	**839**	940
Agency income	**–**	4,745
Interest income	**11**	778
Others	**1,480**	2,612
	6,108	15,468
Total revenue	**697,514**	568,395

3. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 30 June 2009, the Group is organized into four main business segments:

(1) Sales of asphalt;
(2) Sales of fuel oil;
(3) Provision of logistic services; and
(4) Road and bridge construction.

The segment results for the period ended 30 June 2009 are as follow:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Unallocated RMB'000	Total RMB'000
Total segment revenue	316,760	149,336	28,236	270,773	–	765,105
Inter-segment revenue	(42,351)	(22,101)	(9,247)	–	–	(73,699)
Revenue	274,409	127,235	18,989	270,773	–	691,406
Operating profit/ Segment results	11,413	3,634	(169)	36,491	4,617	55,986
Finance cost						(13,732)
Share of profit of associates	(136)	338	–	–	–	202
Profit before income tax						42,456
Income tax expenses						(12,483)
Profit for the period						29,973

The segment results for the period ended 30 June 2008 are as follow:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Unallocated RMB'000	Total RMB'000
Total segment revenue	375,903	307,190	23,204	–	706,297
Inter-segment revenue	(113,767)	(38,548)	(1,055)	–	(153,370)
Revenue	262,136	268,642	22,149	–	552,927
Operating profit/ Segment results	25,862	9,639	4,980	7,333	47,814
Finance cost					(11,504)
Share of loss of associates	(75)	–	–	(1,734)	(1,809)
Profit before income tax					34,501
Income tax expenses					(5,763)
Profit for the period					28,738

Other segment items included in the consolidated income statement are as follows:

	Period ended 30 June 2009					Period ended 30 June 2008			
	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Total RMB'000	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Total RMB'000
Depreciation	2,704	35	4,685	5,463	12,887	2,306	10	3,675	5,991
Amortisation	38	25	–	4,424	4,487	57	–	–	57

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, investment in associates, inventories, trade and other receivables, and cash and cash equivalents. Unallocated assets comprise available-for-sale financial assets and deferred tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation payables and borrowings.

The segment assets and liabilities at 30 June 2009 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Unallocated RMB'000	Total RMB'000
Assets	**535,993**	**61,916**	**145,070**	**1,009,231**	**3,876**	**1,756,086**
Associates	**30,356**	**–**	**14,875**	**–**	**–**	**45,231**
Total assets	**566,349**	**61,916**	**159,945**	**1,009,231**	**3,876**	**1,801,317**
Liabilities	**210,733**	**3,740**	**3,946**	**359,148**	**615,891**	**1,193,458**

The segment assets and liabilities at 31 December 2008 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Unallocated RMB'000	Total RMB'000
Assets	441,280	55,658	118,260	918,792	3,876	1,537,866
Associates	30,503	–	14,537	–	–	45,040
Total assets	471,783	55,658	132,797	918,792	3,876	1,582,906
Liabilities	149,906	1,298	8,818	363,717	466,035	989,774

(b) Secondary reporting format – geographical segments

No geographical segment information is presented as substantially all sales are derived from customers located in the PRC and substantially all the Group's assets are located in the PRC, which is considered as one geographic location with similar risks and returns.

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Charging:		
Depreciation of fixed assets	**12,887**	5,991
Staff costs	**10,843**	8,171
Cost of inventories	**385,399**	467,003
Operating lease rental expenses in respect of		
– Land and buildings	**4,595**	3,602
– Transportation facilities	**548**	3,255

5. FINANCE COSTS – NET

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest on bank loans	**13,732**	11,504

6. TAXATION

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
PRC enterprise income tax	**12,343**	5,563
Hong Kong profit tax	**140**	200
	12,483	5,763

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 six months ended 30 June 2008: 18%) on their assessable profit for the six months ended 30 June 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:

Name of subsidiary	Enterprise income tax rate For the six months ended 30 June 2009	2008
Wuhan Hualong Highway Resources Company Limited	**25%**	25%
Donghua (Hong Kong) Limited	**16.5%**	16.5%
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%**	16.5%
Panva Shipping Limited	**16.5%**	16.5%
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%
Nantong Highway and Bridge Engineering Limited	**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.

7. EARNINGS PER SHARE

The calculation of the earnings per share for the three months and six months ended 30 June 2009 is based on the profit attributable to equity holders of the Company of RMB6,721,000 and RMB20,177,000, respectively, and the number of 936,190,000 shares (three months and six months ended 30 June 2008: 936,190,000 shares).

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

8. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

9. INVENTORIES

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Asphalt for resale	**139,601**	11,611
Fuel Oil for resale	**11,398**	9,563
Asphalt for construction	**568**	23,738
Other construction materials	**15,507**	17,373
	167,074	62,285

All inventories were carried at cost at 30 June 2009 and 31 December 2008.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade receivables	**659,937**	633,969
Bank and commercial acceptance notes receivable	**78,224**	82,547
Retention sum for construction contracts	**124,606**	149,171
	862,767	865,687
Less: Provision for impairment of receivables	**(34,348)**	(35,023)
	828,419	830,664
Prepayments and deposits	**80,139**	42,293
Other receivables	**29,687**	32,676
Other assets	**450**	3,298
	938,695	908,931
Non-current portion:		
Trade receivables	**262,008**	111,535
Retention sum for construction contracts	**112,696**	98,719
Prepayments and deposits	**375**	7,461
Non-current portion	**375,079**	217,715
Current portion	**563,616**	691,216

The ageing analysis of trade receivables, commercial notes receivables and retention sum for construction contracts based on invoice date, is as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Sales of asphalt and fuel oil and logistic services *(Note (a))*		
0 – 30 days	**67,563**	77,259
31 – 60 days	**56,751**	63,754
61 – 90 days	**25,302**	80,712
91 days – 1 year	**66,276**	62,989
1 year – 2 years	**22,817**	34,598
2 years – 3 years	**6,792**	6,125
Over 3 years	**841**	1,092
	246,342	326,529
Road and bridge construction *(Note (b)):*		
Less than 6 months	**487,143**	420,461
6 months to 1 year	**82,024**	56,247
1 year – 2 years	**19,084**	24,193
2 years – 3 years	**21,530**	26,542
Over 3 years	**6,644**	11,715
	616,425	539,158
Total	**862,767**	865,687

Notes:

(a) For sales of asphalt and fuel oil and logistic services, the credit terms granted to individual customer vary on a customer by customer basis which is determined by management with reference to the creditability of respective customer.

(b) Substantially all customers of road and bridge construction are PRC government agencies. Settlement of its trade receivables is made in accordance with the terms specified in the contracts with the customers.

11. TRADE AND OTHER PAYABLE

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade payables	**330,214**	310,263
Notes payable	**110,420**	82,920
Subtotal	**440,634**	393,183
Advances from customers	**58,273**	39,922
Other payables	**56,471**	70,064
Accruals	**4,960**	7,361
Dividend payable	**5,018**	–
	565,356	510,530

The ageing analysis of trade and notes payables based on the billing date is as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Sales of asphalt and fuel and logistic services:		
0 – 30 days	**49,694**	35,881
31 – 60 days	**23,970**	4,108
61 – 90 days	**58,978**	3,600
91 days – 1 year	**44,198**	61,579
1 year – 2 years	**1,234**	13,901
2 years – 3 years	**84**	137
	178,158	119,206
Road and bridge construction:		
Less than 6 months	**215,423**	200,934
6 months to 1 year	**25,993**	19,111
1 year to 2 years	**6,284**	13,698
2 years to 3 years	**10,815**	11,842
Over 3 years	**3,961**	28,392
	262,476	273,977
Total	**440,634**	393,183

12. BORROWINGS

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Bank borrowings:		
Non-current	70,000	–
Current	491,849	407,475
Total borrowings	561,849	407,475

All of the Group's bank loans were denominated in RMB as at 30 June 2009 and 31 December 2008.

As at 30 June 2009, bank borrowings comprised:

(a) short-term bank loans of RMB55,000,000 guaranteed by Jiangsu Daiyuan Construction Material Co., Ltd. (江蘇戴園建材集團有限公司), a shareholder of a disposed subsidiary, which bore interest at between 5.31% to 7.20% per annum;

(b) short-term bank loans of RMB169,000,000 guaranteed by the Company, and personal guarantee of Ms. Gao Xiumei, Mr. Xing Zhongfeng and Mr. Zhang Jinhua, executive directors of Nantong Highway and Bridge, which bore interest at between 5.31% to 8.22% per annum;

(c) short-term bank loans of RMB50,000,000 borrowed by a subsidiary, which were secured by receivables of Rudong S334 project (如東S334應收工程款) and bore interest at between 5.31% per annum;

(d) long-term bank loans of RMB70,000,000 borrowed by a subsidiary, which were secured by receivables of Rugao204 project (如皋204應收工程款) and bore interest at between 5.40% per annum;

(e) short-term bank loans of RMB20,000,000 secured by office premises of the Company and an ocean carrier of a subsidiary, which bore interest at 6.99% per annum;

(f) short-term bank loans of RMB10,000,000 guaranteed by the Company which bore interest at 6.13% per annum;

(g) short-term bank loans of RMB10,000,000 borrowed by a subsidiary, which were secured by the land use rights of a subsidiary and guaranteed by the Company and bore interest at between 5.84% per annum;

(h) short-term bank loans of RMB900,000 borrowed by a subsidiary, which were secured by the land use rights and the office premises of a subsidiary, which bore interest at 8.64% per annum;

(i) short-term bank loans of RMB3,000,000 borrowed by a subsidiary, which were secured by storage facilities and furniture and fixtures of a subsidiary and bore interest at 8.64% per annum;

(j) commercial acceptance notes receivable discounted to commercial banks on a with recourse basis of RMB64,029,000 which were treated as collateral for short-term bank borrowings of the same amount under HKFRS;

(k) short-term bank loans of RMB109,920,000 relating to purchase of inventories.

As at 31 December 2008, bank borrowings comprised:

(a) short-term bank loans of RMB15,000,000 secured by a subsidiary's machinery, which bore interest at between 4.78% to 6.72% per annum;

(b) short-term bank loans of RMB61,700,000 guaranteed by Jiangsu Daiyuan Construction Material Co., Ltd. (江蘇戴園建材集團有限公司), a shareholder of a disposed subsidiary, which bore interest at between 5.31% to 8.22% per annum;

(c) short-term bank loans of RMB50,000,000 guaranteed by the Company, and personal guarantee of Ms. Gao Xiumei, Mr. Xing Zhongfeng and Mr. Zhang Jinhua, executive directors of Nantong Highway and Bridge, which bore interest at between 5.58% to 8.22% per annum;

(d) short-term bank loans of RMB69,500,000 guaranteed by the Company, which bore interest at between 5.58% to 8.22% per annum;

(e) short-term bank loans of RMB5,000,000 guaranteed by Rugao Communicate Investment Development Company Limited (如皋市交通投資發展有限公司), an independent third party, which bore interest at between 5.84% to 8.22% per annum;

(f) short-term bank loans of RMB20,000,000 secured by office premises of the Company and an ocean carrier of a subsidiary, which bore interest at 6.99% per annum;

(g) short-term bank loans of RMB5,000,000 borrowed by a subsidiary, which were secured by the land use rights of a subsidiary and guaranteed by the Company and bore interest at between 5.84% to 8.22% per annum;

(h) short-term bank loans of RMB1,900,000 borrowed by a subsidiary, which were secured by the land use rights and the office premises of a subsidiary, which bore interest at 10.44% per annum;

(i) short-term bank loans of RMB3,000,000 borrowed by a subsidiary, which were secured by storage facilities and furniture and fixtures of a subsidiary and bore interest at 10.44% per annum;

(j) commercial acceptance notes receivable discounted to commercial banks on a with recourse basis of RMB69,105,000 which were treated as collateral for short-term bank borrowings of the same amount under HKFRS;

(k) short-term bank loans of RMB107,270,000 relating to purchase of inventories.

The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

At 30 June 2009, the Group and the Company's borrowings were repayable as follow:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Within 1 year	**491,849**	407,475
Between 2 to 5 years	**70,000**	–
Wholly repayable within 5 years	**561,849**	407,475

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The global economic environment remained uncertain in the first half of 2009. The whole business operating condition was still challenging to various industries in China contributed by the global economic downturn cycle. Notwithstanding the sign of recovery in the second quarter of 2009, new development projects have been pending or slowing down, affecting the financial performance in the fuel oil trading business. Regardless of the adversities, the Group still managed to maintain a steady growth in the reporting period with a total sales amounted to RMB691,406,000, representing an increase of 25.0% over the corresponding period last year. Gross profit increased by 52.1% to RMB101,323,000 while gross margin as a whole increased to 14.7% during the reporting period. The increase was mainly attributed to the robust development of the business of road and bridge construction which helped offsetting the negative impact from the sliding fuel oil sales volume and gross profit. Nonetheless, with unwavering confidence and belief, the Group managed to overcome all difficulties and maintain its steady growth in this volatile business environment. This was an encouraging reward for the Group's solid business model and its synergies benefits obtained from the four business arms.

Business Operations

Shanghai Tonva Petrochemical Co. Ltd is an integrated enterprise specialized in providing asphalt and fuel oil trading, logistic and road and bridge construction services. Leveraging on its ever-improving logistic system, the Group offers one-stop asphalt and fuel oil trading and logistic services to customers, which include procurement, storage and product transportation. The Group's distribution network extends across Yangtze River Basin and some inland provinces. To leverage on its extensive coverage, the Group is proactively expanding its logistic service business into areas including, vehicle transportation, waterway transportation, inland water transportation and storage which will further enhance the distribution of the Group's asphalt and fuel oil within the region. The Group is also working on enlarging its business scale through other construction projects including roads, bridges, highways, municipal utilities and road safety facilities and road maintenance. These are principally stemmed from the Nantong Highway which will effectively improve the business performance on Group level.

Asphalt Trading Business

For the six months ended 30 June 2009, the Group's turnover for asphalt trading business amounted to approximately RMB274,409,000 (for the six months ended 30 June 2008: approximately RMB262,136,000), representing an increase of 4.7% compared with the corresponding period last year. The income from asphalt trading business accounted for 39.7% of the Group's total turnover.

Gross margin of the asphalt trading business decreased to approximately 11.6% in the reporting period from 18.9% in the corresponding period last year. For the six months ended 30 June 2009, the Group's gross profit from asphalt trading business was approximately RMB31,846,000 (for the six months ended 30 June 2008: approximately RMB49,631,000), representing a decrease of 35.8% compared with the corresponding period last year.

Although the Group's sales volume of asphalt increased by approximately 44.2% for the six months ended 30 June 2009 as compared to the corresponding period in 2008, the decrease in the average selling price of asphalt in the reporting period outpaced the decrease in average purchase cost of asphalt resulting a decrease in the amount of gross profit and gross margin of asphalt trading.

Fuel Oil Trading Business

For the six months ended 30 June 2009, the Group's turnover for fuel oil trading business was approximately RMB127,235,000 (for the six months ended 30 June 2008: approximately RMB268,642,000), representing a decrease of approximately 52.6% compared with the corresponding period last year. The income from fuel oil trading business accounted for 18.4% to the Group's total turnover.

The decrease in revenue for the Group's fuel oil business in the first half of the year was attributed to the low price of crude oil in the international market. In addition, the falling fuel oil demand and average price in relations to the comparatively slow development of various domestic industries under the influence of financial crisis were the two key drivers of the business decline.

For the six months ended 30 June 2009, gross profit for the Group's fuel oil trading business was approximately RMB7,864,000 (for the six months ended 30 June 2008: approximately RMB14,145,000), representing a decrease of 44.4% year on year while gross margin increased to approximately 6.2% from 5.3%.

The higher gross margin was due to the fuel oil price hike in the first half of 2009 while the Group's costs remained low due to the consumption of low cost inventories purchased previously. The decrease in gross profit of the Group's fuel oil trading business was mainly attributed to the decline in demand for fuel oil from various industries, such as power plants, glass plants and shipping amid the financial crisis. This translates into a decline of 25.9% in sales volume of the Group's fuel oil compared with the corresponding period last year.

Logistic Services Business

For the six months ended 30 June 2009, the Group's turnover for logistic business was approximately RMB18,989,000 (for the six months ended 30 June 2008: approximately RMB22,149,000), representing a decrease of approximately 14.3% when compared with the corresponding period last year. The income from logistic business accounted for 2.7% of the Group's total turnover.

The logistic business of the Group mainly includes storage and transportation service for asphalt trading business and fuel oil trading business. Turnover of logistic business declined as most of the road construction projects were still partially suspended in Shanghai and Jiangsu province in the first quarter of 2009 due to sluggish economic condition, which is aggravated by the declining demand of fuel oil from various industries such as power factories, glass plants and shipping.

Gross margin for logistic business decreased from 12.8% in the corresponding period last year to 5.2% in the reporting period. The decrease in gross margin was mainly attributed to the lower trading volume of the Group's logistic business versus relatively huge fixed cost including facilities depreciation and rentals. For the six months ended 30 June 2009, gross profit of the Group's logistic business was approximately RMB990,000, representing a decrease of approximately 65.0% compared with the corresponding period last year.

Road and Bridge Construction Business

For the six months ended 30 June 2009, the Group's turnover for road and bridge construction business was RMB270,773,000 (the Group had not commenced its road and bridge construction business for the six months ended 30 June 2008). The income from road and bridge construction business contributed approximately 39.2% to the Group's total turnover. For the six months ended 30 June 2009, the sector gross margin and gross profit was 22.4% and RMB60,623,000 respectively.

Revenue from the road and bridge business sector was mainly derived from two BT projects (Build-and-Transfer project). With gross margins above average market levels, the two BT projects boost the income generated from road and bridge business and bring financial significance to the Company as a whole.

Other income

For the six months ended 30 June 2009, the Group's other income was approximately RMB6,108,000 (for the six months ended 30 June 2008: approximately RMB15,468,000), representing a decrease of approximately 60.5% compared with the corresponding period last year. The decline was attributed to the drop in dividend income from unlisted investment of the Group amounted to approximately RMB3,778,000 this year from approximately RMB6,393,000 for the corresponding period last year. In addition, there was an agency fee of approximately RMB4,745,000 from logistic business and an income of approximately RMB2,375,000 from the sale of a property of the Group recorded last year which were not recorded during the review period.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2009 were approximately RMB15,530,000 (six months ended 30 June 2008: approximately RMB18,457,000), representing a decrease of 16.3% from the corresponding period last year. The decrease was due to the decrease in business volume of the asphalt and fuel oil business as compared to the corresponding period last year.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2009 were approximately RMB35,019,000 (six months ended 30 June 2008: approximately RMB11,036,000), representing an increase of 217.3% from the corresponding period last year due 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 six months ended 30 June 2009 were approximately RMB896,000 (six months ended 30 June 2008: approximately RMB4,671,000). 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 Hong Kong Dollars denominated placement and open offer in 2007.

Profit attributable to shareholders

Profit attributable to equity holders of the Group for the six months ended 30 June 2009 was approximately RMB20,177,000 (six months ended 30 June 2008: approximately RMB27,630,000), representing a decrease of approximately 27.0% compared with the corresponding period last year. The basic and diluted earnings per share for profit attributable to equity holders of the Company during the review period was approximately RMB0.022 (six months ended 30 June 2008: approximately RMB0.030), representing a decrease of approximately 26.7% compared with the corresponding period last year.

Capital Structure, Liquidity and Financial Resources

Capital structure

As at 30 June 2009, the Group had total assets less current liabilities approximately RMB702,264,000 (31 December 2008: approximately RMB617,537,000), including non-current assets approximately RMB826,688,000 (31 December 2008: approximately RMB683,118,000) and net current liabilities approximately RMB124,424,000 (31 December 2008: approximately RMB65,581,000).

Liquidity and financial resources

As at 30 June 2009 and 31 December 2008, the Group had total cash and bank balances of approximately RMB124,421,000 and RMB38,964,000 respectively while its bank loans amounted to approximately RMB561,849,000 and RMB407,475,000. As at 30 June 2009 and 31 December 2008, the respective debt-to-equity ratio was 110.0% and 81.4%. The Group considers itself having sufficient working capital to fund its operation.

Foreign Currency Exposure

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

Pledge of Assets

As at 30 June 2009, land use right with a net book value of RMB10,081,000 (original cost of RMB10,647,000) (31 December 2008: RMB10,187,000 (original cost of RMB10,647,000)) were pledged as security for the Group's bank borrowings of RMB10,900,000 (31 December 2008: RMB6,000,000).

As at 30 June 2009, properties, plants and equipments with a net book value of RMB42,886,000 (original cost of RMB48,674,000) (31 December 2008: RMB67,371,000 (original cost of 125,393,000)) were pledged as security for the Group's bank borrowings of RMB23,000,000 (31 December 2008: RMB59,900,000).

Contingent Liabilities

As at 30 June 2009, the Company provided guarantees in favour of certain third parties for their external borrowing of approximately RMB43,000,000 (31 December 2008: RMB55,000,000).

Employee Information

As at 30 June 2009, the Group had about 422 employees. During the period under review, total employee remuneration (including directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB10,843,000. Employee’s remuneration is determined according to their performance and work experience.

PROSPECTS

Global economy is expected to rebound during second half of 2009 under the strong support from various government authorities. The PRC launched its 4 trillion stimulus package designed to boost domestic demand and spending on infrastructure projects. Many suspended projects are expected to resume with new construction projects queuing up in the pipeline. This would mean more road and bridge projects will be ready for bidding, driving the demands for asphalt, fuel oil and related logistics services higher. As the newly built and maintenance of the transportation network around the Shanghai region have to be completed within short period for the opening of Shanghai World Expo in May next year, and the third and fourth quarters are the traditional peak seasons for asphalt, substantial demand for asphalt in shanghai region is expected in the coming nine months. Our Group, as the leading market player in Shanghai region with well-established one-stop shop offering in asphalt and fuel oil trading among peers, will be in the best position to grasp the above potentials through our well-prepared effort made in the first half of 2009.

The Group has always been adhering to its operation philosophy and leveraging the synergies of different businesses as driver. Whatever the case maybe, macroeconomic indicators showed that China's stimulus package is already having a significant impact on economic recovery. As such, the Group will grasp this golden chance and continue putting effort on sharpening the edges of its businesses and maximizing the interests for shareholders.

Asphalt Trading Business

Due to progress delay under the global financial crisis, most road construction projects are still underway leading to a sub-performance of the Group's asphalt trading business. Nevertheless, given the imminent opening of the Shanghai World Expo in 2010 and the improving global economic environment, various construction projects for the event are expected to pick up in the second half of the year, which will in turn fuel the demand for asphalt. The Group is well positioned to ride on the momentum, and leverage on the opportunities to create new revenue and profit drivers, thus boosting the gross profit of the Group. As more road projects will commence construction in the second half of the year, the Group will focus on bidding for more orders from major customers based on its current business foundation. Meanwhile, it will strengthen its existing businesses to improve operation efficiency. During the reporting period, the Group won the bids for two projects, including Pudong Road and Bridge 40,000 tonnes asphalt project for the Shanghai World Expo and 27,000 tonnes asphalt project for Jiangxi Wuji Highway (江西武吉高速公路).

Fuel Oil Trading Business

As the PRC government relaxes its price control on oil products, domestic oil products price will be pegged to international practice. This not only enables the Group to determine product prices based on international standards, but also allows the Group to adjust the procurement scale and sales mode of fuel oil accordingly.. The Group's profits will therefore be better secured from market fluctuations. In anticipation of a gradual recovery of global economy in the second half of the year, the Group is expecting an increase in sales of fuel oil. Besides, given the relative low domestic oil price as compared with international rates, together with the looser oil products price control policy, domestic oil price is predicted to rise slightly in the coming months which will drive the market demand further boosting the Group's fuel oil sales volume. Moreover, the Group is approaching several high-end fuel oil customers in Shanghai. This move aims at pushing gross margin and sales by extending high-end customer network and increasing the contribution of fuel oil trading business to the total Group's revenue.

Logistics Business

Despite the sub-performance of logistics business in the first half of the year, the Group is confident that, amid the economic recovery, the logistics business will benefit from the improvement of asphalt and fuel oil sales, thus contributing more profits to the Group in the second half of the year. Transportation volume and orders of inland water transport business have been increasing since May, indicating customer's broad recognition towards the quality, service level and safely specification of the Group's inland water boat. Furthermore, the Group was in serious discussion with a privileged customer on a 100,000 tonnes asphalt transportation contract demonstrating the Group's service edge in logistics business. The Group is targeting to improve specifications of existing inland water boats and expanding its business scope in the middle and upper reaches of Yangtze River so as to improve economic benefits.

Road and Bridge Construction Business

Road and bridge construction business is one of the major developments of the Group. Nantong Highway and Bridge successfully won the bids for two projects in June and July this year with nominal amount of RMB160 million, which is expected to contribute profits to the Group in the second half of the year. As the PRC government takes initiatives in stimulating domestic economy and investing enormous capital in infrastructure development, the Group will continue bidding for profitable projects. The Group believe that leveraging on its "Main Contractor for Road Construction – First Grade" qualification in China and by virtue of advanced technology and equipment as well as experienced management, together with the favourable state policies and strong support from banks, Shanghai Tonva is well positioned in securing more projects and driving its road and bridge construction business to a new level.

Looking forward, the Group will continue to consolidate and strengthen its existing resources, focusing on developing its asphalt trading and road and bridge construction business. Leveraging on the synergy from the four major businesses, the Group is dedicated to improving its overall economic return and laying a more solid foundation for its sustainable development.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 June 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	Number of shares: 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	225,706,000 (domestic shares)	35,854,000 *(Note 1)* (domestic Shares)	261,560,000	54.49	27.94
Lu Yong (Executive Director)	Beneficial owner	62,618,000 (domestic shares)	–	62,618,000	13.05	6.69
Li Hongyuan (Executive Director)	Beneficial owner	50,254,000 (domestic shares)	–	50,254,000	10.47	5.37
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.

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

At 30 June 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	 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)	225,706,000 *(Note 1)* (domestic Shares)	261,560,000	–	54.49	27.94
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 2)*	–	38.36	18.69
Calyon Capital Markets International SA	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	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 2)*	–	38.36	18.69
CLSA B.V.	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
CLSA Capital Partners Limited (formerly known as CLSA Funds Limited)	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
CLSA Private Equity Management Limited	Investment manager	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69

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
Credit Agricole S.A.	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
SAS Rue la Boetie	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	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 2)*	–	30.69	14.95
Babylon Limited	Beneficial owner	140,000,000 (H shares)	–	140,000,000 *(Note 2)*	–	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 2)*	–	7.67	3.74
Mumiya Limited	Beneficial owner	35,000,000 (H shares)	–	35,000,000 *(Note 2)*	–	7.67	3.74

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

Note 2: 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 30 June 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2009, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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 six months ended 30 June 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 six months ended 30 June 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.

CORPORATE GOVERNANCE

Throughout the period under review, the Company was in compliance with the "Code on Corporate Governance Practices" as set out in Appendix 15 of the GEM Listing Rules, except that a nomination committee to nominate board members to the Group has not yet been established. The Company will consider setting up a nomination committee when necessary.

The Company aims at maintaining a comprehensive, effective and transparent internal control system so as to manage its business operation effectively and meet the following targets:

- To reach the Group's business goals and safeguard the Company's assets as well as shareholders' investment;

- To ensure the filing of appropriate accounting records which provide reliable financial information for internal and publication purposes; and

- To ensure the compliance of relevant laws, regulations and certain internal policies of the Company.

For the above purposes, the Company has established an executive committee and an internal audit team to conduct the operation review and internal audit.

EXECUTIVE COMMITTEE

In order to study the Company's business strategies and significant operational issues, review the general business performance as well as effectiveness of its corporate governance, and to identify and control business risks, the Board has established an executive committee in December 2007. The executive committee comprises 6 members, including the head of each operation and persons in charge of business operations, financial and corporate governance.

The executive committee shall meet at least once every month to discuss significant issues, management reports, major operational statistical data and the results of each business unit, and follow up the difference between actual and estimated results.

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. Internal audit team comprises 6 members, who among themselves possess a wealth of financial, contract management, project management and legal experience. During this reporting period, 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 Group's environmental conservation function; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

The internal audit team meets and prepares the internal audit report on a regular basis, and the report provides reference for the management to review the operation control and business operation. The management will also give feedback on the business strategy, policy, risk and management process, operating method, system and information, and to introduce initiatives in view of the recommendation to enhance internal control.

APPRECIATION

Finally, I wish to express my gratitude to the Board members, the management and the staff of the Group for their industrious performance and dedication during the past half year, and to the shareholders, suppliers and the customers for their continuous support for the Group.

By Order of the Board
Qian Wenhua
Chairman

Shanghai, the PRC, 12 August 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.