



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



2010
INTERIM
REPORT

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

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

1. The Group's turnover for the 6 months ended 30 June 2010 was approximately RMB1,073,953,000 (6 months ended 30 June 2009: approximately RMB691,406,000). A growth of approximately 55.3% was recorded year-on-year.
2. Profit attributable to the owners of the Company for the 6 months ended 30 June 2010 was approximately RMB25,235,000 (6 months ended 30 June 2009: approximately RMB20,177,000). A growth of approximately 25.1% was recorded year-on-year.
3. The Board has resolved not to declare any interim dividend for the second quarter of six month ended 30 June 2010. The Company has declared an interim dividend of RMB10,298,090 at RMB0.011 per share for the first quarter of 2010 (for the first and second quarter of 2009: Nil).

The board of Directors (the "Board") of Shanghai Tonva Petrochemical Company Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three and six months ended 30 June 2010 together with comparative unaudited figures for the corresponding periods in 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT– UNAUDITED

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	2	511,713	415,726	1,073,953	691,406
Cost of sales		(477,866)	(362,545)	(979,796)	(590,083)
Gross profit		33,847	53,181	94,157	101,323
Other income and gains	2	7,288	1,773	7,325	6,108
Distribution costs		(5,563)	(11,033)	(8,753)	(15,530)
Administrative expenses		(16,194)	(21,258)	(39,611)	(35,915)
Operating profit	4	19,378	22,663	53,118	55,986
Finance costs	5	(9,064)	(7,311)	(16,575)	(13,732)
Share of (loss)/profit of associates		896	(303)	(2,731)	202
Profit before income tax expense		11,210	15,655	33,812	42,456
Income tax expenses	6	(1,550)	(4,882)	(8,804)	(12,483)
Profit for the period		9,660	10,773	25,008	29,973
Profit attributable to:					
– Owner of the Company		9,972	6,721	25,235	20,177
– Minority interests		(312)	4,052	(227)	9,796
		9,660	10,773	25,008	29,973
Basic and diluted earnings per share for profit attributable to owner of the Company during the period (Expressed in RMB per share)	7	0.011	0.007	0.027	0.022
Dividends	8	-	-	10,298	-

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
ASSETS			
Non-current assets			
Payments for leasehold land held for own use under operating lease		9,366	9,449
Property, plant and equipment		184,966	195,200
Construction-in-progress		1,689	2,808
Intangible assets		148,529	148,584
Investments in associates		45,518	47,433
Available-for-sale financial assets		800	800
Trade and other receivables	10	240,284	245,914
Deferred tax assets		9,753	9,493
Total non-current assets		640,905	659,681
Current assets			
Inventories	9	269,270	161,393
Amount due from customers for contract work		104,586	86,791
Trade and other receivables	10	829,747	868,122
Restricted bank deposits		66,797	54,668
Cash and cash equivalents		93,927	93,426
Asset classified as held for sale		1,364,327	1,264,400
		5,184	5,184
Total current assets		1,369,511	1,269,584
Total assets		2,010,416	1,929,265

	Note	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	11	661,241	603,686
Amount due to customers for contract work		10,574	8,660
Bank borrowings		612,478	568,237
Current income tax liabilities	12	19,753	32,013
Total current liabilities		1,304,046	1,212,596
Net current assets		65,465	56,988
Total assets less current liabilities		706,370	716,669
Non-current liabilities			
Bank borrowings	12	70,000	100,000
Deferred tax liabilities		35,230	35,182
Total non-current liabilities		105,230	135,182
Total liabilities		1,409,276	1,347,778
NET ASSETS		601,140	581,487
Capital and reserves attributable to owner of the Company			
Share Capital		93,619	93,619
Reserves		263,788	264,135
Retained earnings		149,539	134,602
Equity attributable to owners of the Company		506,946	492,356
Minority interests		94,194	89,131
TOTAL EQUITY		601,140	581,487

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity holders of the Company							Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory	Other reserve RMB'000	Currency	Retained earnings RMB'000	Minority Interest RMB'000	
			common		translation			
			reserve fund RMB'000		reserve RMB'000			
Balance at 1 January 2009	93,619	221,766	28,767	17,912	(5,262)	143,662	92,668	593,132
Currency translation differences	-	-	-	-	(25)	-	-	(25)
Profit for the period	-	-	-	-	-	20,177	9,796	29,973
Dividend declared and paid in respect of the year 2008	-	-	-	-	-	(10,298)	-	(10,298)
Minority interest – capital injection by minority shareholders	-	-	-	-	-	-	3,600	3,600
Minority interest – acquisition of additional equity interest in a subsidiary by the Group	-	-	-	-	-	-	(5,504)	(5,504)
Minority interest – a subsidiary paid out dividends	-	-	-	-	-	-	(3,019)	(3,019)
Balance at 30 June 2009	93,619	221,766	28,767	17,912	(5,287)	153,541	97,541	607,859
Balance at 1 January 2010	93,619	221,766	29,797	17,912	(5,340)	134,602	89,131	581,487
Currency translation differences	-	-	-	-	(347)	-	-	(347)
Profit for the period	-	-	-	-	-	25,235	(227)	25,008
Dividend declared in respect of the first quarter of 2010	-	-	-	-	-	(10,298)	-	(10,298)
Minority interest – capital injection by minority shareholders	-	-	-	-	-	-	5,290	5,290
Balance at 30 June 2010	93,619	221,766	29,797	17,912	(5,687)	149,539	94,194	601,140

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months
ended 30 June

	2010 RMB'000	2009 RMB'000
Net cash used in operating activities	(18,864)	(47,378)
Net cash used in investing activities	5,600	(18,539)
Net cash from/(used in) financing activities	13,765	154,374
Net increase/(decrease) in cash and cash equivalents	501	88,457
Cash and cash equivalents at beginning of the period	93,426	38,964
Cash and cash equivalents at the end of the period	93,927	127,421



Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("interim financial statements") of the Group for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard No. 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the GEM Listing Rules.

The interim financial statements have been prepared on the basis of historical cost convention, as modified by the revaluation of available-for-sale investments. All significant inter-company transactions and balances within the Group are eliminated on consolidation. The accounting policies adopted in preparing the interim financial statements for the six months ended 30 June 2010 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2009.

2. REVENUE

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Revenue:		
Sales of asphalt	384,701	274,409
Sales of fuel oil	311,576	127,235
Logistic services	25,551	18,989
Road and bridge constructions	352,125	270,773
	1,073,953	691,406
Other revenues:		
Dividend income from unlisted investments	5,600	3,778
Subsidy income	–	839
Interest income	36	11
Others	1,689	1,480
	7,325	6,108
Total revenues	1,081,278	697,514

3. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 30 June 2010, the Group is organized into four main business segments:

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

The segment results for the period ended 30 June 2010 are as follow:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total segment revenue	399,580	311,576	27,195	352,125	1,090,476
Inter-segment revenue	(14,879)	—	(1,644)	—	(16,523)
Revenue	384,701	311,576	25,551	352,125	1,073,953
Operating profit/Segment results	34,487	5,050	588	12,993	53,118
Finance cost					(16,575)
Share of profit of associates	(2,731)	—	—	—	(2,731)
Profit before income tax expense					33,812
Income tax expenses					(8,804)
Profit for the period					25,008



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

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total segment revenue	316,760	149,336	28,236	270,773	765,105
Inter-segment revenue	(42,351)	(22,101)	(9,247)	-	(73,699)
Revenue	274,409	127,235	18,989	270,773	691,406
Operating profit/Segment results	16,030	3,634	(169)	36,491	55,986
Finance cost					(13,732)
Share of profit of associates	(136)	338	-	-	202
Profit before income tax					42,456
Income tax expenses					(12,483)
Profit for the period					29,973

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

	Period ended 30 June 2010					Period ended 30 June 2009				
	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Total RMB'000	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Total RMB'000
Depreciation	2,976	58	3,909	5,879	12,822	2,704	35	4,685	5,463	12,887
Amortisation	28	36	50	-	114	38	25	-	4,424	4,487

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

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

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

The segment assets and liabilities at 30 June 2010 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total assets	654,827	120,968	142,908	1,091,713	2,010,416
Total liabilities	444,554	69,982	10,913	883,827	1,409,276

The segment assets and liabilities at 31 December 2009 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total assets	598,730	120,766	140,849	1,068,920	1,929,265
Total liabilities	400,479	61,028	8,988	877,283	1,347,778

(b) Secondary reporting format – geographical segments

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



4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Charging:		
Depreciation of fixed assets	12,822	12,887
Staff costs	10,851	10,843
Cost of inventories	741,559	385,399
Operating lease rental expenses in respect of		
– Land and buildings	4,349	4,595
– Transportation facilities	1,234	548
	760,815	399,272

5. FINANCE COSTS

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest on bank loans	16,575	13,732
	16,575	13,732

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
PRC enterprise income tax	8,804	12,343
Hong Kong profit tax	–	140
	8,804	12,483

The Company and one of its subsidiaries, Shanghai Shenhua Logistics Company Limited (“Shanghai Shenhua”), are incorporated in Pudong New Area of Shanghai. Pursuant to the implementation guidance of the new CIT Law (“EIT Law”), the Company and Shenhua Logistics are subject to Enterprise Income Tax (“EIT”) 22% (for the six months ended 30 June 2009: 20%) on their assessable profit for the six months ended 30 June 2010. Such tax rate will gradually increase to 25% in a two-year period from 2011 to 2012.

Besides, the Company’s subsidiaries, Jiangsu Suzhong Oil Shipping Company Limited (“Suzhong Shipping”) and Shanghai Shenhua Logistics (Dongtai) Company Limited (“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 others subsidiaries established in the PRC are subject to EIT at 25% (for the six months ended 30 June 2009: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profit tax of 16.5% (for the six months ended 30 June 2009: 16.5%).

7. EARNINGS PER SHARE

The calculation of the earnings per share for the three months and six months ended 30 June 2010 is based on the profit attributable to owners of the Company of RMB9,972,000 and RMB25,235,000, respectively, and the number of 936,190,000 shares (three months and six months ended 30 June 2009: 936,190,000 shares).

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

8. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the second quarter of six month ended 30 June 2010. The Company has declared an interim dividend of RMB10,298,090 at RMB0.011 per share for the first quarter of 2010 (for the first and second quarter of 2009: Nil).



9. INVENTORIES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Asphalt for resale	221,905	133,969
Fuel Oil for resale	22,160	12,135
Asphalt for construction	1,367	6,447
Other construction materials	23,838	8,842
	269,270	161,393

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	646,929	680,934
Commercial notes receivable	123,907	151,723
Retention sum for construction contracts	216,009	181,564
	986,845	1,014,221
Less: Provision for impairment of receivables	(82,061)	(69,192)
	904,784	945,029
Prepayments and deposits	91,668	135,313
Other receivables	73,579	31,467
Amount due from associates	-	2,227
	1,070,031	1,114,036
Classified as:		
Non-current assets	240,284	245,914
Current assets	829,747	868,122
	1,070,031	1,114,036

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

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Sales of asphalt and fuel oil and logistic services (Note (a))		
Less than 31 days	127,688	118,847
31 to 60 days	52,908	71,527
61 to 90 days	43,297	50,189
91 days to less than 1 year	98,815	88,075
1 year to less than 2 years	7,610	14,809
2 years to 3 years	7,256	13,819
Over 3 years	4,625	5,045
	342,199	362,311
Road and bridge construction (Note(b)):		
Less than 6 months	112,393	311,686
6 months to less than 1 year	277,688	97,393
1 year to less than 2 years	237,386	225,298
2 years to 3 years	6,992	10,888
Over 3 years	10,187	6,645
	644,646	651,910
Total	986,845	1,014,221



Notes:

- (a) For sales of asphalt and fuel oil and logistic services, the credit terms granted to individual customer vary on a customer by customer basis which is determined by management with reference to the creditability of respective customer.
- (b) Substantially all customers of road and bridge construction are PRC government agencies. Settlement of its trade receivables is made in accordance with the terms specified in the contracts with the customers.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade payables	275,426	269,228
Notes payable	191,695	169,611
	467,121	438,839
Amount due to an associate	–	6,631
Deposit received	133,315	100,190
Other payables	50,507	58,026
Dividend payable	10,298	–
	661,241	603,686

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

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Sales of asphalt and fuel and logistic services:		
Less than 31 days	85,283	61,764
31 to 60 days	112,891	8,889
61 to 90 days	2,382	27,700
91 days to less than 1 year	7,563	34,980
1 year to less than 2 years	836	813
2 years to 3 years	81	81
	209,036	134,227
Road and bridge construction:		
Less than 6 months	168,713	208,409
6 months to less than 1 year	30,969	50,550
1 year to less than 2 years	41,332	31,962
2 years to 3 years	10,238	9,634
Over 3 years	6,833	4,057
	258,085	304,612
Total	467,121	438,839



12. BANK BORROWINGS

		As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Secured	– interest bearing bank loan	110,000	130,000
	– trust receipt loans	63,431	147,967
Unsecured	– interest bearing loan	509,047	390,270
		682,478	668,237

At 30 June 2010 and 31 December 2009, total current and non-current bank loan of the Group were repayable as follows:

		As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
	On demand or within one year	612,478	568,237
	More than one year, but not exceeding two years	70,000	100,000
		682,478	668,237
	Amount due within one year included in current liabilities	(612,478)	(568,237)
	Non-current portion	70,000	100,000

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

In the first half of 2010, as the global economy rebounded gradually, the operating environment also improved steadily. By capturing the market opportunities at the right time, the Group recorded continual growth during the reported period following the strategic adjustments of the four major businesses at the end of 2009. For the six months ended 30 June 2010, the Groups turnover was approximately RMB1,073,953,000, representing a growth of 55.3% over that in the same period of last year. The significant growth in sales was mainly contributed by the sales from the newly launched marine fuel oil business. With respect to the asphalt trading business, despite the adverse impact from the rainy weather to road construction in Southern China during the second quarter, the Group continued achieving remarkable performance as it was benefited from the completion the majority of road construction projects for the Shanghai World Expo in the first quarter. Leveraging from the improvements in the asphalt and fuel oil trading businesses, the overall efficiency and utilization rate of the logistics business were improved. The road and bridge construction business was actively engaged in expanding into the markets surrounding Jiangsu area. The Group is endeavored to maximize the synergies among the four major businesses and to continue expanding its business at a steady and healthy pace.

Business Operations

The Group is principally engaged in the sales of asphalt and fuel oil, road and bridge construction and the provision of logistics service in the PRC. Through domestic and overseas procurement, the Group offers one-stop services to its clients from distribution, storage to delivery of asphalt and fuel oil covering the Yangtze River region and some inland regions. Meanwhile, the Group is also active in developing logistics services, mainly the provision of storage and transportation services for the asphalt and fuel oil trade, which are beneficial to the Group's domestic distribution of asphalt and fuel oil. As for the road and bridge construction business, it further expands the business scale of the Group and generates synergies for the Group, hence reducing the overall costs and expanding the room for the Company's business development and adding a new driver to profit contribution.

Asphalt Trading Business

For the six months ended 30 June 2010, the Group's turnover for asphalt trading business was approximately RMB384,701,000 (for the six months ended 30 June 2009: approximately RMB274,409,000), representing an increase of 40.2% when compared with the corresponding period of last year. The revenue from the asphalt trading business accounted for approximately 35.8% of the Group's total turnover.



Gross margin of the asphalt trading business increased to approximately 12.1% in the review period from approximately 11.6% in the corresponding period of last year. For the six months ended 30 June 2010, the Group's gross profit amounted to approximately RMB46,714,000 (for the six months ended 30 June 2009: approximately RMB31,846,000), representing an increase of 46.7% when compared with the corresponding period of last year.

The Group's asphalt sales volume in the review period is similar to the corresponding period in previous year; whereas the average selling price per tonne and the average gross profit per tonne increased by 41.3% and 47.9% respectively over the previous year. As majority of the road construction projects for the Shanghai World Expo were completed in the first quarter of 2010, market demand for asphalt in Shanghai grew significantly when compared to the corresponding period in previous year.

Fuel Oil Trading Business

For the six months ended 30 June 2010, the Group's turnover for fuel oil trading business was approximately RMB311,576,000 (for the six months ended 30 June 2009: approximately RMB127,235,000), representing an increase of 144.9% when compared with the corresponding period of last year. The revenue from fuel oil trading business contributed approximately 29.0% to the Group's total turnover in the review period.

For the six months ended 30 June 2010, gross profit of the fuel oil trading business was approximately RMB9,305,000 (for the six months ended 30 June 2009: approximately RMB7,864,000), representing a year-on-year increase of approximately 18.3%; whereas gross margin decreased to 3.0% from 6.2% in the corresponding period of last year.

The substantial increase in the revenue from fuel oil trading business was mainly attributable to the gradual market recovery early this year from the financial crisis, coupled with the newly launched new marine fuel oil business at the end of 2009, sales volume of fuel oil for this period increased by 65.9% over that in the corresponding period of last year. Nevertheless, as the marine fuel oil business is still at the preliminary stage of development, gross margin is purposely set at relatively low level in order to capture market share. It is believed that gross margin will gradually increase to the 5% level as the marine fuel oil business stabilizes. In addition, the purchase of some fuel oil inventory at low costs at the end of 2008 resulted in higher gross margin in the corresponding period of last year.

Logistics Business

For the three months ended 30 June 2010, the Group's turnover for logistics service was approximately RMB25,551,000 (for the six months ended 30 June 2009: approximately RMB18,989,000), representing an increase of 34.6% when compared with the corresponding period of last year. Revenue from logistics business attributed to approximately 2.4% of the Group's total turnover in the review period.

Gross margin for the logistics business increased from 5.2% in the corresponding period of last year to 10% in the review period. For the six months ended 30 June 2010, gross profit of the logistics business was approximately RMB2,560,000, representing an increase of approximately 158.6% when compared with the corresponding period of last year.

The Group's logistics business is principally engaged in the provision of storage and transportation services for the asphalt and fuel oil trade. The increase in the revenue from logistics business is mainly attributable to the substantial increase in sales volume of asphalt and fuel oil in the review period. The Group's disposal of an asphalt ocean carrier at the end of 2009 also successfully reduced the fixed costs of the logistics business and enhanced the overall utilization rate, hence increasing the gross profit of the logistics business.

Road and Bridge Construction Business

For the six months ended 30 June 2010, the Group's turnover for road and bridge construction business was approximately RMB352,125,000 (for the six months ended 30 June 2009: approximately RMB270,773,000), representing a year-on-year increase of approximately 30.0%. Revenue from road and bridge construction business attributed to approximately 32.8% of the Group's total turnover in the review period.

For the six months ended 30 June 2010, gross profit of the Group's road and bridge construction business was approximately RMB35,578,000 (for the six months ended 30 June 2009: approximately RMB60,623,000), representing a decrease of approximately 41.3% when compared with the corresponding period of last year; whereas gross margin decreased from 22.4% to 10.1%.

The revenue from road and bridge construction business in the corresponding period of last year included two Build and Transfer ("BT") projects whose gross margins were higher than the average gross margin in the general construction market. Despite that the two BT projects were completed during 2009 and there was no new or incompletd BT project in the review period, the Group will proactively bid for new projects to maintain the gross profit contribution of the road and bridge construction business.



Other Income and Gains

For the six months ended 30 June 2010, the Group's other income and gains was approximately RMB7,325,000 (for the six months ended 30 June 2009: approximately RMB6,180,000), representing an increase of approximately 19.9% when compared with the corresponding period of last year. The increase was mainly due to the dividend income from unlisted investment received by the Group amounting to approximately RMB5,600,000 and there was approximately RMB3,778,000 only in the corresponding period of last year.

Distribution Costs

The Group's distribution costs for the six months ended 30 June 2010 were approximately RMB8,753,000 (for the six months ended 30 June 2009: approximately RMB15,530,000), representing a decrease of approximately 43.6% from the corresponding period of last year. The decrease was mainly attributable to the fact that no payment of distribution costs for overseas procurement was required as the Group's asphalt was mainly procured domestically during the period.

Administrative Expenses

The Group's administrative expenses for the three months ended 30 June 2010 were approximately RMB39,611,000 (for the six months ended 30 June 2010: approximately RMB35,915,000), representing an increase of approximately 10.3% from the corresponding period of last year. The increase was mainly due to the recognition of the provision made for the discounted value of approximately RMB11,000,000 for the construction receivables in accordance with the Hong Kong Accounting Standards in connection with the Group's road and bridge business. Such impairment provision will be reversed in the income statement of the Group upon recovery of the construction receivables.

Profit Attributable to Shareholders

Profit attributable to owners of the Group for the six months ended 30 June 2010 was approximately RMB25,235,000 (for the six months ended 30 June 2009: approximately RMB20,177,000), representing a growth of approximately 25.1% when compared with the corresponding period of last year. The basic and diluted earnings per share for profit attributable to owners of the Company during the period was RMB0.027 (for the six months ended 30 June 2009: approximately RMB0.022), representing an increase of approximately 22.7% when compared with the corresponding period of last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

As at 30 June 2010, the Group had total assets less current liabilities approximately RMB706,370,000 (31 December 2009: approximately RMB716,669,000), including non-current assets approximately RMB640,905,000 (31 December 2009: approximately RMB659,681,000) and net current asset approximately RMB65,465,000 (31 December 2009: approximately RMB56,988,000).

Liquidity and financial resources

As at 30 June 2010 and 31 December 2009, the Group had total cash and bank balances of approximately RMB93,927,000 and RMB93,426,000 respectively.

As at 30 June 2010 and 31 December 2009, the Group bank loans amounted to approximately RMB682,478,000 and RMB668,237,000 respectively.

As at 30 June 2009 and 31 December 2009, the respective debt-to-asset ratio was 70.1% and 69.9% which was calculated as total liabilities dividend by total assets.

Foreign Currency Exposure

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

Charges of Assets

As at 30 June 2010, payments for leasehold land held for own use under operating leases with a net book value of RMB7,755,000 (31 December 2009: RMB7,838,000) were pledged as security for the Group's bank borrowings.

As at 30 June 2010, property, plant and equipment with a net book value of RMB12,722,000 (31 December 2009: Nil) were pledged as security for the Group's bank borrowings.

As at 30 June 2010, trade receivables of RMB348,985,000 (31 December 2009: RMB448,623,000) were pledged as security for the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2010, the Company provided guarantees in favour of certain third parties for their external borrowing of approximately RMB30,000,000 (31 December 2009: RMB54,500,000).

Employee Information

As at 30 June 2010, the Group had about 479 employees. During the period under review, total employee remuneration (including directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB10,851,000. Employee's remuneration is determined according to their performance and work experience.

PROSPECTS

Driven by the substantial supports of various governments, global economy is on the road of recovery. As part of the rescue plan, the PRC government also stepped up its efforts on the development of infrastructure projects. Meanwhile, the government also imposed stringent requirements in monitoring the progress of the project development. The Group expects that these favorable factors should further drive the demand growth for asphalt and ancillary logistics services. Furthermore, many road construction projects, which were suspended in the first half of the year due to poor weather, are expected to resume in the second half of the year. As second half of the year is traditionally the peak season for road construction, the resumption of suspended projects should lead to many market opportunities favorable to the Group. The Group will capture the growth opportunities to further enhance its operating efficiency.

Sales volume of the fuel oil trading business achieved steady growth since the launch of the marine fuel oil business. The Group will keep expanding its client base to raise its market share and to gradually improve its gross margin of such business in order to maintain its contribution to the Group's overall profit. For the road and bridge construction business, the Group will ride on the government strategic directions to expand into the markets surrounding Jiangsu area to strengthen the business platform for further development. After the disposal of an ocean carrier in last year, the utilization and operating efficiency of the logistics business has been enhanced. The Group will continue leveraging on the synergies among its four major businesses to reinforce its market position for future development.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 June 2010, 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			Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest	Total long position		
Qian Wenhua (Executive Director)	Beneficial owner	225,706,000 (domestic shares)	35,854,000 (Note 1) (domestic shares)	261,560,000	54.49	27.94
Lu Yong (Executive Director)	Beneficial owner	62,618,000 (domestic shares)	–	62,618,000	13.05	6.69
Li Hongyuan (Executive Director)	Beneficial owner	50,254,000 (domestic shares)	–	50,254,000	10.47	5.37
Zhang Jinhua (Executive Director)	Beneficial owner	15,152,000 (domestic shares)	–	15,152,000	3.16	1.62

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

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

At 30 June 2010, the persons or company (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 338 of the SFO and who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Directors	Capacity	Number of shares			Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest	Total long position			
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 Capita Markets International SA	Interest in a controlled corporation	175,000,000 (H shares)	-	175,000,000 (Note 2)	-	38.36	18.69
Calyon S.A. (previously known as Credit Agricole Indosuez)	Interest in a controlled corporation	175,000,000 (H shares)	-	175,000,000 (Note 2)	-	38.36	18.69
CLSA B.V.	Interest in a controlled corporation	175,000,000 (H shares)	-	175,000,000 (Note 2)	-	38.36	18.69
(CLSA Capital Partners Limited (formerly known as CLSA Funds Limited)	Interest in a controlled corporation	175,000,000 (H shares)	-	175,000,000 (Note 2)	-	38.36	18.69

Name of Directors	Capacity	Number of shares			Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest	Total long position			
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
ISAS 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	Interest in a controlled corporation	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	Interest in a controlled corporation	35,000,000 (H shares)	-	35,000,000 (Note 2)	-	7.67	3.74



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

Note 2: Mumiya Limited and Babylon Limited hold 35,000,000 and 140,000,000 H shares of the Company respectively. As Aria II controls more than one-third of the voting power at general meetings of Mumiya Limited, Aria II is deemed to be interested in 35,000,000 H shares held by Mumiya Limited pursuant to the SFO. Aria III controls more than one-third of the voting power at general meetings of Babylon Limited and is thus deemed to be interested in 140,000,000 H shares held by Babylon Limited pursuant to the SFO. As CLSA Private Equity Management Ltd. is the investment manager of Aria II and Aria III, it is deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO. Credit Agricole S.A. controls more than one-third of the voting power at general meetings of Calyon S.A., which in turn controls more than one-third of the voting power at general meetings of Calyon Capital Markets International SA, which in turn controls more than one-third of the voting power at general meetings of Calyon Capital Markets Asia B.V., which in turn controls more than one-third of the voting power at general meetings of CLSA B.V., which in turn controls more than one-third of the voting power at general meetings of CLSA Capital Partners Limited, which in turn controls more than one-third of the voting power at general meetings of CLSA Private Equity Management Ltd. Therefore, Credit Agricole S.A., Calyon S.A., Calyon Capital Markets International SA, Calyon Capital Markets Asia B.V., CLSA B.V. and CLSA Capital Partners Limited are deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO.

Directors' and Supervisors' right to acquire shares or debentures

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the period ended 30 June 2010.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2010, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2010, and was of an opinion that the preparation of such results complied with the applicable accounting and reporting standards and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

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

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

- To reach the Group's business goals and safeguard the Company's assets as well as shareholders' investment;
- To ensure the filing of appropriate accounting records which provide reliable financial information for internal and publication purposes; and
- To ensure the compliance of relevant laws, regulations and certain internal policies of the Company.

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

Executive Committee

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

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

Internal Audit Team

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

- To monitor the operational process and business risk;
- To oversee the execution and implementation of contracts;
- To oversee the management programme and the implementation of internal control system, including (among others) finance, authorization and procurement;
- To monitor the Group's environmental conservation function; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

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

Appreciation

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

By Order of the Board
Qian Wenhua
Chairman

Shanghai, the PRC, 10 August 2010

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