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

ANNUAL REPORT 2009

* For identification purposes only

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to 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.

This report will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least seven days from the day of its posting and on the website of the Company at http://www.tonva.com.

Contents

Summary of Financial Information

(Expressed in Thousands of Renminbi, except for earnings per share)

RESULTS

	For the year ended 31 December				
	2009	2008	2007	2006	2005
Turnover	**1,581,550**	1,504,659	1,018,919	1,064,819	683,761
Profit before income tax expense	**34,232**	57,419	48,692	76,290	62,408
Profit attributable to owners of the Company	**2,268**	35,404	46,105	67,243	52,372
Net profit margins	**0.14%**	2.35%	4.52%	6.31%	7.66%
Earnings per shares (RMB)	**0.002**	0.038	0.064	0.098	0.076

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
Non-current assets	**659,681**	683,118	222,613	179,744	67,392
Current assets	**1,269,584**	899,788	704,379	295,828	195,720
Non-current liabilities	**(135,182)**	(24,405)	(3,750)	(5,550)	–
Current liabilities	**(1,212,596)**	(965,369)	(452,773)	(277,130)	(121,193)
Minority interests	**(89,131)**	(92,668)	(7,379)	(5,171)	(1,935)
Capital and reserves attributable to the Company's owners	**492,356**	500,464	463,090	187,721	139,984

Corporate Information

EXECUTIVE DIRECTORS

Qian Wenhua – Chairman
Lu Yong – Vice Chairman
Jin Xiaohua
Mo Luojiang
Zhang Jinhua
Li Hongyuan

NON-EXECUTIVE DIRECTORS

Chan Cheuk Wing Andy
Hsu Chun-min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Li
Zhu Shengfu
Ye Mingzhu

SUPERVISORS

Cai Ying
Ge Jiaqi
Fan Weidong

AUDITORS

BDO Limited, *Certified Public Accountants*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 2201, BM Tower
No. 218 Wu Song Road
Shanghai PRC
Postal code: 200080

PLACE OF BUSINESS IN HONG KONG

Room 904-05
Tai Yip Building
No. 141 Thomson Road
Wanchai
Hong Kong

COMPANY WEBSITE

www.tonva.com

COMPLIANCE OFFICER

Mo Luojiang

COMPANY SECRETARY

Tsui Kan Chun, *CPA, CPA(Aust.), HKICS, ICS*

AUTHORISED REPRESENTATIVES

Mo Luojiang
Tsui Kan Chun, *CPA, CPA(Aust.), HKICS, ICS*

MEMBERS OF THE AUDIT COMMITTEE

Li Li
Zhu Shengfu
Ye Mingzhu
Chan Cheuk Wing Andy

MEMBERS OF THE REMUNERATION COMMITTEE

Qian Wenhua
Li Li
Zhu Shengfu
Ye Mingzhu

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Citibank
China Minsheng Bank
China CITIC Bank
Standard Chartered Bank
Bank of Communication

Chairman's Statement

Under the impact of the global financial crisis, the year 2009 is regarded as "the most difficult year for China's economic development since the new century" and the shadow of the financial crisis is still lingering. Despite that the Chinese central government launched the RMB4 trillion economic stimulus packages at the end of 2008 to expand infrastructure and boost domestic demand, given that part of the stimulus measures is still awaiting further implementation, its effects were not yet being reflected in the Group's performance for 2009. Therefore, the Group's operations are still encountered with opportunities and challenges ahead.

Nevertheless, the Group flexibly adjusted its business strategies to capture the favourable timing of China's vigorous infrastructure developments. We achieved a satisfactory performance in road and bridge construction business and acquired quality customer source for asphalt and fuel oil trading businesses. Hence, the Group is filled with confidence towards future development prospects and will continue to bring out the synergies of the four key businesses.

Results of the Year

During the reporting period, the Group's profit after tax declined by 70.6% over last year to approximately RMB12,586,000 (2008: approximately RMB42,824,000).

Although the average price for both asphalt and fuel oil during the reporting period were lower than previous year, leading to decrease in both gross margin and gross profit, the sharp decline in profit of the Group is mainly attributable to the extraordinary loss of the following two items occurred during the reporting period:

1. The sale of one of the Group's asphalt ocean carriers recorded a loss on the book value of approximately RMB10,577,000 (2008: nil). Given the impact of the global financial crisis, both the shipping volume and freight rate of the Group's asphalt ocean carriers have dropped significantly and the income from asphalt long haul shipping has declined sharply as compared with that in the previous year, leading to a loss in the operations of the Group's maritime logistics division. To control the fixed operating cost of asphalt shipping, the Group sold one of its asphalt carriers at the end of December 2009.

2. Special provision for bad debts was approximately RMB7,736,000. One of the Group's asphalt customers was liquidated in 2009 and the Group submitted immediately receivables of approximately RMB7,660,000 owed by the customer to the domestic court for handling. A repayment agreement was concluded with the customer in the end of 2009. In February 2010, we received a repayment amount of approximately RMB4,220,000 and most of the remaining receivables of RMB3,440,000 are expected to be repaid within 2010. Moreover, the Group made a special provision for debts of RMB4,296,000 owed by another asphalt customer. The Group is currently undergoing repayment consultations with the customer and the debts are expected to be fully repaid within 2010. Given that our principle is to adopt more conservative accounting standards, the Group made provisions for the full unsettled amount of these two receivable items in the reporting period.

Chairman's Statement *(continued)*

If excluding the above-mentioned two items, the Group's profit after tax under normal business for the reporting period was approximately RMB30,899,000 (2008: approximately RMB42,824,000), representing a decrease of 27.8% over last year.

As relatively large part for the profit the Group in this year was contributed by the road and bridge construction business that was newly acquired in August 2008, however, the Group only hold 62.44% equity interest of it and those minority interests have shared relatively large part of the profit after tax of the Group and made the profit attributable to the Company's owners dropped to approximately RMB2,268,000 (2008: RMB35,404,000), representing a decline of 93.6%.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: RMB0.011 per share).

Business overview and major factors affecting the profit

Trading of asphalt remained to be the major source of revenue. Turnover of the Group's asphalt trading business for the year ended 31 December 2009 amounted to approximately RMB749,635,000, representing an increase of 17.4% from 2008. Total asphalt sales volume for the year reached 260,000 tonnes, representing an increase over 50% from the 170,000 tonnes of 2008. However, given the impact of the global financial crisis and the rainy weather lasting for approximately two months in Shanghai and its surrounding areas in the third quarter of the year, most of the road and bridge construction projects in the Shanghai and Jiangsu markets were delayed. Average asphalt market prices were at low level given to the insufficient demand. As such the Group's average asphalt sales price and overall gross margin for 2009 dropped by 22.3% and 40.7% from 2008 respectively.

Due to the impact of economies in neighbourhood, the fuel oil market situation was relatively poor in the first half of 2009 and resulting in decline in sales. For the year ended 31 December 2009, the turnover from fuel oil trading business was approximately RMB293,825,000, representing a decrease of 28.3% over last year. Sales volume and gross margin for 2009 declined by 9.5% and 6.6% from 2008 respectively and sales price decreased by 20.8% over last year, resulting in a drop in gross profit by 23.6%.

As for the logistics services business, the performance was not satisfactory in 2009. This is mainly attributable to the loss of book value recorded from the sale of an asphalt ocean carrier. However, with the drive from the recovery in the river and truck transport markets in the second half of 2009, margin ratio rose from 1.1% of the previous year to 6.5% this year.

Our performance in the road and bridge construction business was the best for 2009 among the operating segments of the Group. This is due to the fact that Nantong Highway and Bridge Engineering Company Limited ("Nantong Highway"), a non-wholly owned subsidiary of the Group, undertook two Build and Transfer ("BT") projects with a contract amount of approximately RMB400 million which had made considerable contributions to the performance of the road and bridge construction business for the year. Turnover for the year ended 31 December 2009 was approximately RMB485,528,000, representing a substantial increase of 20.3% over last year.

Chairman's Statement *(continued)*

Prospect

Looking into 2010, under the advantageous situation of the country's strong development of infrastructure projects, the Group will grasp market opportunities and will vigorously develop road and bridge construction business. At the end of 2009, the amount of contracts concluded by the Group for road and bridge construction projects under or pending construction was over RMB900 million and the target is to achieve a completion rate of 70% in 2010. Meanwhile, the Group will continue to consolidate its existing markets and enhance construction efficiency in order to grow in stability.

2010 is also a year in which the asphalt market benefits from the country's vigorous road construction. Under the drive of the asphalt demand, the Group's annual asphalt sales volume is expected to maintain at the level of 2009. In addition to the recovery in asphalt prices in the fourth quarter of 2009, gross margin is expected to recover to the level of the previous year of approximately 10% in 2010. Meanwhile, on the basis of the two developed markets namely Shanghai (Shanghai Pudong Road and Bridge Modified Asphalt Plant) and Jiangxi (successful bidding for asphalt project), the Group will strongly develop modified asphalt business in the surrounding markets, producing greater economic benefits for the Group.

For the fuel oil and logistics businesses, the Group aims to enhance service quality and develop new businesses such as offshore oil business for vessels. The Group will adjust business strategies to meet market needs and strive for continuous improvements in corporate management, attracting more quality customers.

The Group's earnings basis has expanded from the original single aspect of asphalt trading into businesses including asphalt trading, fuel oil trading, logistics services and road and bridge construction. The Group will allocate internal resources reasonably for the optimization of benefits.

The Group truly believes that shareholders' return will be maximized on the capturing of opportunities offered by the Chinese government's vigorous development of infrastructure projects, flexible adjustment of the proportions of the four key businesses in response to market changes, the utilization of one's own advantages, the increase in revenue growth, active exploration for bigger markets as well as the enhancement of the Group's earnings capabilities.

Appreciation

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

Qian Wenhua
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

Asphalt Trading Business

The Group is principally engaged in one-stop asphalt sales services. After procuring asphalt both domestically and from overseas, the Group distributes the asphalt to ultimate users through its distribution network.

The Group's distribution network is established mainly along the Yangtze River and other inland rivers, and expanding to the inland regions gradually. The Group has set up 9 storage network locating mainly in Shanghai, Jiangsu Province (Taizhou and Changzhou), Anhui Province (Hefei and Anqing), Nanchang in Jiangxi Province, Wuhan in Hubei Province and Zhengzhou in Henan Province, with a total storage capacity of 161,000 tons.

For the year ended 31 December 2009, turnover of the Group's asphalt trading business was approximately RMB749,635,000 (2008: approximately RMB638,609,000), representing an increase of approximately 17.4% from the previous year and accounting for approximately 47.4% of the Group's total turnover.

For the year ended 31 December 2009, the Group's cost of sales of asphalt was approximately RMB696,708,000 (2008: approximately RMB562,615,000), representing a year-on-year increase of around 23.8%.

For the year ended 31 December 2009, the Group's gross profit from asphalt business decreased by 30.4% to approximately RMB52,927,000 as compared to the corresponding period last year. The gross margin decreased from 11.9% in 2008 to 7.1% for the year.

In 2009, the Group's sales volume of asphalt grew by approximately 51.1% from that in the same period of 2008. However, as the decrease in the average selling price of asphalt was greater than the decrease in the average purchase price of asphalt during the review period, both the gross profit and gross margin of asphalt business dropped accordingly.

Fuel Oil Trading Business

The Yangtze River Delta region, where the Group operates, is one of the major fuel oil consumption areas in the PRC. However, due to the impact of the external economic environment, in 2009, the profitability of the Group's fuel oil trading business decreased from 2008. On the basis of the operations for our traditional power plant and glass factory customer base, the Group actively responded to the market changes and introduced the marine fuel oil used in shipping. Currently, the storage network locations of fuel oil are mainly located in Shanghai, with a total storage capacity of 10,000 tons.

For the year ended 31 December 2009, turnover for fuel oil trading business was approximately RMB293,825,000 (2008: approximately RMB409,951,000), accounting for approximately 18.6% of the Group's total turnover. The Group's cost of sales of fuel oil decreased by approximately 28.6% to approximately RMB277,267,000 (2008: approximately RMB388,287,000) over last year, accounting for approximately 19.9% of the Group's total cost of sales.

Management Discussion and Analysis *(continued)*

During the year, sales volume of fuel oil was approximately 100,000 tons, representing a slight decrease of approximately 9.5% over 2008. For the year ended 31 December 2009, the Group's gross profit from the fuel oil business was approximately RMB16,558,000 (2008: approximately RMB21,664,000), whereas the gross margin increased from 5.3% to 5.6%. The decrease in gross margin was mainly attributable to the decline in average selling price throughout the year due to the poor market conditions in the first half of 2009 under the impacts of external economic environment, resulting in the decrease in profitability.

Logistic Services Business

The Group has actively developed its logistic services business, which caters mainly to the distribution of asphalt and fuel oil procured both from domestic market and from overseas. By the end of 2009, the Group has 1 ocean vessel and 6 river asphalt and fuel oil carriers and 32 delivery vehicles, with a total loading capacity of 8,000 tons. In 2009, the performance of logistics business was not satisfactory. Taking into account of the transportation volume, freight rates and costs, the Group disposed of an ocean asphalt carrier and recorded a book loss. However, the inland river business achieved satisfactory performance benefiting from the quality customer base.

For the year ended 31 December 2009, the Group's turnover for logistic services was approximately RMB52,562,000 (2008: approximately RMB52,664,000), which was flat to that of last year and accounted for approximately 3.3% of the Group's total turnover. Cost of sales for logistic services in 2009 was approximately RMB49,133,000 (2008: approximately RMB52,085,000), representing an approximately 5.7% decrease against the previous year.

For the year ended 31 December 2009, gross profit of the Group's logistic services business was approximately RMB3,429,000 (2008: approximately RMB579,000). The gross margin was approximately 6.5%, as compared to approximately 1.1% in the same period of last year. The increase in gross profit and gross margin was mainly attributable to the recovery of inland river and road transportation markets in the second half of 2009.

Road and Bridge Constructions Business

For the year ended 31 December 2009, turnover for the Group's road and bridge constructions business was approximately RMB485,528,000, up by 20.3% over approximately RMB403,435,000 in 2008 and accounting for approximately 30.7% of the total turnover of the Group. Cost of road and bridge constructions business was approximately RMB373,427,000 (2008: approximately RMB327,723,000) in 2009, up by approximately 13.9% over that in the previous year.

In 2009, gross profit for the Group's road and bridge constructions business increased year-on-year to approximately RMB112,101,000 (2008: approximately RMB75,712,000) and gross margin was approximately 23.1% (2008: approximately 18.8%).

The turnover and profit in 2008 and 2009 comprised of two BT projects undertaken by Nantong Highway with a contract amount of approximately RMB400 million. As the receivables turnover days of these two projects are relatively long, the gross margin of these two projects were higher that of the general road and bridge constructions projects ranging from approximately 10% to 12%.

Management Discussion and Analysis *(continued)*

Substantial Investments

The Group is committed to developing its principal asphalt trading business while aligning its business strategy to create synergies among other business. Accordingly, in 2009, the Group elevated its sales volume in asphalt and market share in the regions with established networks. In addition, the Group intends to further expand the scale of its fuel oil business. The Group further acquired 29% equity interests in Shanghai Taihua Petrochemical Ltd. during the year and therefore it became a wholly owned subsidiary of the Group. Leverage on its own comprehensive storage network and transportation facilities, the Group will enhance the integrated servicing capability of the logistics business and to make strategic investment on road and bridge constructions business to maximize synergy.

PROFIT FOR THE YEAR

For the year ended 31 December 2009, the Group recorded profit attributable to shareholders for the year of approximately RMB2,268,000 (2008: approximately RMB35,404,000), representing a decline of approximately 93.6% over last year.

INVESTMENT INCOME

Investment income decreased from approximately RMB6,990,000 for the year ended 31 December 2008 to approximately RMB3,779,000 for the year ended 31 December 2009. The decrease in the investment income was mainly due to the decrease in cash dividend income received from the available-for-sale financial asset of the Group.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2009, the administrative expenses increased 65.6% to RMB110,560,000. The increase in administrative expenses was mainly due to a loss on the book value of approximately RMB10,577,000 that being incurred by disposal of an ocean carrier and specific provision on trade receivables of approximately RMB7,736,000. Also, interest income on turnover of approximately RMB26,878,000 received from the landlord derived from Nantong Highway's two BT projects was recognized in compliance with the accounting standards, which was offset by the recognition of the discounted value incurred of approximately RMB27,641,000 in the administrative expenses and the net effect was only a decrease of approximately RMB763,000 in the statement of comprehensive income in 2009 as a result.

DISTRIBUTION COSTS

The distribution costs for the year ended 31 December 2009, which decreased by 31.8% as compared with the previous year, was approximately RMB23,889,000, which was mainly attributable to the substantial decrease in the Group's purchase of asphalt from overseas for the year.

Management Discussion and Analysis *(continued)*

FINANCE COSTS

The finance costs for the year were about RMB32,680,000, representing an year-on-year increase of 41.2%. The increase in finance costs was mainly attributable to the increased borrowings in the road and bridge construction business in 2009 due to the longer recovery of receivables from the two BT projects under such business.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets Value

As at 31 December 2009, the Group had current assets of approximately RMB1,269,584,000 (2008: approximately RMB899,788,000). The current assets comprised: cash and cash equivalents amounting to approximately RMB93,426,000 (2008: approximately RMB38,964,000), restricted bank deposits of RMB54,668,000 (2008: approximately RMB74,122,000), trade and other receivables of approximately RMB868,122,000 (2008: approximately RMB691,216,000), amount due from customers for contract work of approximately RMB86,791,000 (2008: approximately RMB33,201,000), inventories of approximately RMB161,393,000 (2008: approximately RMB62,285,000), asset classified as held for sale approximately RMB5,184,000 (2008: Nil). The Group had current liabilities of approximately RMB1,212,596,000 (2008: approximately RMB965,369,000). The current liabilities comprised: bank borrowings of approximately RMB568,237,000 (2008: approximately RMB407,475,000), trade and other payables of approximately RMB603,686,000 (2008: approximately RMB510,530,000), amount due to customers for contract work of approximately RMB8,660,000 (2008: approximately RMB13,209,000) and current tax liabilities of approximately RMB32,013,000 (2008: approximately RMB34,155,000). As at 31 December 2009, the net current asset value was RMB56,988,000, as compared with net current liabilities of approximately RMB65,581,000 in 2008.

Working Capital

As at 31 December 2009, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB148,094,000 (2008: approximately RMB113,086,000) in total. The net cash generated from financing activities was approximately RMB260,446,000 (2008: approximately RMB80,505,000).

Borrowings

As at 31 December 2009, the Group had long-term borrowings of approximately RMB100,000,000 (2008: nil) and short-term borrowings of approximately RMB568,237,000 (2008: approximately RMB407,475,000). All of the Group's borrowings were RMB bank loans.

Charges of Assets

As at 31 December 2009, payments for leasehold land held for own use under operating leases with a net book value of RMB7,838,000 (2008: RMB10,187,000) were pledged as security for the Group's bank borrowings.

Management Discussion and Analysis *(continued)*

As at 31 December 2009, no property, plant and equipment were pledged as security for the Group's bank borrowings (2008: RMB67,371,000 of property, plant and equipment were pledged as security for the Group's bank borrowings.)

As at 31 December 2009, trade receivables of RMB448,623,000 (2008: RMB166,375,000) were pledged as security for the Group's bank borrowings.

Debt to Asset Ratio

The debt to asset ratio as at 31 December 2009 was approximately 69.9% (2008: approximately 62.5%) which was calculated as total liabilities divided by total assets.

Foreign Currency Risk

The Group operates mainly in the PRC, but sources its products both domestically and from overseas. It is exposed to various foreign currency exposures, primarily with respect to United States Dollar (USD) and Hong Kong Dollar (HKD). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group does not use financial derivative instruments to hedge its currency risk, but closely monitor the fluctuation of the rates of these foreign currencies against Renminbi.

Profile of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Qian Wenhua (錢文華), aged 53, is a qualified economist in China. He graduated from Shanghai TV University (上海電視大學) in July 1986 with a professional diploma in Industrial Enterprise Management and obtained his EMBA degree in December 2002 from Phoenix International University (鳳凰國際大學) and Fudan Qiushi College (復旦求是進修學院), which is ancillary to Fudan University (復旦大學). Mr. Qian has over 20 years' experience in the asphalt industry. From 1975 to 1996, he worked in the sales team of a subsidiary of Shanghai Building Materials Supply General Corp. (上海市建築材料供應總公司) and was promoted to the position of manager, responsible for asphalt sales. From 1996 to 1997, Mr. Qian was the general manager of Shanghai Construction Materials Tax Free Trading Enterprise (上海建築材料保稅貿易行). He was the Chairman, General Manager and Executive Director of the Company from 1997 to 2003. Since June 2004, Mr. Qian has been the Chairman of the Company.

Mr. Lu Yong (陸勇), aged 55, is qualified as an Assistant Economist in China. He was appointed as Executive Director and Vice General Manager of the Company in 1999 and was appointed as Vice Chairman of the Company in December 2003 who is responsible for the Group's market development. From June 2004 to August 2007, Mr. Lu has been appointed as General Manager of the Company. Mr. Lu is the Vice Chairman of the Company currently.

Mr. Jin Xiaohua (金曉華), aged 39, graduated from Shanghai Commerce Accountancy School (上海商業會計學校) with a diploma in business financial accounting in July 1992. He was appointed as Vice General Manager of the Company in June 2004. In March 2007, he has been appointed as Executive Vice General Manager and has been responsible for marketing. Since August 2007, Mr. Jin has been appointed as General Manager of the Company.

Mr. Mo Luojiang (莫羅江), aged 32, graduated from Shanghai University of Finance and economics (上海財經大學) with a diploma in accountancy in April 2003. He joined the Company in April 2003 and was responsible for the preparation of Listing of the Company in Hong Kong. Mr. Mo was appointed as Secretary of Directors' Board in 2003. He was appointed as Vice General Manager of the Company in May 2006. In March 2007, he has been appointed as Executive Vice General Manager and has been responsible for corporate governance and capital market finance of the Group. Mr. Mo awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs" in 2008.

Mr. Zhang Jinhua (張金華), aged 45, graduated from Yangzhou Education College (揚州師範學院) with a Bachelor degree in economics in June 1988. Prior to joining the Group, Mr. Zhang was the secretary in the Nantong City Commercial Bureau (南通市商業局) from 1988 to 1995. He joined the Company in December 2003 as Vice General Manager and Executive Director, and is responsible for the Group' road and bridge construction.

Mr. Li Hongyuan (李鴻源), aged 53, is a qualified economist in China. He graduated from Shanghai TV University (上海電視大學) in July 1986 with a diploma in Industrial Enterprise Management. Mr. Li has over 10 years' experience in the construction materials industry. From 1991 to 2001, he worked in Shanghai Fosroc Expandite Construction and Engineering Products Company Ltd (上海富斯樂士本泰建築工程產品有限公司) as general manager. He joined the Company in 2001 and was the Supervisor from 2001 to 2003. Mr. Li was appointed as Vice General Manager and Director of the Company from December 2003 to August 2007. He is currently responsible for the Group's fuel oil trading business.

Profile of Directors, Supervisors and Senior Management *(continued)*

NON-EXECUTIVE DIRECTORS

Mr. Chan Cheuk Wing Andy (陳焯榮), aged 34, has extensive experience in private equity in pan-Asia region and strategic management consulting. Currently, Mr. Chan is the vice president of CLSA Capital Partner (HK) Ltd. Prior to joining CLSA Group, Mr. Chan was with CITIC International Assets Management Ltd, a company specialized in direct investment in China where Mr. Chan was responsible for deal evaluation and execution as well as fund formation. Mr. Chan was formerly the investment manager of PAMA Group and EMP-Daiwa Capital Asia Ltd, both are pan-Asia private equity funds, responsible for direct investment in pan-Asia region. He also worked for strategic management consulting companies, A.T. Kearney and IF Consulting, in New York, Boston and London as a management consultant. Mr. Chan holds an MBA from Duke University and a bachelor's degree in business from the University of Michigan in the United States of America.

Mr. Hsu Chun-min (許群敏), aged 57, graduated from Guo Li Zhong Xing University (國立中興大學) with a bachelor degree. He is now the Vice General Manager of Simosa Oil Co., Ltd. (中塑油品股份有限公司). He has over 20 years' experience in finance, investment analysis and system planning.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Li (李立), aged 31, is currently working at CITIC Private Equity Funds Management Co., Ltd (中信產業投資基金管理有限公司). Mr. Li graduated from Shanghai University of Finance and Economics (上海財經大學). From 2003 to 2005, he served PriceWaterhouseCoopers Ltd. as an auditor. From 2005 to 2007, he worked in the Financial Advisory Services department of KPMG, undertaking financial due diligent services.

Mr. Zhu Shengfu (朱生富), aged 60, is a Senior Business Operator (高級經營師). He obtained a diploma in industrial enterprise management at the Shanghai Television University (上海電視大學) in July 1986. He also obtained a degree in economics from the China Central Distance-Learning College (中共中央黨校函授學院) in December 1993 and the qualification of senior business operator (高級經營師) in 2003. From 1979 to 1993, he worked for Shanghai City Resources Bureau Officer School (上海市建材局幹部學校) as the head of teaching and research department. From 1993 onwards, he has served Shanghai City Construction Resources Supplies Company (上海市建材供應總公司) as the head of the administration office.

Ms. Ye Mingzhu (葉明珠), aged 64, is a Certified Public Accountant in China. She has over 40 years experience in respect of auditing, finance and accounting. Ms. Ye currently works for Shinewing Certified Public Accountants (信永中和會計師事務所). Before November 2006, she worked for Shanghai Xin Guang Certified Public Accountant Co., Ltd. (上海信光會計師事務所).

SUPERVISORS AS NOMINATED BY SHAREHOLDERS OR EMPLOYEES

Mr. Cai Ying (蔡盈), aged 28, graduated from Huaqiao University, and worked in the market department of COSCO International Air Freight (Shanghai) Co., Ltd in 2005. Mr. Cai Ying was appointed the General Manager Assistant of Shanghai Shenhua Logistic Company Limited from 2007.

Profile of Directors, Supervisors and Senior Management *(continued)*

Mr. Ge Jiaqi (葛家齊), aged 56, graduated from Shanghai Construction Materials school, Mr. Ge worked in Shanghai Construction Materials Supplies Trading Company from 1971 to 2002 as the head of transportation and facility department. Since August 2005, Mr. Ge has been appointed as director and vice general manager of Shanghai Shenhua Logistics Company Limited.

Mr. Fan Weidong (范偉東), aged 26, graduated from Shanghai Ocean University (上海海洋大學) with a Bachelor degree in Information Management in 2007. He joined the Company in July 2007 and is currently working in the administration department of the Company.

SENIOR MANAGEMENT

Mr. Xu Jianwei (許建偉), aged 56, graduated from high school. Mr. Xu possesses more than 30 years of experience in logistics industry. He was the head of delivery department in Shanghai Yichuan Shopping Group (上海宜川購物集團公司) between 1992 to 2002, responsible for the deployment of vehicles. He joined the Company in August 2005 and was responsible for establishing Shanghai Shenhua Logistic Company Limited, a subsidiary of the Company. He has been appointed as General Manager of the Company and has been responsible for the Group's management and operation of land and inland water transport.

Mr. Tsui Kan Chun (徐勤進), aged 37, joined the Company in May 2007. He is the Company Secretary, Financial Controller and Authorized Representative of the Company. Mr. Tsui is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Certified Practising Accountants in Australia and a member of the Hong Kong Institute of Chartered Secretaries. He holds a Bachelor degree in Accountancy from the University of Wollongong in Australia and a Master degree in Corporate Governance from Hong Kong Polytechnic University. He has more than 10 years of experience in auditing, finance and accounting.

Ms. Ye Zhenghua (葉正華), aged 34, graduated from East China University of Science and Technology (華東理工大學) with a diploma in Technology English in July 1997. She also obtained a bachelor degree in business administration from the Night College of Shanghai Jiao Tong University (上海交通大學夜大學). Before joining the Company. Ms. Ye worked in the Shanghai Branch of Korean Resources Limited (韓國資源產業株式會社上海代表處) as an assistant manager. She joined the Company in February 2004. Ms. Ye has been appointed as Vice General Manager of the Company since May 2005 and has been responsible for the import asphalt procurement.

Mr. Shen Linxiang (沈林祥), aged 43, graduated from Shanghai Institute of Building Materials (上海建築材料工業學院) with a diploma in building materials industrial enterprise management in July 1987. He obtained his Executive Master of Business Administration degree from Phoenix International University (鳳凰國際大學) in December 2002. He joined Shanghai Construction Materials Tax Free Trading Enterprise (上海建築材料保稅貿易行) in 1993. Mr. Shen has been appointed as Vice General Manager of the Company since June 2004 and has been responsible for the development of modifiable asphalt.

Corporate Governance Report

INTRODUCTION

Subject to the deviations as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices during 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions with close reference to the required standard as set out in the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors, which currently comprises 11 Directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board of Directors to the management include the preparation of annual, interim and quarterly accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in the Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Mr. Qian Wenhua is the Chairman of the Board of Directors. Mr. Jin Xiaohua is the General Manager the Company who performs the role of Chief Executive Officer. The division of responsibilities between Chairman and Chief Executive Officer has been established.

The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. In addition, the shareholders of the Company have appointed two non-executive Directors, Mr. Chan Cheuk Wing Andy and Mr. Hsu Chun-min, to enrich the profile of the Board of Directors.

The terms of appointment for all the executive Directors, non-executive Directors and independent non-executive Directors are 3 years which conform to the two recommended best practices of: 1) a specific term of appointment; and 2) retirement by rotation at least once every three years. All Directors shall be elected and removed by the shareholders in general meeting according to the Articles of the Company.

Corporate Governance Report *(continued)*

Attendance of individual Directors at Board meetings for 2009:

Number of meetings	10	
Executive Directors:		
Qian Wenhua	10/10	100%
Lu Yong	9/10	90%
Jin Xiaohua	10/10	100%
Mo Luojiang	10/10	100%
Li Hongyuan	10/10	100%
Zhang Jinhua	9/10	90%
Non-executive Directors:		
Ho Man[1]	9/9	100%
Hsu Chun-min	10/10	100%
Chan Cheuk Wing Andy[2]	0/0	N/A
Independent Non-executive Directors:		
Li Li	10/10	100%
Zhu Shengfu	10/10	100%
Ye Mingzhu	10/10	100%
Average attendance rate	98.2%	

Note:

1. Mr. Ho Man resigned as non-executive Director and an audit committee member on 19 October 2009.

2. Mr. Chan Cheuk Wing Andy was appointed as non-executive Director and an audit committee member of the Company on 3 December 2009.

REMUNERATION OF DIRECTORS

The remuneration committee was established in 2005. The majority of the committee members are independent non-executive Directors and the committee chairman is Mr. Qian Wenhua. Other committees members are Ms. Ye Mingzhu, Mr. Zhu Shengfu and Mr. Li Li.

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

Corporate Governance Report *(continued)*

Details of the attendance of the remuneration committee meeting are as follows:

Number of meetings	2	
Executive Director:		
Mo Luojiang[1]	2/2	100%
Qian Wenhua[2]	0/0	N/A
Independent Non-executive Directors:		
Li Li	2/2	100%
Zhu Shengfu	2/2	100%
Ye Mingzhu	2/2	100%
Average attendance rate	100%	

Note:

1. Mr. Mo Luojiang resigned as a remuneration committee member on 9 February 2010.

2. Mr. Qian Wenhua was appointed as a remuneration committee member of the Company on 9 February 2010.

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and the non-executive Directors. The remuneration committee considers that the existing terms of employment contracts are fair and reasonable.

NOMINATION OF DIRECTORS

The Company does not have nomination committee. The Board of Directors reviews the structure, operating scale and composition of the Company on a regular basis. The Chief Executive Officer would look for suitable candidates with the assistance from executive directors for the consideration of the Board of Directors when necessary. The appointment of new Directors must be unanimously approved by the Board of Directors, subject to the final approval in the general meeting, considering the expertise, experience, integrity and commitment to the Group of the proposed Director.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditor including whether such non-auditing functions could lead to any potential material adverse effect on the Company. During the year, the Company has paid an aggregate of approximately RMB2,431,000 to the external auditors for their auditing services.

Corporate Governance Report *(continued)*

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The majority of audit committee members are independent non-executive Directors and the committee chairman is Mr. Li Li. The audit committee held 5 meetings during the year.

Details of the attendance of the audit committee:

Number of meetings	5	
Non-executive Directors:		
Ho Man[1]	3/3	100%
Chan Cheuk Wing Andy[2]	0/0	N/A
Independent Non-executive Directors:		
Li Li	5/5	100%
Zhu Shengfu	5/5	100%
Ye Mingzhu	5/5	100%
Average attendance rate	100%	

Note:

1. Mr. Ho Man resigned as non-executive Director and an audit committee member on 19 October 2009.

2. Mr. Chan Cheuk Wing Andy was appointed as non-executive Director and an audit committee member of the Company on 3 December 2009.

The Group's unaudited interim results, unaudited quarterly results and annual audited results for the year ended 31 December 2009 have been reviewed by the audit committee, which has the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Audit Team

In order to review the effectiveness of internal control system, an internal audit team has been established specifically under the audit committee by the Company in December 2007. Internal audit team comprises 6 members, who among themselves possess a wealth of financial, contract management, project management and legal experience. The duties of the internal audit team principally include:

- To monitor the operational process and business risk;
- To oversee the execution and implementation of contracts;
- To oversee the management programme and the implementation of internal control system, including (among others) finance, authorization and procurement.

Corporate Governance Report *(continued)*

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 major 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 financial and corporate governance.

The executive committee shall hold meetings regularly to discuss significant issues, management reports, major operational statistical data and the results of each business unit, and to evaluate the difference between actual and estimated results.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 31 of this report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control regularly to ensure the effective and adequate internal control system. The Company convened meeting regularly to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

MANAGEMENT FUNCTIONS

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

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

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

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors were conducted regularly as necessary. The Company also responded to the inquiry from shareholders timely.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2009, the supervisory committee of Shanghai Tonva Petrochemical Co., Ltd. (the "Supervisory Committee"), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trustworthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

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

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

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, work diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company have abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees nor contravened any laws and regulations or the Articles of Association of the Company;

3. the financial statements of the Company for the year ended 31 December 2009, which were audited by BDO Limited, has truly and fairly reflected the operating results and asset position of the Group. The related parties transactions were in compliance with the GEM Listing Rules and were fair and reasonable and had not infringed upon the interest of the Company and the shareholders.

The Supervisory Committee takes this opportunity to thank the shareholders, Directors and all the employees of the Company for their supports in the past year.

By order of the Supervisory Committee

Mr. Ge Jiaqi
Chairman of the Supervisory Committee

Shanghai, 26 March 2010

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are trading of asphalt. The activities of its subsidiaries are set out in note 20 to the financial statements.

SEGMENT INFORMATION

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

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 33.

The state of the Group's affairs as at 31 December 2009 is set out in the consolidated statement of financial position on page 34 and 35.

The Board does not recommend interim dividend for the six months ended 30 June 2009 and for the six months ended 30 June 2008.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: RMB0.011 per share, amounting in total to approximately RMB10,298,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

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

Report of the Directors *(continued)*

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2009, calculated under the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB96,536,000 (2008: RMB94,874,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there was no restriction against such rights under the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

The summary of the results of the Group for the last five financial years is set out on page 3.

SHARE OPTIONS

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

Report of the Directors *(continued)*

DIRECTORS

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

Executive Directors

Mr. Qian Wenhua
Mr. Lu Yong
Mr. Jin Xiaohua
Mr. Mo Luojiang
Mr. Zhang Jinhua
Mr. Li Hongyuan

Non-executive Directors

Mr. Ho Man (resigned on 19 October 2009)
Mr. Chan Cheuk Wing Andy (appointed on 3 December 2009)
Mr. Hsu Chun-min

Independent Non-executive Directors

Mr. Li Li
Mr. Zhu Shengfu
Ms. Ye Mingzhu

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all independent non-executive Directors are independent to the Group in accordance with the terms of the guidelines as set out in Rule 5.09 of the GEM Listing Rules.

In accordance with Article 95 of the Company's Articles of Association, all the Directors shall be appointed at the shareholders' general meeting for a term of three years. A director may serve consecutive terms if re-elected upon the expiration of the terms.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on pages from 13 to 15.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or Supervisor and thereafter subject to termination by either party giving not less than one month's written notice to the other party.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 December 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	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.

Report of the Directors *(continued)*

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

At 31 December 2009, the persons or companies (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which 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 336 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
Credit Agricole S.A	Interest in a controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69

Report of the Directors *(continued)*

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
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.

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.

Report of the Directors *(continued)*

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	8.29%
– five largest customers combined	28.80%

Purchases

– the largest supplier	29.21%
– five largest suppliers combined	56.16%

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

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 subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the year ended 31 December 2009.

Report of the Directors *(continued)*

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 and one non-executive Director Ms. Ye Mingzhu, Mr. Zhu Shengfu, Mr. Li Li and Mr. Chan Cheuk Wing Andy. Mr. Li Li is the Chairman of the audit committee.

The audit committee has reviewed the Group's consolidated results for the year ended 31 December 2009 and had the opinion that the preparation of the results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year.

RELATED PARTIES TRANSACTIONS

A summary of the related parties transactions are disclosed in note 38 to the consolidated financial statements.

STAFF AND REMUNERATION POLICY

The Group staff functions were analyzed as follows:

	Number of staff	
	2009	2008
Functions:		
Management	**86**	78
Sales and marketing	**20**	27
Accounting and finance	**46**	50
Administration and human resources	**21**	23
Legal	**2**	3
Information system	**5**	4
Technical and quality control	**15**	15
Shipping and transportation	**85**	72
Storage centre	**73**	67
Engineer	**67**	81
Construction workers	**90**	75
Total	**510**	495

Report of the Directors *(continued)*

On 31 December 2009, the Group had **510** staff (2008: 495 staff). Employees are remunerated according to market level, individual performance, qualification and working experience. Other benefits included social insurance scheme. The annual staff costs amounted to RMB**44,563,000** (2008: RMB26,894,000).

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

The Group's bonus to the staff (including Directors and senior management staff) for the year ended 31 December 2009 was RMB**2,933,000** (2008: RMB2,131,000).

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

COMPETING INTERESTS

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

AUDITORS OF THE COMPANY

BDO Limited was first appointed auditor of the Company in 2009 upon the retirement of PricewaterhouseCoopers. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Qian Wenhua
Chairman

Shanghai, The PRC, 26 March 2010

Independent Auditor's Report

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

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

We have audited the consolidated financial statements of Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	*6*	**1,581,550**	1,504,659
Cost of sales		**(1,396,535)**	(1,330,710)
Gross profit		**185,015**	173,949
Other income and gains	*7*	**8,594**	17,159
Distribution costs		**(23,889)**	(35,050)
Administrative expenses		**(110,560)**	(66,756)
Other expenses and losses		**–**	(7,840)
Share of profits/(losses) of associates	*21*	**7,752**	(893)
Finance costs	*8*	**(32,680)**	(23,150)
Profit before income tax expense	*9*	**34,232**	57,419
Income tax expense	*12*	**(21,646)**	(14,595)
Profit for the year		**12,586**	42,824
Other comprehensive income			
Exchange differences on translating foreign operations		**(78)**	(1,899)
Recognition of fair value change in respect of acquisition of additional interests in a subsidiary		**–**	17,912
		(78)	16,013
Total comprehensive income for the year		**12,508**	58,837
Profit attributable to:			
– Owners of the Company		**2,268**	35,404
– Minority interests		**10,318**	7,420
		12,586	42,824
Total comprehensive income attributable to:			
– Owners of the Company		**2,190**	51,417
– Minority interests		**10,318**	7,420
		12,508	**58,837**
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*14*	**0.002**	0.038
– Diluted	*14*	**0.002**	0.038

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	*16*	**9,449**	11,840
Prepayments for leasehold land held for own use under operating leases	*16*	**–**	15,120
Property, plant and equipment	*17*	**195,200**	218,658
Construction in progress	*18*	**2,808**	13,365
Intangible assets	*19*	**148,584**	157,504
Interests in associates	*21*	**47,433**	45,040
Available-for-sale financial asset	*22*	**800**	800
Trade and other receivables	*24*	**245,914**	217,715
Deferred tax assets	*30*	**9,493**	3,076
Total non-current assets		**659,681**	683,118
Current assets			
Inventories	*23*	**161,393**	62,285
Amounts due from customers for contract work	*25*	**86,791**	33,201
Trade and other receivables	*24*	**868,122**	691,216
Restricted bank deposits	*26*	**54,668**	74,122
Cash and cash equivalents		**93,426**	38,964
		1,264,400	899,788
Assets classified as held for sale	*27*	**5,184**	–
Total current assets		**1,269,584**	899,788
Total assets		**1,929,265**	1,582,906
Liabilities			
Current liabilities			
Trade and other payables	*28*	**603,686**	510,530
Amounts due to customers for contract work	*25*	**8,660**	13,209
Bank borrowings	*29*	**568,237**	407,475
Current tax liabilities		**32,013**	34,155
Total current liabilities		**1,212,596**	965,369
Net current assets/(liabilities)		**56,988**	(65,581)
Total assets less current liabilities		**716,669**	617,537

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank borrowings	*29*	**100,000**	–
Deferred tax liabilities	*30*	**35,182**	24,405
Total non-current liabilities		**135,182**	24,405
Total liabilities		**1,347,778**	989,774
NET ASSETS		**581,487**	593,132
Capital and reserves attributable to owners of the Company			
Share capital	*31*	**93,619**	93,619
Reserves		**264,135**	263,183
Retained earnings		**134,602**	143,662
Equity attributable to owners of the Company		**492,356**	500,464
Minority interests		**89,131**	92,668
TOTAL EQUITY		**581,487**	593,132

On behalf of the Board

Jin Xiaohua
Director

Mo Luojiang
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**23,391**	24,997
Construction in progress	*18*	**–**	–
Intangible assets	*19*	**207**	264
Investment in subsidiaries	*20*	**315,438**	370,342
Investment in associates	*21*	**24,333**	24,333
Available-for-sale financial asset	*22*	**800**	800
Deferred tax assets	*30*	**2,229**	1,863
Total non-current assets		**366,398**	422,599
Current assets			
Inventories	*23*	**124,946**	7,619
Tax recoverable		**–**	557
Trade and other receivables	*24*	**304,794**	331,390
Restricted bank deposits	*26*	**17,857**	31,198
Cash and cash equivalents		**27,534**	11,299
Total current assets		**475,131**	382,063
Total assets		**841,529**	804,662
Liabilities			
Current liabilities			
Trade and other payables	*28*	**218,405**	169,077
Bank borrowings	*29*	**181,627**	196,375
Current tax liabilities		**625**	–
Total current liabilities		**400,657**	365,452
Net current assets		**74,474**	16,611
NET ASSETS		**440,872**	439,210
Capital and reserves			
Share capital	*31*	**93,619**	93,619
Reserves	*32*	**347,253**	345,591
TOTAL EQUITY		**440,872**	439,210

On behalf of the Board

Jin Xiaohua
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2009

	Share capital RMB'000	Capital reserve *(note 32(a))* RMB'000	Statutory common reserve fund *(note 32(b))* RMB'000	Other reserve *(note 32(d))* RMB'000	Currency translation reserve *(note 32(e))* RMB'000	Retained earnings *(note 32(c))* RMB'000	Equity attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	93,619	221,766	25,227	–	(3,363)	125,841	463,090	7,379	470,469
Total comprehensive income for the year	–	–	–	17,912	(1,899)	35,404	51,417	7,420	58,837
Transfer to statutory common reserve fund	–	–	3,540	–	–	(3,540)	–	–	–
Dividends paid	–	–	–	–	–	(14,043)	(14,043)	–	(14,043)
Acquisition of subsidiaries	–	–	–	–	–	–	–	58,810	58,810
Capital injection from minority owners	–	–	–	–	–	–	–	24,050	24,050
Disposal of subsidiaries *(note 34(b))*	–	–	–	–	–	–	–	(4,991)	(4,991)
At 31 December 2008 and 1 January 2009	93,619	221,766	28,767	17,912	(5,262)	143,662	500,464	92,668	593,132
Total comprehensive income for the year	–	–	–	–	(78)	2,268	2,190	10,318	12,508
Transfer to statutory common reserve fund	–	–	1,030	–	–	(1,030)	–	–	–
Dividends paid *(note 15)*	–	–	–	–	–	(10,298)	(10,298)	–	(10,298)
Dividend paid to a minority owner	–	–	–	–	–	–	–	(3,018)	(3,018)
Acquisition of additional equity interests in a subsidiary *(note 20(b))*	–	–	–	–	–	–	–	(18,196)	(18,196)
Capital injection from minority owners	–	–	–	–	–	–	–	9,100	9,100
Disposal of a subsidiary *(note 34(a))*	–	–	–	–	–	–	–	(1,741)	(1,741)
At 31 December 2009	**93,619**	**221,766**	**29,797**	**17,912**	**(5,340)**	**134,602**	**492,356**	**89,131**	**581,487**

Consolidated Statement of Cash Flows

For the Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before income tax expense		**34,232**	57,419
Adjustments for:			
Interest income		**(751)**	(2,369)
Dividend income		**(3,779)**	(6,990)
Finance costs		**32,680**	23,150
Share of (profits)/losses of associates		**(7,752)**	893
Impairment of trade and other receivables, net		**34,169**	21,386
Amortisation of payments for leasehold land held for own use under operating leases		**239**	233
Depreciation of property, plant and equipment		**26,603**	19,292
Amortisation of intangible assets		**8,920**	9,844
Loss/(gain) on disposal of property, plant and equipment and construction in progress		**10,025**	(2,314)
Gain on disposal of subsidiaries		**(1,948)**	(560)
Operating profit before working capital changes		**132,638**	119,984
(Increase)/decrease in inventories		**(99,585)**	27,756
Increase in trade and other receivables		**(298,785)**	(190,798)
Decrease/(increase) in restricted bank deposits		**19,454**	(56,796)
Increase/(decrease) in trade and other payables		**99,445**	(105,488)
Cash used in operations		**(146,833)**	(205,342)
Interest paid		**(33,622)**	(23,150)
Income taxes paid		**(19,428)**	(6,456)
Net cash used in operating activities		**(199,883)**	(234,948)
Investing activities			
Purchase of property, plant and equipment and construction in progress		**(17,999)**	(16,892)
Proceeds from disposal of property, plant and equipment and construction in progress		**5,196**	4,586
Purchase of payments for leasehold land held for own use under operating leases		**–**	(584)
Refund of prepayments/(prepayments) for leasehold land held for own use under operating leases		**15,120**	(15,120)
Interest received		**751**	2,369
Acquisition of subsidiaries, net of cash paid	*33*	**–**	(32,055)
Disposal of subsidiaries, net of cash disposed	*34*	**5,151**	(453)
Investments in and acquisition of associates		**–**	(32,005)
Acquisition of additional equity interests in a subsidiary		**(18,196)**	(551)
Dividends received from an associate		**–**	2,078
Dividends received from available-for-sale financial asset		**3,779**	6,990
Others		**–**	(411)
Net cash used in investing activities		**(6,198)**	(82,048)

Consolidated Statement of Cash Flows *(Continued)*

For the Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Financing activities			
Capital injection from minority owners		9,100	16,850
Proceeds from bank borrowings		1,023,995	797,459
Repayment of bank borrowings		(759,333)	(719,761)
Dividends paid		(10,298)	(14,043)
Dividends paid to a minority owner		(3,018)	–
Net cash from financing activities		260,446	80,505
Net increase/(decrease) in cash and cash equivalents		54,365	(236,491)
Cash and cash equivalents at beginning of year		38,964	275,455
Effect of foreign exchange rate changes		97	–
Cash and cash equivalents at end of year		93,426	38,964

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1 GENERAL

Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (collectively known as the "Group") is principally engaged in trading of asphalt, trading of fuel oil, provision of logistic services and road and bridge construction in the People's Republic of China ("PRC"). The Group offers "one-stop" solutions to customers ranging from procurement, storage and delivery of asphalt and fuel oil. The Group's asphalt and fuel oil trading business geographically covers the downstream region of the 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 has construction contract tier-one qualification and municipal utility contract tier-one qualification.

The Company is a joint stock limited company incorporated in the PRC. The address of the Company's registered office is 706 Renhe Building, No. 2056 Pudong Road, Pudong New Area, Shanghai, the PRC. Its principal place of business is located at Room 2201, BM Tower, No. 218 Wu Song Road, Shanghai, the PRC.

The H shares of the Company are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(a) *(continued)*

HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for certain presentational changes as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statement of financial position, previously known as balance sheet, at the beginning of the year of 2008 has not been presented as there were no changes to the originally published statement.

HKAS 1 (Revised), Presentation of Financial Statements

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transactions with non-owners are presented under the "Statement of Comprehensive Income"; while the owners' changes in equity are presented in the "Statement of Changes in Equity".

HKAS 23 (Revised), Borrowing Costs

The revised standard removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This change in accounting policy had no material impact to the Group and comparative figures have not been restated as a result of the adoption of this standard.

Pursuant to the transitional provision of the standard, group entities capitalise borrowing costs for all qualified assets where construction was commenced on or after 1 January 2009 and expense all borrowing costs relating to construction projects that commenced prior to 1 January 2009. During the year, interest expense of RMB942,000 was capitalised during the year as detailed in note 8.

HKFRS 8, Operating Segments

HKFRS 8 replaces HKAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Due to the adoption of HKFRS 8 during the current year, certain comparative amounts have been reclassified to conform with current year's presentation.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(b) Potential impact arising on HKFRSs not yet effective

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
Amendments to HKAS 32	Classification of Rights Issues [4]
Amendment to HKAS 39	Eligible Hedged Items [1]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [3]
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirements [6]
HKAS 24 (Revised)	Related Party Disclosures [6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [7]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(b) Potential impact arising on HKFRSs not yet effective *(continued)*

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis as explained in the accounting policies set out below.

For the year ended 31 December 2009, the Group had a net operating cash outflow of approximately RMB199,883,000. At 31 December 2009, it had outstanding short-term bank loans of approximately RMB568,237,000 which were due for repayment within the next twelve months.

Since the Group has been servicing its debt obligations according to the loan repayment schedules and given its good credit history, management is confident that it will be able to roll over the remaining outstanding bank loans when they are due for repayment or secure additional banking facilities to meet its future working capital and financial requirements. Subsequent to the end of reporting period, the Group has successfully renewed short-term bank loan of RMB50,000,000. Furthermore, management will continue its efforts to improve the Group's profitability and operating cash flow.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

3 BASIS OF PREPARATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

In light of the above and based on the Group's cash flow projection for the coming year, the directors are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

(c) Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned directly or indirectly through subsidiaries, by the Company. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in profit or loss. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the relevant share of the carrying value of net assets of the subsidiary acquired.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets acquired, liabilities and contingent liabilities assumed is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

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

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

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

(e) Property, plant and equipment

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

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

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

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

Buildings	20 to 30 years
Machinery	10 years
Storage facilities	12 to 20 years
Furniture, fixtures and testing equipment	5 to 10 years
Transportation facilities	2 to 20 years

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

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

(g) Intangible assets

(i) Acquired intangible assets

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

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

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

(ii) Impairment

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

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leasing

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

The Group as lessor

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

The Group as lessee

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

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

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The Group's accounting policy for each category is as follows:

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(i) Financial assets (continued)

Available-for-sale financial assets *(continued)*

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

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- a significant or prolonged decline in fair value of an investment in an entity instruments below its cost.
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

For available-for-sale financial assets

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

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

(iii) Financial liabilities

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

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

(j) Assets held for sale

Assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the assets are being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Capitalisation of borrowing costs

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

(l) Inventories

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

(m) Construction contracts

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

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

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

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

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Government grants

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

(o) Revenue recognition

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

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

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

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

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

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

Rental income under operating leases of machinery is recognised on a straight-line basis over the lease term.

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income taxes

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

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

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

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

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

(q) Foreign currency

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Foreign currency *(continued)*

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

On disposal of a foreign operation, the cumulative exchange differences recognised in the currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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

(r) Impairment of other assets

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

- payments for leasehold land held for own use under operating leases;
- prepayments for leasehold land held for own use under operating leases;
- property, plant and equipment;
- construction in progress;
- investments in subsidiaries and associates

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Impairment of other assets *(continued)*

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

(s) Employee benefits

(i) Defined contribution retirement plans

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Provisions and contingent liabilities

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of goodwill and construction licence

The Group tests annually whether goodwill and construction license have suffered any impairment in accordance with the Group's accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 19).

(b) Impairment of trade and other receivables

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

If the discount rates used to estimate the present value of estimated future cash flows arising from these receivables had been changed, the amount of impairment changed accordingly.

(c) Construction contracts

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

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(d) Contingent liabilities in respect of litigations and claims

The Group has been involved in a number of litigations and claims in respect of certain constructions works (see note 25) in the past. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments.

(e) Financial guarantee contracts

The Group has issued financial guarantee contracts in favour of third parties (see note 35). The initial and subsequent measurement to the value of these financial guarantee contracts involve high degree of judgments and estimations by the Group's management.

6 SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The four reportable segments are as follows:

- Sale of asphalt;
- Sale of fuel oil;
- Provision of logistic services; and
- Road and bridge construction

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

6 SEGMENT INFORMATION *(continued)*

(a) Business segments

For the year ended 31 December 2009 are as follows:

	Sale of asphalt RMB'000	Sale of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Group RMB'000
Total segment revenue	896,126	319,055	60,241	485,528	1,760,950
Inter segment revenue	(146,491)	(25,230)	(7,679)	–	(179,400)
Reportable segment revenue from external customers	749,635	293,825	52,562	485,528	1,581,550
Reportable segment profit/(loss)	8,313	4,754	(19,363)	18,882	12,586
Interest income	418	–	–	333	751
Finance costs	13,503	1,867	51	17,259	32,680
Share of profits of associates	7,049	–	703	–	7,752
Capital expenditures *(note)*	843	225	1,252	15,679	17,999
Depreciation of property, plant and equipment	4,800	79	9,753	11,971	26,603
Amortisation of intangible assets	57	–	–	8,863	8,920
Amortisation of payments for leasehold land held for own use under operating leases	198	–	–	41	239
Impairment of trade and other receivables	8,347	–	(194)	26,016	34,169
Income tax expense	2,145	1,381	345	17,775	21,646
Interests in associates	32,218	–	15,215	–	47,433
Reportable segment assets	598,730	120,766	140,849	1,068,920	1,929,265
Reportable segment liabilities	400,479	61,028	8,988	877,283	1,347,778

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

6 SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

For the year ended 31 December 2008 are as follows:

	Sale of asphalt RMB'000	Sale of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Group RMB'000
Total segment revenue	659,441	409,951	69,217	403,435	1,542,044
Inter-segment revenue	(20,832)	–	(16,553)	–	(37,385)
Reportable segment revenue from external customers	638,609	409,951	52,664	403,435	1,504,659
Reportable segment profit/(loss)	10,438	7,774	(4,721)	29,333	42,824
Interest income	1,315	45	107	902	2,369
Finance costs	15,840	952	–	6,358	23,150
Share of profits/(losses) of associates	750	–	(463)	(1,180)	(893)
Capital expenditures *(note)*	8,388	366	15,374	5,693	29,821
Depreciation of property, plant and equipment	5,743	44	8,374	5,131	19,292
Amortisation of intangible assets	113	–	–	9,731	9,844
Amortisation of payments for leasehold land held for own use under operating leases	213	–	–	20	233
Impairment of trade and other receivables	13,348	–	–	8,038	21,386
Income tax expense	3,215	2,536	1,057	7,787	14,595
Interests in associates	30,503	–	14,537	–	45,040
Reportable segment assets	474,446	55,658	132,797	920,005	1,582,906
Reportable segment liabilities	355,665	11,298	8,818	613,993	989,774

Note:

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

6 SEGMENT INFORMATION *(continued)*

(b) Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the years ended 31 December 2009 and 2008.

(c) Geographical information

All the Group's revenue from external customers are derived from customers located in the PRC.

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

7 OTHER INCOME AND GAINS

	Group	
	2009	2008
	RMB'000	RMB'000
Dividend income from available-for-sale investment	**3,779**	6,990
Government grants	**1,777**	1,249
Interest income	**751**	2,369
Gain on disposal of property, plant and equipment	**–**	2,314
Gain on disposal of subsidiaries *(note 34)*	**1,948**	560
Others	**339**	3,677
	8,594	17,159

8 FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within five years	**22,865**	10,210
Interest expense on discounted commercial notes	**8,067**	11,645
Others	**2,690**	1,295
Total finance costs	**33,622**	23,150
Less: amount capitalised	**(942)**	–
	32,680	23,150

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

8 FINANCE COSTS *(continued)*

Borrowing costs capitalised during the year arose on the general borrowing during the year and are calculated by applying a capitalisation rate of approximately 5% (2008: nil) to expenditure on qualifying assets.

9 PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Group	
	2009	2008
	RMB'000	RMB'000
Amortisation of intangible assets	**8,920**	9,844
Amortisation of payments for leasehold land held for own use under operating leases	**239**	233
Auditor's remuneration	**2,431**	4,055
Cost of inventories recognised as expenses	**957,957**	944,129
Depreciation of property, plant and equipment	**26,603**	19,292
Impairment of trade and other receivables, net *(note 24)*	**34,169**	21,386
Loss on disposal of property, plant and equipment and construction in progress, net	**10,025**	–
Operating lease rental expenses in respect of		
– Land and buildings	**6,735**	8,712
– Transportation facilities	**2,464**	1,782
– Machinery and others	**10,775**	9,704
Share of tax of associates (included in share of profits of associates)	**2,000**	–
Staff costs *(note 10)*	**44,563**	26,894

10 STAFF COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**40,749**	25,122
Social security costs	**1,691**	538
Retirement benefit costs	**2,123**	1,234
	44,563	26,894

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

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

For the year ended 31 December 2009 are as follows:

Name	Fees	Basic salaries and allowances	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Qian Wenhua	–	601	50	25	676
Mr. Lu Yong	–	281	23	25	329
Mr. Jin Xiaohua	–	401	33	25	459
Mr. Mo Luojiang	–	321	27	25	373
Mr. Zhang Jinhua	–	253	21	25	299
Mr. Li Hongyuan	–	252	21	25	298
Non-executive directors					
Mr. Li Li	30	–	–	–	30
Mr. Zhu Shengfu	30	–	–	–	30
Ms. Ye Mingzhu	30	–	–	–	30
Mr. Ho Man *(note 1)*	96	–	–	–	96
Mr. Chan Cheuk Wing, Andy *(note 2)*	10	–	–	–	10
Mr. Hsu Chunmin	120	–	–	–	120
Supervisors					
Mr. Lao Yihua *(note 3)*	8	–	–	–	8
Mr. Cai Ying *(note 4)*	–	–	–	–	–
Mr. Ge Jiaqi	–	72	15	–	87
Mr. Fan Weidong	–	58	–	8	66
	324	2,239	190	158	2,911

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

For the year ended 31 December 2008 are as follows:

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Qian Wenhua	–	750	116	22	888
Mr. Lu Yong	–	350	69	22	441
Mr. Jin Xiaohua *(note 5)*	–	263	126	13	402
Mr. Mo Luojiang	–	380	179	22	581
Mr. Zhang Jinhua	–	300	344	22	666
Mr. Li Hongyuan	–	244	200	22	466
Non-executive directors					
Mr. Li Li	30	–	–	–	30
Mr. Zhu Shengfu	30	–	–	–	30
Ms. Ye Mingzhu	30	–	–	–	30
Ms. Josephine Price *(note 6)*	68	–	–	–	68
Mr. Ho Man *(note 1)*	33	–	–	–	33
Mr. Hsu Chunmin	120	–	–	–	120
Supervisors					
Mr. Shao Dan *(note 7)*	–	36	25	5	66
Ms. Gu Xiaoqing *(note 7)*	–	25	5	5	35
Mr. Lao Yihua *(note 3)*	18	–	–	–	18
Mr. Ge Jiaqi *(note 5)*	–	42	8	–	50
Mr. Fan Weidong *(note 5)*	–	21	3	7	31
	329	2,411	1,075	140	3,955

Notes:

(1) Appointed in September 2008 and resigned in October 2009
(2) Appointed in December 2009
(3) Resigned in May 2009
(4) Appointed in May 2009
(5) Appointed in May 2008
(6) Resigned in July 2008
(7) Resigned in May 2008

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(continued)

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

None of the directors waived emoluments during the years ended 31 December 2009 and 2008.

The five individuals whose emoluments were the highest in the Group are as follows:

	Number of individuals	
	2009	2008
Directors and supervisors	**5**	5
Other individual	**–**	–
	5	5

Emoluments paid to directors and supervisors are reflected in the analysis presented above.

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to any of the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

12 INCOME TAX EXPENSE

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

	Group	
	2009	2008
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax		
– tax for the year	**17,375**	20,044
– under provision in respect of prior years	**16**	–
Hong Kong profits tax		
– tax for the year	**–**	573
– over provision in respect of prior years	**(105)**	–
Deferred tax *(note 30)*	**4,360**	(6,022)
	21,646	14,595

The Company and one of its subsidiaries, 上海神華物流有限公司 ("Shanghai Shenhua"), are incorporated in Pudong New Area of Shanghai. Pursuant to the implementation guidance of the new Enterprise Income Tax Law ("EIT Law"), the Company and Shanghai Shenhua are subject to Enterprise Income Tax ("EIT") at 20% (2008: 18%) on their assessable profit for the year ended 31 December 2009. Such tax rate will gradually increase to 25% in a three-year period from 2010 to 2012.

Besides, the Company's subsidiaries, 江蘇蘇中油運有限公司 ("Suzhong Shipping") and 上海神華物流(東台)有限公司 ("Shenhua Dongtai"), are treated as small-scale companies for PRC EIT 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.

Profits of other subsidiaries established in the PRC are subject to EIT at 25% (2008: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2008: 16.5%).

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

12 INCOME TAX EXPENSE *(continued)*

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

	2009 RMB'000	2008 RMB'000
Profit before income tax expense	**34,232**	57,419
Tax calculated at tax rate of 20% (2008: 18%)	**6,846**	10,335
Effect of different tax rates for subsidiaries	**2,248**	3,213
Income and expense items that are not subject to tax	**8,206**	(1,334)
Tax losses not recognised	**4,435**	1,941
Over provision in respect of prior years, net	**(89)**	–
Others	**–**	440
Income tax expense	**21,646**	14,595

13 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB5,866,000 (2008: RMB24,178,000).

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

14 EARNINGS PER SHARE

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

	Group	
	2009	2008
Profit attributable to owners of the Company (RMB'000)	**2,268**	35,404
Weighted average number of ordinary shares in issue (thousands)	**936,190**	936,190
Basic earnings per share (RMB per share)	**0.002**	0.038

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2009 and 2008.

15 DIVIDENDS

	Company	
	2009	2008
	RMB'000	RMB'000
Final, proposed – Nil (2008: RMB0.011 per share)	**–**	10,298

No dividend was proposed for the year ended 31 December 2009, nor has any dividend been proposed since the reporting period ended 31 December 2009.

At a meeting held on 30 March 2009, the directors recommended a final dividend of RMB10,298,000 at RMB0.011 per ordinary share in respect of the year ended 31 December 2008. The proposed dividends were not reflected as a dividend payable in the financial statements for the year ended 31 December 2008, and instead as an appropriation of retained earnings for the year ended 31 December 2008.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

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

	RMB'000
2009	
Cost	
At 1 January 2009	12,321
Disposal of a subsidiary *(note 34 (a))*	(2,310)
At 31 December 2009	10,011
Accumulated amortisation	
At 1 January 2009	481
Provided for the year	239
Disposal of a subsidiary *(note 34 (a))*	(158)
At 31 December 2009	562
2008	
Cost	
At 1 January 2008	10,648
Additions	584
Acquisition of subsidiaries *(note 33)*	1,089
At 31 December 2008	12,321
Accumulated amortisation	
At 1 January 2008	248
Provided for the year	233
At 31 December 2008	481
Net book values	
At 31 December 2009	9,449
At 31 December 2008	11,840

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

16 PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES *(continued)*

As at 31 December 2009, payments for leasehold land held for own use under operating leases with a net book value of RMB7,838,000 (2008: RMB10,187,000) were pledged as security for the Group's bank borrowings (note 29(a)).

As at 31 December 2008, prepayments for leasehold land held for own use under operating leases represent the prepayments made by the Group for the acquisition of a land lot located in Shanghai. The prepayments were subsequently refunded from relevant government authority as requested by the Group due to cancellation of the project.

17 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery	Storage facilities	Furniture, fixtures and testing equipment	Transportation facilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Cost						
At 1 January 2009	38,180	45,801	78,193	16,265	72,697	251,136
Additions	–	9,458	188	2,469	1,680	13,795
Transfer from construction in progress *(note 18)*	7,406	4,960	939	–	–	13,305
Disposals	–	(11,423)	–	(177)	(16,086)	(27,686)
Disposal of a subsidiary *(note 34(a))*	(4,713)	–	(7,179)	(231)	–	(12,123)
At 31 December 2009	40,873	48,796	72,141	18,326	58,291	238,427
Accumulated depreciation						
At 1 January 2009	1,572	4,521	10,389	2,912	13,084	32,478
Provided for the year	1,813	10,735	5,527	2,034	6,494	26,603
Eliminated on disposals	–	(11,405)	–	(61)	(2,265)	(13,731)
Disposal of a subsidiary *(note 34(a))*	(527)	–	(1,508)	(88)	–	(2,123)
At 31 December 2009	2,858	3,851	14,408	4,797	17,313	43,227

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Buildings RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2008						
Cost						
At 1 January 2008	30,367	–	61,829	11,518	62,277	165,991
Additions	165	851	16	756	10,049	11,837
Transfer from construction in progress *(note 18)*	404	–	16,348	695	–	17,447
Transfer to construction in progress *(note 18)*	(2,061)	–	–	–	–	(2,061)
Acquired through business combination *(note 33)*	11,835	45,080	–	4,514	1,225	62,654
Disposals	(2,530)	(130)	–	(461)	(854)	(3,975)
Disposal of subsidiaries *(note 34(b))*	–	–	–	(757)	–	(757)
At 31 December 2008	38,180	45,801	78,193	16,265	72,697	251,136
Accumulated depreciation						
At 1 January 2008	2,233	–	4,552	1,648	7,817	16,250
Provided for the year	1,610	4,535	5,837	1,484	5,826	19,292
Transfer to construction in progress *(note 18)*	(1,691)	–	–	–	–	(1,691)
Eliminated on disposals	(580)	(14)	–	(220)	(559)	(1,373)
At 31 December 2008	1,572	4,521	10,389	2,912	13,084	32,478
Net book values						
At 31 December 2009	38,015	44,945	57,733	13,529	40,978	195,200
At 31 December 2008	36,608	41,280	67,804	13,353	59,613	218,658

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2009 and 2008, the following assets of the Group were pledged as security for the Group's bank borrowings:

Group	Net book value 2009 RMB'000	Net book value 2008 RMB'000
Buildings	–	17,889
Machinery	–	21,997
Storage facilities and furniture, fixtures and testing equipment	–	6,176
Transportation facilities	–	21,309
	–	67,371

Company	Buildings RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2009					
Cost					
At 1 January 2009	19,124	7,096	1,145	1,612	28,977
Additions	–	–	11	–	11
At 31 December 2009	19,124	7,096	1,156	1,612	28,988
Accumulated depreciation					
At 1 January 2009	2,346	673	343	618	3,980
Provided for the year	909	338	178	192	1,617
At 31 December 2009	3,255	1,011	521	810	5,597

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Buildings RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2008					
Cost					
At 1 January 2008	21,582	11,538	425	2,216	35,761
Additions	–	–	25	–	25
Transfer from construction in progress *(note 18)*	–	–	695	–	695
Disposals	(2,458)	(4,442)	–	(604)	(7,504)
At 31 December 2008	19,124	7,096	1,145	1,612	28,977
Accumulated depreciation					
At 1 January 2008	1,953	1,266	265	814	4,298
Provided for the year	967	486	78	209	1,740
Eliminated on disposals	(574)	(1,079)	–	(405)	(2,058)
At 31 December 2008	2,346	673	343	618	3,980
Net book values					
At 31 December 2009	15,869	6,085	635	802	23,391
At 31 December 2008	16,778	6,423	802	994	24,997

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2009 and 2008, the following assets of the Company were pledged as security for the Company's bank borrowings:

	Net book value	
Company	**2009**	2008
	RMB'000	RMB'000
Buildings	–	16,777

18 CONSTRUCTION IN PROGRESS

Group	RMB'000
At 1 January 2008	12,555
Acquired through business combination *(note 33)*	4,023
Additions	17,400
Transfer to property, plant and equipment	(17,447)
Transfer from property, plant and equipment	370
Disposal of subsidiaries *(note 34(b))*	(3,536)
At 31 December 2008 and 1 January 2009	13,365
Additions	4,204
Transfer to property, plant and equipment	(13,305)
Disposal of a subsidiary *(note 34(a))*	(190)
Disposals	(1,266)
At 31 December 2009	2,808

Company	RMB'000
At 1 January 2008	578
Additions	117
Transfer to property, plant and equipment	(695)
At 31 December 2008, 1 January 2009 and 31 December 2009	–

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

19 INTANGIBLE ASSETS

Group	Goodwill RMB'000	Customer contracts RMB'000	Construction licence RMB'000	Computer software RMB'000	Total RMB'000
2009					
Cost					
At 1 January 2009 and 31 December 2009	16,930	18,558	131,266	782	167,536
Accumulated amortisation					
At 1 January 2009	–	9,711	–	321	10,032
Provided for the year	–	8,847	–	73	8,920
At 31 December 2009	–	18,558	–	394	18,952
2008					
Cost					
At 1 January 2008	–	–	–	565	565
Transfer from investment in an associate upon acquisition of additional equity interests in subsidiaries	11,839	–	–	–	11,839
Acquired through business combination *(note 33)*	5,091	18,558	131,266	217	155,132
At 31 December 2008	16,930	18,558	131,266	782	167,536
Accumulated amortisation					
At 1 January 2008	–	–	–	188	188
Provided for the year	–	9,711	–	133	9,844
At 31 December 2008	–	9,711	–	321	10,032
Net book values					
At 31 December 2009	16,930	–	131,266	388	148,584
At 31 December 2008	16,930	8,847	131,266	461	157,504

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

19 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill and construction licence:

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 6%.

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

	2010	2011	2012	2013	2014
Weighted average gross margin	7.9%	9.1%	9.2%	9.2%	9.3%
Weighted average growth rate	100.0%	12.0%	8.0%	6.0%	6.0%
Percentage of working capital over revenue	31.5%	20.6%	11.4%	11.4%	11.4%
Discount rate	12.3%	12.3%	12.3%	12.3%	12.3%

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

19 INTANGIBLE ASSETS *(continued)*

Company	**Computer software** RMB'000
2009	
Cost	
At 1 January 2009 and 31 December 2009	565
Accumulated amortisation	
At 1 January 2009	301
Provided for the year	57
At 31 December 2009	358
2008	
Cost	
At 1 January 2008 and 31 December 2008	565
Accumulated amortisation	
At 1 January 2008	188
Provided for the year	113
At 31 December 2008	301
Net book values	
At 31 December 2009	207
At 31 December 2008	264

Notes to the Consolidated Financial Statements
(continued)

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20 INVESTMENT IN SUBSIDIARIES

	2009 **RMB'000**	2008 RMB'000
Unlisted equity investments, at cost	**315,438**	370,342

The following are the details of the Group's subsidiaries at 31 December 2009:

Name	**Place of incorporation and type of legal entity**	**Principal activities and place of operation**	**Issued share capital/ Registered capital**	**Equity interests held**	
				Directly	**Indirectly**
Suzhong Shipping	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB16,000,000	–	55%
武漢華隆公路物資有限公司	PRC, limited liability company	Asphalt trading in the PRC	RMB8,000,000	80%	–
棟華(香港)有限公司 (“Donghua Hong Kong”)	Hong Kong, limited liability company	Asphalt trading in the PRC and logistic service	HKD39,000,000 of 39,000,000 ordinary shares of HKD1 each	100%	–
Shanghai Shenhua *(note (a))*	PRC, limited liability company	Provision of land transportation service in the PRC	RMB108,000,000	100%	–

Notes to the Consolidated Financial Statements

(continued)

For the year ended 31 December 2009

20 INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ Registered capital	Equity interests held	
				Directly	Indirectly
鄭州華盛石油制品有限公司	PRC, limited liability company	Asphalt trading in the PRC	RMB20,000,000	–	100%
武漢神隆物流有限公司	PRC, limited liability company	Provision of land transportation service in the PRC	RMB2,000,000	–	80%
Tonva Shipping Limited	Hong Kong, limited liability company	Provision of waterway transportation service in the PRC	HKD100,000 of of 100,000 ordinary shares of HKD1 each	–	100%
上海泰華石油化工有限公司 ("Shanghai Taihua") *(note (b))*	PRC, limited liability company	Fuel oil trading in the PRC	RMB60,000,000	100%	–
上海華揚船舶技術服務有限公司	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB22,500,000	–	100%
泰州華業石油化工有限公司 ("Taizhou Huaye") *(note (c))*	PRC, limited liability company	Asphalt and fuel oil processing and trading in the PRC	USD3,329,100	–	100%
江蘇楝華交通材料有限公司 ("Jiangsu Tonva") *(note (d))*	PRC, limited liability company	Asphalt trading in the PRC	RMB20,500,000	51%	–

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

20 INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ Registered capital	Equity interests held	
				Directly	Indirectly
Shenhua Dongtai	PRC, limited liability company	Provision of land transportation service in the PRC	RMB1,000,000	–	100%
南通路橋工程有限公司 ("Nantong Highway and Bridge")	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB86,000,000	62.44%	–
南通九州高速公路機械化養護工程有限公司	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB10,000,000	–	62.44%

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

Notes:

(a) During the year ended 31 December 2009, the Company passed a resolution to decrease the registered capital of Shanghai Shenhua from RMB184,000,000 to RMB108,000,000.

(b) During the year ended 31 December 2009, the Company acquired additional 29% equity interests in Shanghai Taihua from its minority owners with a total consideration of RMB18,196,000. The Company's equity interests in Shanghai Taihua therefore increased from 71% in 2008 to 100% in 2009. There was no goodwill arising from the above transaction as the consideration equalled to the net assets acquired.

(c) During the year ended 31 December 2009, the Company passed a resolution to decrease the registered capital of Taizhou Huaye from USD14,000,000 to USD3,329,100.

(d) Jiangsu Tonva raised additional registered capital of RMB18,500,000 in 2009, including capital injection from minority owners of RMB9,100,000. After the capital injection, the equity interests held by the Company decreased from 55% to 51%. The loss arising from this deemed disposal of RMB182,000 was recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

21 INTERESTS IN ASSOCIATES

Group	2009 RMB'000	2008 RMB'000
At 1 January	**45,040**	45,668
Share of profits/(losses)	**7,752**	(893)
Dividends received from an associate	**–**	(2,078)
Additional interest in associates	**–**	32,005
Transfer from available-for-sale financial assets	**–**	800
Transfer to investment in subsidiaries as a result of acquisition of additional equity interests *(note (a))*	**–**	(30,249)
Transfer to assets held for sale *(note (b))*	**(5,184)**	–
Exchange difference	**(175)**	(213)
At 31 December	**47,433**	45,040

Company	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost		
At 1 January	**24,333**	39,208
Additions	**–**	17,805
Transfer to investment in subsidiaries as a result of acquisition of additional equity interests *(note (a))*	**–**	(32,680)
At 31 December	**24,333**	24,333

Note:

(a) The amount represents the Group's interests in Nantong Highway and Bridge and its subsidiaries (collectively known as "Nantong Group") immediately before the acquisition of additional 37.44% equity interests in Nantong Group on 11 August 2008. Please refer to note 33 for details.

(b) The carrying amount of 江西贛北公路材料有限公司 ("Jiangxi Ganbei"), an associate of the Group, was transferred to assets held for sale as detailed in note 27.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

21 INTERESTS IN ASSOCIATES *(continued)*

The details of the Group's associates at 31 December 2009 are as follows:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Equity interests held	
				Directly	Indirectly
2009					
江西華通公路物資有限公司	PRC, limited liability company	Asphalt trading in the PRC	RMB5,000,000	35%	–
嘉興華通瀝青有限公司	PRC, limited liability company	Processing, sale, storage and delivery of asphalt and related products in the PRC	RMB19,500,000	24.5%	–
武漢大通華利船務有限公司	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB50,000,000	–	30%
上海浦東路橋瀝青材料有限公司 ("Pudong Road and Bridge")	PRC, limited liability company	Processing of asphalt trading in the PRC	RMB30,000,000	49%	–

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

21 INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2009	2008
	RMB'000	RMB'000
Total assets	**267,654**	169,909
Total liabilities	**(141,449)**	(41,165)
Net assets	**126,205**	128,744
Group's share of net assets of associates	**47,433**	45,040
Revenue	**336,888**	388,508
Profit/(losses) for the year	**16,806**	(3,798)
Group's share of profits/(losses) of associates for the year	**7,752**	(893)

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Unlisted equity security, at cost	**800**	800

Available-for-sale financial asset represents investment in an unlisted company in the PRC. It is measured at cost less impairment, if any, at the end of each reporting period because the directors of the Company are of the opinion that the fair value cannot be measured reliably.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

23 INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Asphalt for resale	**133,969**	11,611	**124,946**	7,619
Fuel oil for resale	**12,135**	9,563	**–**	–
Asphalt for construction	**6,447**	23,738	**–**	–
Other construction materials	**8,842**	17,373	**–**	–
	161,393	62,285	**124,946**	7,619

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables *(note (a))*	**680,934**	633,969	**89,004**	117,227
Commercial notes receivable	**151,723**	82,547	**123,711**	78,905
Retention sum for construction contracts	**181,564**	149,171	**–**	–
	1,014,221	865,687	**212,715**	196,132
Less: Impairment losses	**(69,192)**	(35,023)	**(8,915)**	(6,346)
	945,029	830,664	**203,800**	189,786
Prepayments and deposits	**135,313**	49,007	**29,182**	1,784
Other receivables	**31,467**	18,649	**7,965**	5,366
Amounts due from associates *(note (b))*	**2,227**	3,066	**665**	2,724
Amounts due from subsidiaries *(note (b))*	**–**	–	**63,182**	131,730
Amount due from a former minority shareholder of a subsidiary *(note (b))*	**–**	7,545	**–**	–
	1,114,036	908,931	**304,794**	331,390

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

24 TRADE AND OTHER RECEIVABLES *(continued)*

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Classified as:				
Non-current assets	**245,914**	217,715	**–**	–
Current assets	**868,122**	691,216	**304,794**	331,390
	1,114,036	908,931	**304,794**	331,390

Notes:

(a) As at 31 December 2009, trade receivables of RMB448,623,000 (2008: RMB166,375,000) were pledged as security for the Group's bank borrowings.

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

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sale of asphalt and fuel oil and logistic services *(note (a))*				
Less than 31 days	**118,847**	77,259	**72,003**	53,548
31 to 60 days	**71,527**	63,754	**42,927**	46,666
61 to 90 days	**50,189**	80,712	**33,094**	53,757
91 days to less than 1 year	**88,075**	62,989	**48,636**	26,482
1 year to less than 2 years	**14,809**	34,598	**7,842**	9,717
2 years to 3 years	**13,819**	6,125	**3,619**	4,870
Over 3 years	**5,045**	1,092	**4,594**	1,092
	362,311	326,529	**212,715**	196,132

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

24 TRADE AND OTHER RECEIVABLES *(continued)*

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction *(note (b))*				
Less than 6 months	**311,686**	420,461	**–**	–
6 months to less than 1 year	**97,393**	56,247	**–**	–
1 year to less than 2 years	**225,298**	24,193	**–**	–
2 years to 3 years	**10,888**	26,542	**–**	–
Over 3 years	**6,645**	11,715	**–**	–
	651,910	539,158	**–**	–
	1,014,221	865,687	**212,715**	196,132

Notes:

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

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

In respect of sale of asphalt and fuel oil and logistic services, trade receivables that are less than three months past due are not impaired. As at 31 December 2009, the Group's trade and notes receivables related to sale of asphalt and fuel oil and logistic services amounted to RMB153,038,000 (2008: RMB123,506,000) were past due but not impaired. These amounts relate to a number of independent customers which have no recent history of default. The credit quality of trade and notes receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

24 TRADE AND OTHER RECEIVABLES *(continued)*

The ageing analysis of trade receivables related to sale of asphalt and fuel oil and logistic services which were past due but not impaired is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 91 days past due	**109,430**	123,506	**65,304**	66,098
91 days to 1 year past due	**38,838**	–	**9,566**	15,710
Over 1 year past due	**4,770**	–	**3,311**	–
	153,038	123,506	**78,181**	81,808

In respect of road and bridge construction, all trade receivables were due to be settled within six months. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 2 years) after completion of the contract. Trade receivables that are less than six months past due are not considered impaired.

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months past due	**76,226**	56,247	**–**	–

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

24 TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**35,023**	6,934	**6,346**	4,915
Acquisition of subsidiaries	**–**	6,703	**–**	–
Impairment loss recognised	**34,363**	21,386	**2,569**	1,431
Recovery of impairment previously recognised	**(194)**	–	**–**	–
At 31 December	**69,192**	35,023	**8,915**	6,346

25 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2009	2008
	RMB'000	RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses and less foreseeable losses	**1,175,241**	639,070
Less: progress billings	**(1,097,110)**	(619,078)
Contract work-in-progress at the end of reporting period	**78,131**	19,992
Represented by:		
Amounts due from customers for contract work included in current assets	**86,791**	33,201
Amounts due to customers for contract work included in current liabilities	**(8,660)**	(13,209)
	78,131	19,992

Provision for foreseeable losses on construction contracts as at 31 December 2009 and 2008 included estimated losses amounting to RMB8 million for a highway construction project undertaken for an external customer in Chongqing Municipality. Nantong Highway and Bridge was the main contractor of this project. In 2006, Nantong Highway and Bridge had contractual disputes with a number of sub-contractors and suppliers of this project and the project came to a halt. As at 31 December 2008 and 2009, certain legal disputes had been settled and management estimated that a remaining provision for probable loss of approximately RMB8 million shall be retained to settle the remaining lawsuits.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

26 RESTRICTED BANK DEPOSITS

The Group's and the Company's restricted bank deposits were denominated in RMB, United States Dollar ("USD") and Hong Kong Dollars ("HKD"), and pledged for issuance of bank acceptance notes or performance bonds to customers. The effective interest rates on restricted bank deposits were ranging from 0.01% to 1.71% per annum as at 31 December 2009 (2008: 0.72% to 3.78% per annum).

27 ASSETS CLASSIFIED AS HELD FOR SALE

Management is actively seeking for potential buyers for the disposal of its interest in an associate, Jiangxi Ganbei. As of the end of reporting date, the disposal was still in progress and expected to be completed in 2010. The carrying amount of Jiangxi Ganbei was thus classified as assets held for sale.

Management is of the opinion that the disposal value will be higher than its carrying amount and no loss was recognised in current reporting period.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**269,228**	310,263	**2,376**	30,400
Notes payable	**169,611**	82,920	**87,914**	51,850
	438,839	393,183	**90,290**	82,250
Amount due to an associate *(note)*	**6,631**	3,390	**6,631**	3,390
Amounts due to subsidiaries *(note)*	**–**	–	**47,613**	53,383
Deposits received	**100,190**	10,541	**64,388**	–
Other payables	**48,647**	96,055	**3,672**	24,927
Accruals	**9,379**	7,361	**5,811**	5,127
	603,686	510,530	**218,405**	169,077

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

28 TRADE AND OTHER PAYABLES *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sale of asphalt and fuel oil and logistic services:				
Less than 31 days	**61,764**	35,881	**35,798**	29,497
31 to 60 days	**8,889**	4,108	**726**	821
61 to 90 days	**27,700**	3,600	**27,500**	82
91 days to less than 1 year	**34,980**	61,579	**26,266**	51,850
1 year to less than 2 years	**813**	13,901	**–**	–
2 years to 3 years	**81**	137	**–**	–
	134,227	119,206	**90,290**	82,250
Road and bridge construction:				
Less than 6 months	**208,409**	200,934	**–**	–
6 months to less than 1 year	**50,550**	19,111	**–**	–
1 year to less than 2 years	**31,962**	13,698	**–**	–
2 years to 3 years	**9,634**	11,842	**–**	–
Over 3 years	**4,057**	28,392	**–**	–
	304,612	273,977	**–**	–
	438,839	393,183	**90,290**	82,250

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

29 BANK BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured – interest bearing bank loan *(note (a) and (c))*	**130,000**	64,900	**–**	30,000
– trust receipt loans *(note (b))*	**147,967**	166,375	**128,357**	166,375
Unsecured – interest bearing bank loan *(note (c))*	**390,270**	176,200	**53,270**	–
	668,237	407,475	**181,627**	196,375

At 31 December 2009, total current and non-current bank loans of the Group were repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**568,237**	407,475	**181,627**	196,375
More than one year, but not exceeding two years	**100,000**	–	**–**	–
	668,237	407,475	**181,627**	196,375
Amount due within one year included in current liabilities	**(568,237)**	(407,475)	**(181,627)**	(196,375)
Non-current portion	**100,000**	–	**–**	–

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

29 BANK BORROWINGS *(continued)*

Notes:

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

(a) The bank borrowings are secured by:

	2009 **RMB'000**	2008 RMB'000
Payments for leasehold land held for own use under operating leases *(note 16)*	**7,838**	10,187
Property, plant and equipment *(note 17)*	**–**	67,371
Trade receivables *(note 24)*	**448,623**	166,375

(b) The trust receipt loans were secured by the restricted bank deposits (note 26) of RMB54,668,000 (2008: RMB74,122,000).

(c) The secured and unsecured bank borrowings to the extent of RMB520,270,000 (2008: RMB129,500,000) were guaranteed by corporate guarantees, certain directors of the Company and its subsidiaries, major shareholders and independent third parties which were also guaranteed by the Group on their borrowing bank loans (see note 35). Out of the guarantee amount, RMB490,270,000 (2008: RMB50,000,000) was guaranteed by the directors of the Company, namely Mr. Qian Wenhua and Mr. Zhang Jinhua.

Notes to the Consolidated Financial Statements
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For the year ended 31 December 2009

30 DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets – Group

	Impairment loss on receivables RMB'000	Financial guarantee contracts RMB'000	Foreseeable and unbilled recognised losses on construction contracts RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
At 1 January 2008	1,707	404	–	161	2,272
Acquired through business combination	2,111	293	5,109	2,973	10,486
Credited/(charged) to profit or loss	5,330	(514)	(127)	(1,088)	3,601
At 31 December 2008 and 1 January 2009	9,148	183	4,982	2,046	16,359
Credited/(charged) to profit or loss	345	(183)	(4,982)	(2,046)	(6,866)
At 31 December 2009	9,493	–	–	–	9,493

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

30 DEFERRED TAX *(continued)*

Deferred tax liabilities – Group

	Fair value surplus in respect of business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	–	–	–
Acquired through business combination	40,109	–	40,109
(Credited)/charged to profit or loss	(2,538)	117	(2,421)
At 31 December 2008 and 1 January 2009	37,571	117	37,688
Credited to profit or loss	(2,389)	(117)	(2,506)
At 31 December 2009	35,182	–	35,182

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax loss of RMB28,763,000 (2008: RMB11,902,000) can be carried forward indefinitely and the tax losses of RMB58,241,000 (2008: RMB50,476,000) will expire in five years' time.

Deferred tax assets – Company

	Impairment loss on receivables RMB'000	Financial guarantee contracts RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	1,228	1,098	25	2,351
Credited/(charged) to profit or loss	359	(859)	12	(488)
At 31 December 2008 and 1 January 2009	1,587	239	37	1,863
Credited/(charged) to profit or loss	642	(239)	(37)	366
At 31 December 2009	2,229	–	–	2,229

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

30 DEFERRED TAX *(continued)*

Deferred tax assets – Company *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets	**9,493**	3,076	**2,229**	1,863
Deferred tax liabilities	**(35,182)**	(24,405)	**–**	–
	(25,689)	(21,329)	**2,229**	1,863

31 SHARE CAPITAL

(a) Authorised and issued share capital

	Company	
	Number of shares	**Amount**
		RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	936,190,000	93,619

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For the year ended 31 December 2009

31 SHARE CAPITAL *(continued)*

(b) Capital management policy

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

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

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown on the consolidated statement of financial position. The Group regards its equity attributable to the Company's owners as its capital.

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**668,237**	407,475	**181,627**	196,375
Equity attributable to the Company's owners	**492,356**	500,464	**440,872**	439,210
Debt-to-equity ratio	**135.7%**	81.4%	**41.2%**	44.7%

Notes to the Consolidated Financial Statements
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32 RESERVES

Company	Capital reserve *(note (a))* RMB'000	Statutory common reserve fund *(note (b))* RMB'000	Retained earnings *(note (c))* RMB'000	Total RMB'000
At 1 January 2008	221,766	25,411	88,279	335,456
Profit for the year	–	–	24,178	24,178
Appropriation	–	3,540	(3,540)	–
Dividends paid	–	–	(14,043)	(14,043)
At 31 December 2008 and 1 January 2009	221,766	28,951	94,874	345,591
Profit for the year	–	–	11,960	11,960
Dividends paid	–	–	(10,298)	(10,298)
At 31 December 2009	221,766	28,951	96,536	347,253

Notes:

(a) The amount represents share capital in excess of nominal value. On 13 November 2007, the Company issued 250,190,000 shares to the subscribers and then the H share shareholders, at an issue price of HK$1.10 per share.

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

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

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

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32 RESERVES *(continued)*

Group

(d) The Group's other reserve represents it's share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired an additional 37.44% equity interests of Nantong Group in 2008.

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

33 BUSINESS COMBINATION

On 11 August 2008, the Company acquired an additional 37.44% equity interests in Nantong Group. Consequently, the Group's equity interests in Nantong Group increased from 25% to 62.44%.

The acquired business contributed revenue of RMB405,617,000 and net profit of RMB19,965,000 to the Group for the period from 11 August 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the consolidated revenue of the Group would have been RMB1,831,135,000 and net profit would have been RMB42,659,000.

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000
Payments for leasehold land held for own use under operating leases	1,089
Property, plant and equipment	62,654
Construction in progress	4,023
Intangible assets – customer contracts	18,558
Intangible assets – construction licence	131,266
Intangible assets – computer software	217
Trade and other receivables	361,079
Inventories	80,614
Amounts due from customers for contract work	9,595
Restricted bank deposits	2,825
Cash and cash equivalents	25,768
Trade and other payables	(332,208)
Amounts due to customers for contract work	(5,174)
Bank borrowings	(160,000)
Current tax liabilities	(20,594)
Deferred tax liabilities, net	(29,623)
Minority interests	(4,786)

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33 BUSINESS COMBINATION *(continued)*

	Fair value
	RMB'000
Fair value of net assets	145,303
37.44% net assets acquired	54,401
Goodwill arising therefrom	5,091
Total purchase consideration	59,492
Purchase consideration payable to the vendors	48,942
Direct costs relating to the acquisition	10,550
Total purchase consideration	59,492
Cash and cash equivalents in subsidiaries acquired	(25,768)
Direct costs to be settled	(1,669)
Cash outflow on acquisition	32,055

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34 DISPOSAL OF SUBSIDIARIES

(a) On 20 November 2009, the Group disposed 65% equity interests of its subsidiary Quanjiao Puxing Petrochemical Company Limited, which was engaged in asphalt trading in the PRC. The net assets at the date of disposal are as follows:

	Carrying amount RMB'000
Payments for leasehold land held for own use under operating leases	2,152
Property, plant and equipment	10,000
Construction in progress	190
Inventories	477
Trade and other receivables	6,863
Cash and cash equivalents	30
Trade and other payables	(10,838)
Bank borrowings	(3,900)
Minority interests	(1,741)
Net assets disposed	3,233
Total consideration	(5,181)
Gain on disposal of a subsidiary	(1,948)
Consideration received	5,181
Cash balances of the subsidiary disposed	(30)
Net cash inflow arising from disposal	5,151

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

34 DISPOSAL OF SUBSIDIARIES *(continued)*

(b) In 2008, the Group disposed certain subsidiaries and the net assets at the date of disposal are as follows:

	Carrying amount RMB'000
Property, plant and equipment	757
Construction in progress	3,536
Cash and cash equivalents	453
Other assets, net	4,785
Minority interests	(4,991)
Net assets disposed	4,540
Total consideration to be received	(5,100)
Gain on disposal of subsidiaries	(560)
Consideration received	–
Cash balances of subsidiaries disposed	(453)
Net cash outflow arising from disposal	(453)

35 FINANCIAL GUARANTEE CONTRACTS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Fair value of outstanding financial guarantees	705	732	784	955

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35 FINANCIAL GUARANTEE CONTRACTS *(continued)*

Group

The Group acted as guarantor of various external borrowings made by certain third party entities and an associate of the Group amounting to approximately RMB54,500,000 as at 31 December 2009 (2008: RMB55,000,000).

	Total guarantee		Expiry date	
	2009	2008	**2009**	2008
	RMB'000	RMB'000		
寧波遠翔交通建設有限公司	**–**	22,000	**–**	21 February 2011
通州市金江交通投資有限公司	**10,000**	10,000	**20 March 2015**	20 March 2015
如皋市交通投資發展有限公司	**–**	8,000	**–**	10 December 2011
南通市俊業混凝土有限公司	**5,000**	5,000	**6 August 2012**	1 February 2011
通州市弘通交通投資有限公司	**–**	10,000	**–**	25 September 2012
江蘇戴園建材集團有限公司	**5,000**	–	**9 April 2012**	–
江蘇戴園建材集團有限公司	**10,000**	–	**27 August 2012**	–
Pudong Road and Bridge	**24,500**	–	**20 March 2015**	–
Total	**54,500**	55,000		

Note:

Except for Pudong Road and Bridge, which is an associate of the Group, all other companies are independent third parties.

The directors of the Group are of the opinion that such guarantees will not result in any outflow of resources of, nor will any loss be incurred by, the Group. All these guarantees were provided by the Group at no charge. Management of the Group estimated the fair value of these financial guarantee contracts on the basis described in note 5(e). At inception of these contracts, a liability was recorded on the statement of financial position using the estimated fair value, and expense of the same amount was recorded in the profit or loss.

Company

The Company acted as a guarantor for various external borrowings made by the subsidiaries and an associate of the Group amounting to approximately RMB695,500,000 as at 31 December 2009 (2008: RMB349,500,000).

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

36 CAPITAL COMMITMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Contracted for but not provided:		
Property, plant and equipment	**–**	1,141
	–	1,141

	Company	
	2009	2008
	RMB'000	RMB'000
Contracted for but not provided:		
Investment in subsidiaries	**–**	60,720
	–	60,720

37 OPERATING LEASE COMMITMENTS

Operating leases – lessee

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**6,730**	7,986	**1,285**	1,673
Later than one year and not later than five years	**20,603**	21,033	**4,945**	2,612
Later than five years	**24,941**	13,422	**13,470**	–
	52,274	42,441	**19,700**	4,285

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

38 RELATED PARTY TRANSACTIONS

(a) During the year, apart from the related party transactions disclosed in note 29(c), the Group entered into the following transactions with related parties:

(i) Sale of asphalt to

	2009 RMB'000	2008 RMB'000
Nantong Highway and Bridge *(Note)*	–	39,786
Pudong Road and Bridge, an associate	66,459	9,760
	66,459	49,546

(ii) Provision of services to

	2009 RMB'000	2008 RMB'000
Nantong Highway and Bridge	–	8,432
Pudong Road and Bridge, an associate	1,092	391
	1,092	8,823

(iii) Purchase of asphalt from

	2009 RMB'000	2008 RMB'000
Pudong Road and Bridge, an associate	–	119

Note: Nantong Highway and Bridge is the associate of the Company before 11 August 2008.

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

38 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensation

	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	3,067	3,055
Discretionary bonus	232	1,166
Retirement scheme contributions	183	162
	3,482	4,383

39 FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE

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

(i) Foreign currency risk

The Group operates mainly in the PRC, but sources its products both domestically and overseas. It is exposed to various foreign currency exposures, primarily with respect to USD and HKD. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group does not use financial derivative instruments to hedge its currency risk, but closely monitors the fluctuation of the rates of these foreign currencies against RMB, its functional currency.

As at 31 December 2009 and 2008, if RMB had strengthened/weakened by 4% (2008: 6%) against USD and HKD with all other variables held constant, there would be no significant impacts on the net assets and post-tax profit as at and for the years ended 31 December 2009 and 2008.

(ii) Interest rate risk

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

The following table details the interest rate profile of the Group at the end of reporting period:

	Group			
	2009		2008	
	Effective interest rate	**RMB'000**	Effective interest rate	*RMB'000*
Floating rate bank deposits	0.4%	147,695	0.4%	112,851
Fixed rate borrowings	**5%**	**322,770**	7%	231,100
Floating rate borrowings	**7%**	**345,467**	9%	176,375
Total borrowings		**668,237**		407,475

At the respective end of reporting periods, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately RMB1,543,000 (2008: RMB508,000) for the year ended 31 December 2009.

(iii) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial guarantee contracts that it issues. The carrying amounts of these asset balances, together with the loan amounts guaranteed by the Group under the financial guarantee contracts that it issues, represent the Group's maximum exposure to credit risk. Credit risk with respect to trade receivables are limited because the Group regularly reviews the credit standing, credit terms and credit limits granted to individual customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The Group issues financial guarantee contracts in favour of only those counterparties that are financially strong and with good credit history.

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

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(iv) Liquidity risk

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

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2009				
Bank borrowings	600,604	105,175	–	705,779
Trade and other payables	603,686	–	–	603,686
Financial guarantees issued				
– maximum amount guaranteed	54,500	–	–	54,500
At 31 December 2008				
Bank borrowings	440,155	–	–	440,155
Trade and other payables	510,530	–	–	510,530
Financial guarantees issued				
– maximum amount guaranteed	55,000	–	–	55,000

Notes to the Consolidated Financial Statements
(continued)

For the year ended 31 December 2009

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

(iv) Liquidity risk *(continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Company				
At 31 December 2009				
Bank borrowings	189,496	–	–	189,496
Trade and other payables	218,405	–	–	218,405
Financial guarantees issued				
– maximum amount guaranteed	695,500	–	–	695,500
At 31 December 2008				
Bank borrowings	208,149	–	–	208,149
Trade and other payables	169,077	–	–	169,077
Financial guarantees issued				
– maximum amount guaranteed	349,500	–	–	349,500

Fair value estimation

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

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

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

The directors considered that the carrying amounts of the financial assets and liabilities approximate their fair value.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2010.