Third Quarterly 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*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 9 months ended 30 September 2009 was approximately RMB1,118,897,000 (9 months ended 30 September 2008: approximately RMB954,341,000). A growth of approximately 17.2% was recorded year-on-year.

2. Profit attributable to the equity holders of the Company for the 9 months ended 30 September 2009 was approximately RMB25,427,000 (9 months ended 30 September 2008: approximately RMB32,745,000). A decrease of approximately 22.3% 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 2009 together with comparative unaudited figures for the corresponding periods in 2008.

UNAUDITED CONSOLIDATED RESULTS

		For the three months ended 30 September		**For the nine months ended 30 September**	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Revenue	2	**427,491**	401,414	**1,118,897**	954,341
Cost of sales		**(397,826)**	(367,050)	**(987,909)**	(853,377)
Gross profit		**29,665**	34,364	**130,988**	100,964
Distribution costs		**(565)**	(7,518)	**(16,095)**	(26,065)
Administrative expenses		**(9,850)**	(12,705)	**(44,869)**	(23,741)
Other income	2	**670**	1,611	**6,778**	17,079
Other losses		**(184)**	(867)	**(1,080)**	(5,538)
Operating profit		**19,736**	14,885	**75,722**	62,699
Finance costs – net		**(10,555)**	(6,100)	**(24,287)**	(17,604)
Share of profit/(loss) of associates		**1,774**	1,499	**1,976**	(310)
Profit before income tax		**10,955**	10,284	**53,411**	44,785
Income tax expenses	3	**(3,460)**	(1,979)	**(15,943)**	(7,742)
Profit for the period		**7,495**	8,305	**37,468**	37,043
Attributable to:					
Equity holders of the Company		**5,250**	5,115	**25,427**	32,745
Minority interest		**2,245**	3,190	**12,041**	4,298
		7,495	8,305	**37,468**	37,043
Earning per share for profit attributable to equity holders of the Company during the period **(Expressed in RMB per share)**	4	**0.006**	0.005	**0.027**	0.035
Dividends	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	–	–	–	(2,090)	–	(2,090)
Profit for the period	–	–	–	–	32,745	32,745
Dividend declared and paid in respect of 2007	–	–	–	–	(14,043)	(14,043)
Balance at 30 September 2008	221,766	25,227	–	(5,453)	144,543	386,083
Balance at 1 January 2009	221,766	28,767	17,912	(5,262)	143,662	406,845
Currency translation difference	–	–	–	(47)	–	(47)
Profit for the period	–	–	–	–	25,427	25,427
Dividend declared and paid in respect of 2008	–	–	–	–	(10,298)	(10,298)
Balance at 30 September 2009	221,766	28,767	17,912	(5,309)	158,791	421,927

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 nine months ended 30 September	
	2009	2008
	RMB'000	RMB'000
Revenue:		
Sales of asphalt	**505,790**	454,113
Sales of fuel oil	**209,998**	349,660
Logistic services	**31,671**	33,721
Road and bridge constructions	**371,438**	116,847
	1,118,897	954,341
Other income:		
Dividend income from unlisted investments	**3,778**	6,393
Subsidy income	**1,218**	1,249
Agency income	**–**	5,074
Interest income	**32**	1,500
Others	**1,750**	2,863
	6,778	17,079
Total revenues	**1,125,675**	971,420

3. TAXATION

	For the nine months ended 30 September	
	2009	2008
	RMB'000	RMB'000
PRC enterprise income tax	**15,717**	7,456
Hong Kong profit tax	**226**	286
	15,943	7,742

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 nine months ended 30 September 2008: 18%) on their assessable profit for the nine months ended 30 September 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 nine 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%
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.

4. EARNINGS PER SHARE

The calculation of the earnings per share for the three and nine months ended 30 September 2009 is based on the profit attributable to equity holders of the Company of RMB0.006 and RMB0.027 and the weighted average number of 936,190,000 shares (three months and nine months ended 30 September 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 9 months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

For the second half of 2009, as many economic stimulus policies launched by various countries began to take effect, the global economy gradually showed signs of recovery. In spite of the persistent rain that hindered the progress of road construction in Shanghai, which indirectly affected the asphalt business of the Group, the trading volume of asphalt of the Group for the first three quarters have already exceeded the total trading volume for the entire year of 2008. It is mainly contributed by opportunities arising from the expansion of infrastructure investments launched by the PRC government to maintain domestic growth. Accordingly, the results of the Group for the first three quarters maintained steady growth. For the nine months ended 30 September 2009, the total turnover of the Group grew by 17.2% over the same period of last year to RMB1,118,897,000. At the same time, the road and bridge construction business of the Group also continued making a major contribution to the operating results of the Company and its share of profit contributions to the Company was growing. During the review period, the revenue from road and bridge construction business to the total turnover of the Group was approximately 33.2%. The Group believes that, the synergies generated from the four major businesses will allow the Group to maintain its comparative strengths in such challenging operating environment.

Business Operations

The Group is principally engaged in the asphalt trading, fuel oil trading, road and bridge construction and provision of logistic services. The Group procures domestically and overseas to render one-stop asphalt and fuel sales, storage and delivery services to its customers. Its operations cover the Yangtze River Region and part of the inland areas. Meanwhile, the Group also actively develops its logistic services by providing storage and delivery services for asphalt trading and fuel oil trading. This will facilitate the Group to distribute asphalt and fuel oil domestically. In addition, the road and bridge construction further expands the business scale of the Group, creates synergies and lowers the integrated costs, thereby expanding the potentials of business growth and driving the profitability of the Company.

Asphalt Trading Business

For the nine months ended 30 September 2009, the Group's turnover for asphalt trading business amounted to approximately RMB505,790,000 (for the nine months ended 30 September 2008: approximately RMB454,113,000), representing an increase of 11.4% over the corresponding period last year. The income from asphalt trading business accounted for about 45.2% of the Group's total turnover.

Gross margin of the asphalt trading business decreased to 8.5% from 14.8% in the corresponding period last year. For the nine months ended 30 September 2009, the Group's gross profit from asphalt trading was approximately RMB43,137,000, (for the nine months ended 30 September 2008: approximately RMB67,139,000), representing a decrease of 35.7% over the corresponding period last year.

Although the Group's sales volume of asphalt increased by approximately 46.4% for the nine months ended 30 September 2009 over the corresponding period in 2009, 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 nine months ended 30 September 2009, the Group's turnover for fuel oil trading business was approximately RMB209,998,000 (for the nine months ended 30 September 2008: approximately RMB349,660,000), representing a decrease of approximately 39.9% over the corresponding period last year. The income from fuel oil trading business accounted for 18.8% of the Group's total turnover.

The decrease in revenue for the Group's fuel oil business in the nine months of this year was attributed to the low price of crude oil in the international market. In addition, the falling fuel oil demand and average price due to the comparatively slow development of various domestic industries as a result of financial crisis were the two key reasons of the business decline.

For the nine months ended 30 September 2009, gross profit for the Group's fuel oil trading business was approximately RMB14,587,000 (for the nine months ended 30 September 2008: approximately RMB18,777,000), representing a decrease of 22.3% year on year while gross margin increased to approximately 6.9% from 5.4%.

The higher gross margin was due to the fuel oil price hike in the nine months of this year while the Group's costs remained low due to the consumption of low cost inventories purchased previously in end of 2008 and early 2009. 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 9.3% in sales volume of the Group's fuel oil over the corresponding period last year.

Logistic Service Business

For the nine months ended 30 September 2009, the Group's turnover for logistic business was approximately RMB31,671,000 (for the nine months ended 30 September 2008: approximately RMB33,721,000), representing a decrease of approximately 6.1% over the corresponding period last year. The income from logistic business accounted for 2.8% 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 half 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 decrease from gross profit of 6.0% in the corresponding period last year to gross loss of 6.9% in the reporting period. For the nine months ended 30 September 2009, gross loss of the Group's logistic business was approximately RMB2,197,000.

Road and Bridge Constructions Business

For the nine months ended 30 September 2009, the Group's turnover for road and bridge construction business was RMB371,438,000 (for the nine months ended 30 September 2008: approximately RMB116,847,000), representing an increase of approximately 217.9% over the corresponding period last year. The income from road and bridge construction business contributed approximately 33.2% to the Group's total turnover.

For the nine months ended 30 September 2009, gross profit for the Group's road and bridge construction business was approximately RMB75,461,000 (for the nine months ended 30 September 2008: approximately RMB13,027,000), representing an increase of 479.3% year on year while gross margin increased to approximately 20.3% from 11.1%.

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 nine months ended 30 September 2009, the Group's other income was approximately RMB6,778,000 (for the nine months ended 30 September 2008: approximately RMB17,079,000), representing a decrease of approximately 60.3% over 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 while there was no such income recorded during the review period.

Distribution costs

The Group's distribution costs for the nine months ended 30 September 2009 were approximately RMB16,095,000 (nine months ended 30 September 2008: approximately RMB26,065,000), representing a decrease of 38.3% from the corresponding period last year. The decrease was due to reduction on the oversea asphalt procurement this year.

Administrative expenses

The Group's administrative expenses for the nine months ended 30 September 2009 were approximately RMB44,869,000 (nine months ended 30 September 2008: approximately RMB23,741,000), representing an increase of 89.0% over 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 nine months ended 30 September 2009 were approximately RMB1,080,000 (nine months ended 30 September 2008: approximately RMB5,538,000). 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 nine months ended 30 September 2009 was approximately RMB25,427,000 (nine months ended 30 September 2008: approximately RMB32,745,000), representing a decrease of approximately 22.3% over 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 RMB0.027 (nine months ended 30 September 2008: approximately RMB0.035), representing a decrease of approximately 22.9% over the corresponding period last year.

Prospects

As the global economy gradually picks up its pace of recovery, while the policies promulgated by the PRC government to maintain growth in coping with the financial crisis begin to take effect, alongside with the kicking off of a number of large-scale highway infrastructure projects under the RMB4 trillion stimulus package launched by the PRC government, the infrastructure industry is entering the harvest period. The Group believes that, in the near term, opportunities and challenges will remain in the global economic environment. However, the Group will continue to actively overcome the challenges and capture the growth opportunities to ensure the sustainable and sound development of the business of the Company.

Looking forward, the Group will continue to specialise in asphalt trading and road and bridge construction. As the opening of the 2010 Shanghai World Expo approaches and all construction projects shall be completed by the end of March next year, it is anticipated that the construction progress of any new and maintenance road projects in the city center in Shanghai will be accelerated. In addition, since the fourth quarter is the traditional peak season for asphalt trading, it is expected that the pull effect will drive the demand for asphalt, creating positive impact on both the trading volume and price of asphalt. In the meantime, as payments from Shanghai World Expo orders begin and full payment is expected to be received by the first quarter of 2010, performance of asphalt trading in the first quarter of 2010 may outperform the results in the same period of previous years. Looking into the year of 2010, it is expected that the demand for asphalt and the asphalt production from crude oil refineries will increase over the previous years. There will be a balanced supply and demand in the asphalt market. The Group will continue to capture the opportunities to increase the sales of asphalt so as to enhance the overall profitability of the Group.

With regard to road and bridge construction business, the Group successfully won six construction projects with total contracts amount of over RMB600 million in the first three quarter. These projects include the elevation project in Chang Jiang Middle Road, Nantong City and Roadbed Section D10 of the Bazhong-Nanbu highway project, Sichuan Province, which target to be completed in 2010. The Group have begun the preparatory construction on the projects won and recorded revenue since the fourth quarter. In the fourth quarter, the Group will continue to actively participate in tendering opportunities of high margin and return on assets so as to enhance the profitability of the Group.

Moreover, since the crude oil price in the international market is picking up while the procurement price is stabilizing, gross profit of fuel oil have the potentials for further growth. Coupled with the one-stop shop logistics system, it can reduce the integrated costs of fuel oil trading business and improve competitiveness. For logistics business, as the asphalt and fuel oil demand regains growth momentum, number of orders continues to increase. The Group will also actively seek to expand its customer base, meanwhile develop new logistics plans in order to attain steady growth in its operations.

The Group strongly believes that, as the leader in the asphalt market in Shanghai, Shanghai Tonva is capable of achieving steady growth in such challenging market environment in spite of the uncertainties that remain in the global market. In the long term, the Group will continue to specialize in asphalt trading and road and bridge construction businesses leveraging on the Group's leading position in the asphalt market in Shanghai. On the one hand, the Group will capture the opportunities arising from the expansion of infrastructure investment as a result of the PRC government's policies to maintain growth. On the other hand, the Group will capitalize on the synergies generated in the integration of the four major businesses to consolidate the existing business and enhance the overall economic return with a view to attain sound results and enhance shareholders' value.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 September 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 September 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)	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

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 Private Equity Management Limited	Investment manager	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
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

Notes:

1. Liu Huiping is the wife of Qian Wenhua.

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 September 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. 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 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 nine months ended 30 September 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, 11 November 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; one non-executive Directors: Hsu Chun-min; three independent non-executive Directors: Zhu Shengfu, Li Li and Ye Mingzhu.