TONVA
上海栋华

SHANGHAI TONVA PETROCHEMICAL CO., LTD.*

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

Stock Code: 8251

Annual Report 2010

*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

RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
Turnover	**2,475,024**	1,581,550	1,504,659	1,018,919	1,064,819
Profit before income tax expense	**102,221**	34,232	57,419	48,692	76,290
Profit attributable to owners of the Company	**66,972**	2,268	35,404	46,105	67,243
Net profit margins	**2.71%**	0.14%	2.35%	4.52%	6.31%
Earnings per shares (RMB)	**0.072**	0.002	0.038	0.064	0.098

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
Non-current assets	**618,494**	659,681	683,118	222,613	179,744
Current assets	**1,330,998**	1,269,584	899,788	704,379	295,828
Non-current liabilities	**(69,981)**	(135,182)	(24,405)	(3,750)	(5,550)
Current liabilities	**(1,223,438)**	(1,212,596)	(965,369)	(452,773)	(277,130)
Non-controlling interests	**(108,280)**	(89,131)	(92,668)	(7,379)	(5,171)
Capital and reserves attributable to the Company's owners	**547,793**	492,356	500,464	463,090	187,721

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Chan Cheuk Wing Andy
Hsu Chun-min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Li
Ye Mingzhu
Zhu Shengfu

SUPERVISORS

Ge Jiaqi
Cai Ying
Zhu Yinghua

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
Chan Cheuk Wing Andy
Ye Mingzhu
Zhu Shengfu

MEMBERS OF THE REMUNERATION COMMITTEE

Qian Wenhua
Li Li
Ye Mingzhu
Zhu Shengfu

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th 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

In 2010, China's overall economic developed rapidly. The ongoing process of urbanization and the State's Eleventh Five-Year Plan led to significant growth in domestic infrastructure projects, enabling rapid developments in all of the Company's four major business segments, namely the asphalt and fuel oil trading businesses, the road and bridge construction business and the logistic service business. In a market environment which is well-supported by policies and boosted by domestic economy, the Group is filled with confidence towards future business developments.

On the back of the Group's increasingly mature business operations, the Company recorded significant growth both in turnover and profit after tax during the reporting period. Under this great opportunity, in order to drive the trading liquidity of the Company's H shares in the future and to improve the Company's corporate image and the exposure among public investors (including institutional investors), our Board of Directors has formally proposed for the transfer of listing of the Company's H shares from the Growth Enterprise Market to the Main Board recently. It is believed that the transfer of listing, once completed, will benefit the Group's future growth and business developments.

The Group implements a business strategy with focus on the asphalt and fuel oil trading businesses and the road and bridge construction business alongside the development of the logistic service business. During the reporting period, the Group achieved the goals of adjusting the proportions of its four major businesses and increasing revenue growth, hence laying a solid foundation for the development of the Group in the year ahead. In the coming year, the Group will actively develop the road and bridge construction business with opportunity brought forth by the Twelfth Five-Year Plan while continuously adjusting its business strategy, capturing opportunities of China's vigorous infrastructure development and consolidating its core business operations such as the asphalt and fuel oil trading businesses. Therefore, the year 2011 will be a year full of opportunities to the Group.

Results of the Year

During the reporting period, the Group's profit after tax increased by 536.2% over last year to approximately RMB80,077,000 (2009: approximately RMB12,586,000). The sharp rise in profit is mainly attributable to an year-on-year increase of 56.5% in turnover during the reporting period. The fuel oil trading business, being a less important source of profit of the Group in last year, recorded a significant growth in turnover, accounting for 32.0% of the Group's turnover in 2010 and thus became one of the Group's major sources of revenue. Profit attributable to owners of the Company increased by approximately 2,852.9% over last year to approximately RMB66,972,000 (2009: approximately RMB2,268,000). This promising data reflects the Group's performance and achievements in various business operations in 2010, bringing a good start to the Group in the year ahead.

Business overview and major factors affecting the profit

The asphalt trading business grew steadily. Turnover of the Group's asphalt trading business for the year ended 31 December 2010 amounted to approximately RMB863,551,000, representing an increase of 15.2% from 2009, and the Group's average asphalt sales price increased by approximately 31.8% over last year.

The fuel oil trading business became a highlight of the Group in 2010 due to its significant growth in turnover and sales volume. With the implementation of a policy for lower margins but quick returns at the business and the surge in costs in the overall industry, the Group maintained its fuel oil gross margin at low levels so as win more orders so that the business would grow rapidly and thus the Group's market share in the fuel oil trading business would be expanded. During the reporting period, the Group's fuel oil sales volume grew by approximately 124.1% over last year and the turnover from fuel oil trading business increased by approximately 169.2% year on year to approximately RMB790,945,000. All these have proved that the Group's strategy for lower margins but quick returns was effective.

As for the logistics service business, the Group performed well in 2010. Driven by the Shanghai World Expo and the recovery in the river and truck transport markets in China, the revenue from logistics service business grew steadily by 17.3% over last year. Moreover, at the end of 2010, the Group concluded storage agreements with industry-leading customers which bring a steady income of approximately RMB14 million in the coming year to the Group's logistics service business.

The Company's road and bridge construction business developed rapidly during the reporting period. Nantong Highway, a non-wholly owned subsidiary of the Group, made a relatively significant share of contributions to the turnover of the Group for the year. During the reporting period, the Group recorded a turnover of approximately RMB758,875,000 from this business segment, representing an increase of approximately 56.3% over last year. This is mainly attributable to the national policy in PRC to focus on road construction development which helped the road and bridge constructions business win many projects in recent years, leading to an increase in income in this business segment.

Prospect

Looking into 2011, driven by the State's Twelfth Five-Year Plan, it is expected that the domestic demand for asphalt will rise continuously on the increase in infrastructure projects. Therefore, the Group believes that the asphalt trading business will maintain growth momentum and the Company will continue to develop new customers to maintain the business's contribution of profit in the Company.

In an environment where global oil prices are hovering at high levels overall, the Group will continue to implement lower margins but quick returns for fuel oil trading business strategy and increase turnover ratio the business so as to capture opportunities arising from fluctuations in oil price to achieve bigger market share, of and better positioned for the Group's future developments.

The road and bridge construction business will be the top priority in the Group's 2011 development plans. Driven by the State's Twelfth Five-Year Plan, there will be a huge increase in infrastructure projects going forward. At Nantong Highway, a subsidiary of the Group, the amount of road and bridge construction projects under or pending construction reached RMB1 billion at the end of 2010 and it won two new projects with a total contract value of over RMB300 million was accepted in early March 2011, with the majority of these projects to be completed within the next 18 months, laying a solid foundation for the turnover and earnings from road and bridge construction. The Group believes that the road and bridge construction business will develop rapidly in the coming year and the Company will continue to maintain the volume of orders and strive to develop more customers, hence enabling sustainable profit growth.

For the logistic businesses, the Group will continue to improve service quality so as to satisfy the development of asphalt trading business and fuel oil trading business, hence optimizing enterprise management, attracting more quality customers and enhancing the Group's image and position in the industry.

The Group's earnings basis has expanded from the original single asphalt trading into businesses including asphalt trading, fuel oil trading, logistic service and road and bridge construction. Among these business segments, the earnings of fuel oil trading and road and bridge construction businesses have caught up with that of asphalt trading business. The Group will leverage its advantages to actively explore new market opportunities, maximize the synergies of the four major business operations and improve the profitability, hence bringing continuous and steady investment returns to the shareholders.

Appreciation

Finally, I wish to express my gratitude to the Board members, the management and 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

In 2010, with the stable domestic economic environment, the Chinese government continued to expand spending in infrastructure construction. Supported by a quality business portfolio and a timely-adjusted sales strategy, the Group's four major business segments recorded a relatively high earnings growth during the reporting period. Of which, the fuel oil trading business set a new growth record again which drove the increase in the Group's overall revenue. For the asphalt trading business, despite that road construction projects in Shanghai were subject to a certain period of restrictions due to the Expo, given that the Group has maintained a steady relationship with our long-term customers, the volume of asphalt demand remained steady and there was considerable growth in turnover. Growth was also recorded at the Group's logistics service business thanks to the increase in fuel oil and asphalt sales. For the road and bridge construction segment, being a segment with substantial impact on the Group, due to the continuous growth in the State's infrastructure spending, the volume of orders received by the Group continued to rise during the year and thus substantial growth was also recorded.

For the year ended on 31 December 2010, the Group's turnover amounted to approximately RMB2,475,024,000, representing an increase of 56.5% over last year. Profit attributable to owners of the Company increased significantly by approximately 2,852.9% over last year to approximately RMB66,972,000. Considering the Group's rapid developments and mature operating conditions, Shanghai Tonva has already planned for the transfer of listing to the Main Board in March 2011.

Management Discussion and Analysis

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 8 storage network locating mainly in Shanghai, Jiangsu Province (Taizhou and Changzhou), Anhui Province (Hefei and Anqing), Nanchang in Jiangxi Province, Wuhan in Hebei Province and Zhengzhou in Henan Province, with a total storage capacity of 160,000 tons.

For the year ended 31 December 2010, turnover of the Group's asphalt trading business was approximately RMB863,551,000 (2009: approximately RMB749,635,000), representing an increase of 15.2% over the previous year and accounting for 34.9% of the Group's total turnover.

For the year ended 31 December 2010, the Group's cost of sales of asphalt was approximately RMB795,295,000 (2009: approximately RMB696,708,000), representing a year-on-year increase of approximately 14.2%.

For the year ended 31 December 2010, gross profit of the Group's asphalt trading business increased by 29.0% to approximately RMB68,256,000 as compared to the corresponding period last year. The gross margin was approximately 7.9%, similar with 7.1% in 2009.

During the reporting period, the Group's sales volume of asphalt slightly declined from last year. However, the average selling price and gross margin increased year on year by 31.8% and 47.5% per ton respectively.

Fuel Oil Trading Business

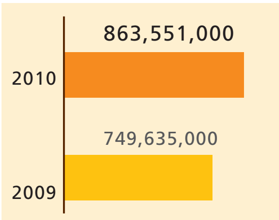
The Yangtze River Delta region, where the Group operates, is one of the major fuel oil consumption areas in the PRC. During the year, apart from the operations for our traditional power plants and glass factory customer groups, the Group introduced the marine fuel oil business which expanded the Group's fuel oil customer base and increased the Group's competitiveness in the fuel oil market. Currently, the storage network locations of fuel oil are mainly in Shanghai, with a total storage capacity of 10,000 tons.

For the year ended 31 December 2010, turnover for fuel oil trading business was approximately RMB790,945,000 (2009: approximately RMB293,825,000), accounting for approximately 32.0% of the Group's total turnover. The Group's cost of sales of fuel oil was approximately RMB770,018,000 (2009: approximately RMB277,267,000), increased by approximately 177.7% over last year, accounting for 33.6% of the Group's total cost of sales.

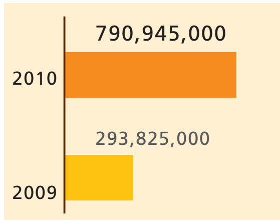
Management Discussion and Analysis

Turnover

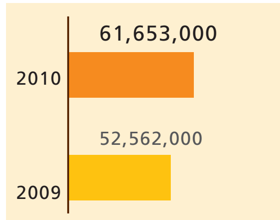
+15.2%
Asphalt trading business



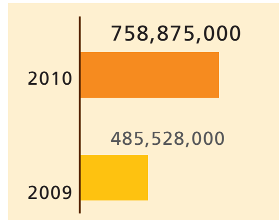
+169.2%
Fuel oil trading business



+17.3%
Logistics service business



+56.3%
Road and bridge construction business



RMB

During the year, sales volume of fuel oil was approximately 220,000 tons, representing a sharp increase of 124.1% over 2009. For the year ended 31 December 2010, the Group's gross profit from the fuel oil business was approximately RMB20,927,000 (2009: approximately RMB16,558,000), whereas the gross margin declined from 5.6% in last year to approximately 2.6%. The decrease in gross margin was mainly attributable to the fact that the fuel oil trading business was still at an initial stage and thus a policy for small profits but quick returns was implemented by the Group hoping to win more orders so that the business can grow rapidly and the Group's market share in the fuel oil trading business would be expanded.

The sharp increase in turnover of the fuel oil trading business was mainly attributable to the fact that the first half of 2009 was the most critical period of the financial crisis and thus the gradual market recovery at the start of this year and the rapid development of the marine fuel oil business during this year had resulted in a substantial increase in the sales of fuel oil over the same period of previous year.

Logistics Service Business

The Group has actively developed its logistics service business, which caters mainly to the distribution of asphalt and fuel oil procured both from domestic market and from overseas. By the end of 2010, 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.

For the year ended 31 December 2010, the Group' s turnover for logistics services was approximately RMB61,653,000 (2009: approximately RMB52,562,000), representing an increase of approximately 17.3% over last year and accounting for approximately 2.5% of the Group's total turnover. Cost of sales for logistics services in 2010 was approximately RMB55,614,000 (2009: approximately RMB49,133,000), representing an increase of approximately 13.2% over the previous year.

For the year ended 31 December 2010, gross profit of the Group's logistics service business was approximately RMB6,039,000 (2009: approximately RMB3,429,000) and gross margin was approximately 9.8%, as compared to approximately 6.5% in the same period of last year.

Management Discussion and Analysis

The Group's logistics service business is principally provision of warehouse and transport service for asphalt and fuel oil trading. The increase in turnover from logistics service business was mainly attributable to the sharp increase in sales volume of asphalt and fuel oil during the period and the substantial increase in the volume of external services. The Group disposed an asphalt carrier at the end of 2009 and managed to reduce the fixed costs of logistics service business while increased the utilization rate of another asphalt, hence boosted gross profit of the logistics service business.

Road and Bridge Construction Business

For the year ended 31 December 2010, turnover for the Group's road and bridge construction business was approximately RMB758,875,000 (2009: approximately RMB485,528,000), up by 56.3% over last year and accounting for approximately 30.7% of the Group's total turnover. Cost of road and bridge construction business was approximately RMB671,333,000 (2009: approximately RMB373,427,000) in 2010, up by approximately 79.8% over that in the previous year.

In 2010, gross profit for the Group's road and bridge construction business decreased to a certain extent to approximately RMB87,542,000 (2009: approximately RMB112,101,000) and gross margin was approximately 11.5% (2009: approximately 23.1%).

The decline in gross margin was mainly attributable to the fact that the turnover for the same period of last year comprised of two BT (build-transfer) projects and that gross margin of the two projects were higher than the average gross margin of general construction market. Despite that such two projects were completed in 2009 and there was no BT project during the reporting period among the Group's outstanding projects, the Group will maintain contribution of road and bridge construction business to the gross profit by increasing the volume of general projects.

Profit for the Year

For the year ended 31 December 2010, the Group recorded profit attributable to shareholders for the year of approximately RMB66,972,000 (2009: approximately RMB2,268,000), representing a sharp increase of 2,852.9% over last year.

Investment Income

Investment income increased from approximately RMB3,779,000 for the year ended 31 December 2009 to approximately RMB14,000,000 for the year ended 31 December 2010. The increase in the investment income was mainly due to the increase in cash dividend income received from the available-for-sale financial asset of the Group.

Administrative Expenses

For the year ended 31 December 2010, the administrative expenses decreased by 43.7% to RMB62,196,000. The sharp decline in administrative expenses was mainly because in 2009 there was a loss on the book value of approximately RMB10,577,000 due to disposal of an ocean carrier and specific provision on trade receivables of approximately RMB7,736,000, whereas no such type of specific provision was incurred in this year. Also, interest income of approximately RMB26,878,000 received from the project owners derived from Nantong Highway's two BT projects was recognized according to the accounting standards, which was offset by the recognition of the discounted value incurred of approximately RMB27,641,000 in the administrative expenses. Such expense was relatively small this year.

Distribution Costs

For the year ended 31 December 2010, the distribution costs were approximately RMB17,254,000, which decreased by 27.8% as compared with the previous year. The decrease in distribution costs was mainly because the Group purchased majority of asphalt domestically which reduced distribution costs arising from overseas purchases for the year.

Finance Costs

The finance costs for the year was approximately RMB28,078,000, representing an year-on-year decrease of 14.1%. The decline in finance costs was mainly due to the decreased borrowings of the Group.

Capital Structure, Liquidity and Financial Resources

Net Current Assets Value

As at 31 December 2010, the Group had current assets of approximately RMB1,330,998,000 (2009: approximately RMB1,269,584,000). The current assets comprised: cash and cash equivalents amounting to approximately RMB89,155,000 (2009: approximately RMB93,426,000), restricted bank deposits of approximately RMB47,054,000 (2009: approximately RMB54,668,000), tax recoverable amounting of approximately RMB2,579,000 (2009: nil), trade and other receivables of approximately RMB1,085,690,000 (2009: approximately RMB868,122,000), amount due from customers for contract work of approximately RMB46,986,000 (2009: approximately RMB86,791,000), inventories of approximately RMB59,534,000 (2009: approximately RMB161,393,000) and no asset classified as held for sale (2009: approximately RMB5,184,000). The Group had current liabilities of approximately RMB1,223,438,000 (2009: approximately RMB1,212,596,000). The current liabilities comprised: bank borrowings of approximately RMB605,029,000 (2009: approximately RMB568,237,000), trade and other payables of approximately RMB568,451,000 (2009: approximately RMB603,686,000), amount due to customers for contract work of approximately RMB16,114,000 (2009: approximately RMB8,660,000) and current tax liabilities of approximately RMB33,844,000 (2009: approximately RMB32,013,000). As at 31 December 2010, the net current asset value was RMB107,560,000 (2009: approximately RMB56,988,000).

Working Capital

As at 31 December 2010, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB136,209,000 (2009: approximately RMB148,094,000). The net cash used in financing activities was approximately RMB33,218,000 (2009: The net cash generated from financing activities was approximately RMB260,446,000).

Borrowings

As at 31 December 2010, the Group had long-term borrowings of approximately RMB35,000,000 (2009: approximately RMB100,000,000) and short-term borrowings of approximately RMB605,029,000 (2009: approximately RMB568,237,000). All of the Group's borrowings were RMB bank loans.

Charges of Assets

As at 31 December 2010, payments for leasehold land held for own use under operating leases with a net book value of approximately RMB7,671,000 (2009: approximately RMB7,838,000) were pledged as security for the Group's bank borrowings.

As at 31 December 2010, property, plant and equipment with a net book value of approximately RMB14,961,000 (2009: nil) were pledged as security for the Group's bank borrowings.

As at 31 December 2010, trade receivables of approximately RMB102,517,000 (2009: RMB448,623,000) were pledged as security for the Group's bank borrowings.

Debt to Asset Ratio

The debt to asset ratio as at 31 December 2010 was approximately 66.3% (2009: approximately 69.9%) 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 Dollars (USD) and Hong Kong Dollars (HKD). Foreign currency 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 54, 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. Mr. Qian is the Chairman and the Chief Executive officer of the Company currently.

Mr. Lu Yong (陸勇), aged 56, 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 and the Executive Director of the Company currently.

Mr. Zhang Jinhua (張金華), aged 46, 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. Zhang is the Executive Director and the Vice President of the Company currently.

Mr. Jin Xiaohua (金曉華), aged 40, holds EMBA from Nankai University. 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. From August 2007 to December 2010, Mr. Jin has been appointed as General Manager of the Company, and has been responsible for asphalt segment of the Group. Mr. Jin is the Executive Director and the Vice President of the Company currently.

Mr. Li Hongyuan (李鴻源), aged 54, 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 the Executive Director and the vice President of the Company, and responsible for the Group's fuel oil trading business currently.

Mr. Mo Luojiang (莫羅江), aged 33, 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 responsible for corporate governance and capital market finance and the asphalt business in Henan & Hubei of the Group. Mr. Mo awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs" in 2008. He is the Executive Director and the vice President of the Company currently.

Profile of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Chan Cheuk Wing Andy (陳焯榮), aged 35, 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 58, 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 32, 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.

Ms. Ye Mingzhu (葉明珠), aged 65, 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).

Mr. Zhu Shengfu (朱生富), aged 61, 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.

SUPERVISORS AS NOMINATED BY SHAREHOLDERS OR EMPLOYEES

Mr. Ge Jiaqi (葛家齊), aged 57, 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 of Shanghai Shenhua Logistics Company Limited. Since November 2010, He has been appointed as general manager of Shanghai Shenhua logistics Company Limited.

Mr. Cai Ying (蔡盈), aged 29, 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.

Ms. Zhu Yinghua (朱穎華), aged 30, graduated from East China University of Political Science and Law, has been working in the Company since 2002.

Profile of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Xu Jianwei (許建偉), aged 57, 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 is the vice President of the Company, and responsible for the Group's management and operation of land and inland water transport.

Mr. Tsui Kan Chun (徐勤進), aged 38, 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.

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 2010.

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 Mr. Qian Wenhua 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.

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.

Attendance of individual Directors at Board meetings for 2010:

Number of meetings	11	
Executive Directors:		
Qian Wenhua	11/11	100%
Lu Yong	10/11	91%
Zhang Jinhua	10/11	91%
Jin Xiaohua	11/11	100%
Li Hongyuan	11/11	100%
Mo Luojiang	11/11	100%
Non-executive Directors:		
Hsu Chun-min	11/11	100%
Chan Cheuk Wing Andy	11/11	100%
Independent Non-executive Directors:		
Li Li	11/11	100%
Ye Mingzhu	11/11	100%
Zhu Shengfu	11/11	100%
Average attendance rate	98.4%	

Corporate Governance Report

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

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.

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

Number of meetings	2	
Executive Director:		
Mo Luojiang[1]	1/1	100%
Qian Wenhua[2]	1/1	100%
Independent Non-executive Directors:		
Li Li	2/2	100%
Ye Mingzhu	2/2	100%
Zhu Shengfu	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 RMB2,455,000 to the external auditors for their auditing services.

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:		
Chan Cheuk Wing Andy	5/5	100%
Independent Non-executive Directors:		
Li Li	5/5	100%
Ye Mingzhu	5/5	100%
Zhu Shengfu	5/5	100%
Average attendance rate	100%	

The Group's unaudited interim results, unaudited quarterly results and annual audited results for the year ended 31 December 2010 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.

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 27 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 2010, 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 2010, 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, 23 March 2011

The Directors present their report together with the audited financial statements for the year ended 31 December 2010.

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 2010 are set out in the consolidated statement of comprehensive income on page 29.

The state of the Group's affairs as at 31 December 2010 is set out in the consolidated statement of financial position on page 30 and 31.

The Board has declared and paid an interim dividend of approximately RMB10,298,000 for the three months ended 31 March 2010. There was no interim dividend during 2009.

The Board recommend the payment of a final dividend of RMB0.022 per share (2009: Nil) amounting in total to approximately RMB20,596,000 (2009: Nil) for the year.

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.

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 2010, 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 RMB142,039,000 (2009: RMB96,536,000).

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

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. Zhang Jinhua
Mr. Jin Xiaohua
Mr. Li Hongyuan
Mr. Mo Luojiang

Non-executive Directors

Mr. Chan Cheuk Wing Andy
Mr. Hsu Chun-min

Independent Non-executive Directors

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

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 14 to 16.

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.

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 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 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.

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

At 31 December 2010, 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:

Report of the Directors

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
Credit Agricole Securities Asia B.V. (formerly known as 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
Credit Agricole Coroprate and Investment Bank (formerly known as Calyon S.A.)	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
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. SAS Rue la Boetie controls more than one-third of the voting power at the general meetings of Credit Agricole S.A., which in turn controls more than one-third of the voting power at general meetings of Credit Agricole Corporate and Investment Bank (formerly known as 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 Credit Agricole Securities Asia B.V. (formerly known as 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.

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	8.0%
– five largest customers combined	23.0%

Purchases

– the largest supplier	13.1%
– five largest suppliers combined	40.7%

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 2010.

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 2010 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 36 to the consolidated financial statements.

STAFF AND REMUNERATION POLICY

The Group staff functions were analyzed as follows:

	Number of staff	
	2010	2009
Functions:		
Management	**97**	86
Sales and marketing	**14**	20
Accounting and finance	**39**	46
Administration and human resources	**22**	21
Legal	**3**	2
Information system	**3**	5
Technical and quality control	**25**	15
Shipping and transportation	**86**	85
Storage centre	**70**	73
Engineer	**71**	67
Construction workers	**62**	90
Total	**492**	510

On 31 December 2010, the Group had 492 staff (2009: 510 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 RMB50,854,000 (2009: RMB44,563,000).

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 2010 was RMB4,211,000 (2009: RMB2,933,000).

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 retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Qian Wenhua
Chairman

Shanghai, The PRC, 23 March 2011

Independent Auditor's Report

BDO

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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 29 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 about whether the consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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, 23 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	*6*	**2,475,024**	1,581,550
Cost of sales		**(2,292,260)**	(1,396,535)
Gross profit		**182,764**	185,015
Other income and gains	*7*	**27,177**	8,594
Distribution costs		**(17,254)**	(23,889)
Administrative expenses		**(62,196)**	(110,560)
Share of (losses)/profits of associates	*21*	**(192)**	7,752
Finance costs	*8*	**(28,078)**	(32,680)
Profit before income tax expense	*9*	**102,221**	34,232
Income tax expense	*12*	**(22,144)**	(21,646)
Profit for the year		**80,077**	12,586
Other comprehensive income			
Exchange differences on translating foreign operations		**(481)**	(78)
Total comprehensive income for the year		**79,596**	12,508
Profit attributable to:			
– Owners of the Company		**66,972**	2,268
– Non-controlling interests		**13,105**	10,318
		80,077	12,586
Total comprehensive income attributable to:			
– Owners of the Company		**66,491**	2,190
– Non-controlling interests		**13,105**	10,318
		79,596	12,508
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*14*	**0.072**	0.002
– Diluted	*14*	**0.072**	0.002

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	*16*	**9,245**	9,449
Property, plant and equipment	*17*	**175,116**	195,200
Construction in progress	*18*	**1,645**	2,808
Intangible assets	*19*	**148,512**	148,584
Interests in associates	*21*	**47,241**	47,433
Available-for-sale financial asset	*22*	**800**	800
Trade and other receivables	*24*	**225,462**	245,914
Deferred tax assets	*30*	**10,473**	9,493
Total non-current assets		**618,494**	659,681
Current assets			
Inventories	*23*	**59,534**	161,393
Tax recoverable		**2,579**	–
Amounts due from customers for contract work	*25*	**46,986**	86,791
Trade and other receivables	*24*	**1,085,690**	868,122
Restricted bank deposits	*26*	**47,054**	54,668
Cash and cash equivalents		**89,155**	93,426
		1,330,998	1,264,400
Assets classified as held for sale	*27*	**–**	5,184
Total current assets		**1,330,998**	1,269,584
Total assets		**1,949,492**	1,929,265
Liabilities			
Current liabilities			
Trade and other payables	*28*	**568,451**	603,686
Amounts due to customers for contract work	*25*	**16,114**	8,660
Bank borrowings	*29*	**605,029**	568,237
Current tax liabilities		**33,844**	32,013
Total current liabilities		**1,223,438**	1,212,596
Net current assets		**107,560**	56,988
Total assets less current liabilities		**726,054**	716,669

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Bank borrowings	*29*	**35,000**	100,000
Deferred tax liabilities	*30*	**34,981**	35,182
Total non-current liabilities		**69,981**	135,182
Total liabilities		**1,293,419**	1,347,778
NET ASSETS		**656,073**	581,487
Capital and reserves attributable to owners of the Company			
Share capital	*31*	**93,619**	93,619
Reserves		**273,785**	264,135
Retained earnings		**180,389**	134,602
Equity attributable to owners of the Company		**547,793**	492,356
Non-controlling interests		**108,280**	89,131
TOTAL EQUITY		**656,073**	581,487

On behalf of the Board

Qian Wenhua
Director

Mo Luojiang
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**22,990**	23,391
Construction in progress	*18*	**–**	–
Intangible assets	*19*	**151**	207
Investment in subsidiaries	*20*	**366,230**	315,438
Investment in associates	*21*	**24,333**	24,333
Available-for-sale financial asset	*22*	**800**	800
Deferred tax assets	*30*	**2,229**	2,229
Total non-current assets		**416,733**	366,398
Current assets			
Inventories	*23*	**29,800**	124,946
Tax recoverable		**2,579**	–
Trade and other receivables	*24*	**296,840**	304,794
Restricted bank deposits	*26*	**3,026**	17,857
Cash and cash equivalents		**6,128**	27,534
Total current assets		**338,373**	475,131
Total assets		**755,106**	841,529
Liabilities			
Current liabilities			
Trade and other payables	*28*	**170,517**	218,405
Bank borrowings	*29*	**91,529**	181,627
Current tax liabilities		**–**	625
Total current liabilities		**262,046**	400,657
Net current assets		**76,327**	74,474
NET ASSETS		**493,060**	440,872
Capital and reserves			
Share capital	*31*	**93,619**	93,619
Reserves	*32*	**399,441**	347,253
TOTAL EQUITY		**493,060**	440,872

On behalf of the Board

Qian Wenhua
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	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	Non-controlling interests RMB'000	Total RMB'000
Balance at 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)	–	–	–
2008 final dividends paid	–	–	–	–	–	(10,298)	(10,298)	–	(10,298)
Dividend paid to a non-controlling interest	–	–	–	–	–	–	–	(3,018)	(3,018)
Acquisition of additional equity interests in a subsidiary *(note 20(e))*	–	–	–	–	–	–	–	(18,196)	(18,196)
Capital injection from non-controlling interests *(note 20(f))*	–	–	–	–	–	–	–	9,100	9,100
Disposal of a subsidiary *(note 33)*	–	–	–	–	–	–	–	(1,741)	(1,741)
Balance at 31 December 2009 and 1 January 2010	93,619	221,766	29,797	17,912	(5,340)	134,602	492,356	89,131	581,487
Total comprehensive income for the year	–	–	–	–	(481)	66,972	66,491	13,105	79,596
Transfer to statutory common reserve fund	–	–	10,131	–	–	(10,131)	–	–	–
2010 interim dividends paid *(note 15)*	–	–	–	–	–	(10,298)	(10,298)	–	(10,298)
Acquisition of additional equity interests in a subsidiary *(note 20(a))*	–	–	–	–	–	(756)	(756)	756	–
Capital injection from non-controlling interests *(note 20(d))*	–	–	–	–	–	–	–	5,288	5,288
Balance at 31 December 2010	93,619	221,766	39,928	17,912	(5,821)	180,389	547,793	108,280	656,073

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit before income tax expense		**102,221**	34,232
Adjustments for:			
Interest income		**(636)**	(751)
Dividend income		**(14,000)**	(3,779)
Finance costs		**28,078**	32,680
Share of losses/(profits) of associates		**192**	(7,752)
(Reversal of)/impairment loss on trade and other receivables, net		**(7,449)**	34,169
Amortisation of payments for leasehold land held for own use under operating leases		**204**	239
Depreciation of property, plant and equipment		**24,990**	26,603
Amortisation of intangible assets		**72**	8,920
(Gain)/loss on disposal of property, plant and equipment and construction in progress		**(647)**	10,025
Gain on disposal of subsidiary		**–**	(1,948)
Gain on disposal of assets classified as held for sale		**(790)**	–
Impairment loss of property, plant and equipment		**3,200**	–
Operating profit before working capital changes		**135,435**	132,638
Decrease/(increase) in inventories		**101,859**	(99,585)
Increase in trade and other receivables		**(139,994)**	(298,785)
Decrease in restricted bank deposits		**7,614**	19,454
(Decrease)/increase in trade and other payables		**(27,781)**	99,445
Cash generated from/(used in) operations		**77,133**	(146,833)
Interest paid		**(37,946)**	(33,622)
Income taxes paid		**(24,073)**	(19,428)
Net cash from/(used in) operating activities		**15,114**	(199,883)
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		**(18,824)**	(17,999)
Proceeds from sale of property, plant and equipment and construction in progress		**12,528**	5,196
Refund of prepayments for leasehold land held for own use under operating leases		**–**	15,120
Interest received		**636**	751
Disposal of subsidiary, net of cash disposed	*33*	**–**	5,151
Disposal of assets classified as held for sale		**5,807**	–
Acquisition of additional equity interests in a subsidiary		**–**	(18,196)
Dividends received from available-for-sale financial asset		**14,000**	3,779
Net cash from/(used in) investing activities		**14,147**	(6,198)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Capital injection from non-controlling interests		**5,288**	9,100
New bank borrowings		**863,786**	1,023,995
Repayment of bank borrowings		**(891,994)**	(759,333)
Dividends paid to owners of the Company		**(10,298)**	(10,298)
Dividends paid to a non-controlling interest		**–**	(3,018)
Net cash (used in)/from financing activities		**(33,218)**	260,446
Net (decrease)/increase in cash and cash equivalents		**(3,957)**	54,365
Cash and cash equivalents at beginning of year		**93,426**	38,964
Effect of exchange rate changes on cash and cash equivalents		**(314)**	97
Cash and cash equivalents at end of year		**89,155**	93,426

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL

Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (collectively known as the "Group") are 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 (the "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) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(continued)*

HKAS 27 (revised), "Consolidated and Separate Financial Statements"

The revised standard, applies prospectively for annual periods beginning on or after 1 July 2009, requires the effects of all transactions with non-controlling interest (previously minority interest) to be recognised within equity if there is no loss in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has accounted for the acquisition of additional equity interests in a subsidiary according to the revised standard, details of which are set in note 20(a) to the financial statements.

Furthermore, losses of non-wholly owned subsidiary are attributed to the owners of the Company and non-controlling interest even if that results in a deficit balances. Losses prior to 1 January 2010 were not re-allocated between owners of the Company and non-controlling interests. Adoption of this revised standard had no impact on the Group's financial statements for the current year.

HKAS 17 (Amendment), "Leases"

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 has reassessed the classification of land elements of unexpired leases at the date it adopts the amendments on the basis of information existing at the inception of the lease and concluded that the classification of such land leases as operating leases continues to be appropriate.

HK Interpretation 5 – "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

Adoption of this interpretation has no impact on classification of the Group's term loans as they have no such repayment on demand clause.

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

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2&3]
Amendments to HKAS 32	Classification of Rights Issues[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

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

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of making an assessment of the potential impact of other new and revised HKFRSs and the directors so far concluded that the application of the other new and 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") issued by the HKICPA 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 ("GEM") of The Stock Exchange of Hong Kong Limited.

3. BASIS OF PREPARATION *(continued)*

(b) Basis of measurement

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

(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) Business combination and 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 together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

Business combination from 1 January 2010 (continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

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.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

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 are recognised profit or loss. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the relevant share of the carrying amount of net assets of the subsidiary acquired.

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, liabilities and contingent liabilities acquired 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 is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

Goodwill is measured at cost less impairment losses. 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Construction in progress is stated at cost less impairment losses. 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.

(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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(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).

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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 in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(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;
- 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(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.

(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".

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying 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.

Pursuant to the transitional provision of HKAS 23 (Revised) Borrowing Costs, 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Construction contracts *(continued)*

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".

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

Rental income under operating leases of transportation facilities 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.

(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 recognised in other comprehensive income in which case the taxes are also 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 they operate (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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Foreign currency *(continued)*

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 in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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, if any, are recognised in other comprehensive income and accumulated in equity 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 other comprehensive income and accumulated in equity as 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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;
- property, plant and equipment;
- construction in progress; and
- 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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 licence 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(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.

(d) Financial guarantee contracts

The Group has issued financial guarantee contracts in favour of third parties (see note 34). 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;

6. SEGMENT INFORMATION *(continued)*

- 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.

(a) Operating segments

For the year ended 31 December 2010 are as follows:

	Sale of asphalt RMB'000	Sale of fuel oil RMB'000	Provision of logistic services RMB'000	Road and bridge construction RMB'000	Group RMB'000
Total segment revenue	863,551	790,945	64,854	758,875	2,478,225
Inter segment revenue	–	–	(3,201)	–	(3,201)
Reportable segment revenue from external customers	863,551	790,945	61,653	758,875	2,475,024
Reportable segment profit/(loss)	38,110	7,608	(5,239)	39,598	80,077
Interest income	344	–	17	275	636
Finance costs	9,409	3,309	48	15,312	28,078
Share of (losses)/profits of associates	(218)	–	26	–	(192)
Capital expenditures *(note)*	1,288	16	2,894	14,626	18,824
Depreciation of property, plant and equipment	4,482	116	8,915	11,477	24,990
(Loss)/gain on disposal of property, plant and equipment and construction in progress	(209)	–	–	856	647
Gain on disposal of assets classified as held for sale	790	–	–	–	790
Amortisation of intangible assets	56	–	–	16	72
Amortisation of payments for leasehold land held for own use under operating leases	167	–	–	37	204
Reversal of/(impairment of) trade and other receivables, net	1,364	–	(1,732)	7,817	7,449
Impairment loss of property, plant and equipment	–	–	3,200	–	3,200
Income tax expense	5,728	1,825	1,920	12,671	22,144
Interests in associates	32,000	–	15,241	–	47,241
Reportable segment assets	526,140	142,976	119,115	1,161,261	1,949,492
Reportable segment liabilities	297,346	75,506	8,527	912,040	1,293,419

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

For the year ended 31 December 2009 are as follows:

	Sale of asphalt RMB'000	Sale of fuel oil RMB'000	Provision of 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
(Loss)/gain on disposal of property, plant and equipment and construction in progress	(10)	–	(10,765)	750	(10,025)
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)/reversal of trade and other receivables, net	(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

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.

(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 2010 and 2009.

6. SEGMENT INFORMATION *(continued)*

(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	
	2010	2009
	RMB'000	RMB'000
Dividend income from available-for-sale financial asset	**14,000**	3,779
Government grants	**455**	1,777
Interest income	**636**	751
Gain on disposal of property, plant and equipment and construction in progress	**647**	–
Gain on disposal of subsidiary *(note 33)*	**–**	1,948
Gain on disposal of assets classified as held for sale *(note 27)*	**790**	–
Reversal of impairment loss on trade and other receivables, net	**7,449**	–
Gain from disposal of short term investment (fair value through profit or loss)	**431**	–
Others	**2,769**	339
	27,177	8,594

8. FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within five years	**30,914**	22,865
Interest expense on discounted commercial notes	**4,122**	8,067
Others	**2,910**	2,690
Total finance costs	**37,946**	33,622
Less: amount capitalised *(note)*	**(9,868)**	(942)
	28,078	32,680

Note: Borrowing costs capitalised during the year arose on the general borrowings during the year and are calculated by applying a capitalisation rate of approximately 5.28% (2009: 5%) to expenditure on qualifying assets.

Notes to the Financial Statements

For the year ended 31 December 2010

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Group	
	2010 **RMB'000**	2009 RMB'000
Amortisation of intangible assets	**72**	8,920
Amortisation of payments for leasehold land held for own use under operating leases	**204**	239
Auditor's remuneration	**2,455**	2,431
Cost of inventories recognised as expenses	**1,564,456**	957,957
Depreciation of property, plant and equipment	**24,990**	26,603
(Reversal of)/impairment loss of trade and other receivables, net *(note 24)*	**(7,449)**	34,169
(Gain)/loss on disposal of property, plant and equipment and construction in progress	**(647)**	10,025
Reversal of provision of legal claim	**(8,523)**	–
Operating lease rental expenses in respect of		
– Land and buildings	**5,976**	6,735
– Transportation facilities	**1,186**	2,464
– Machinery and others	**11,852**	10,775
Staff costs *(note 10)*	**50,854**	44,563
Impairment loss of property, plant and equipment	**3,200**	–

10. STAFF COSTS

	Group	
	2010 **RMB'000**	2009 RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**46,175**	40,749
Social security costs	**2,071**	1,691
Contributions on defined contribution retirement plans	**2,608**	2,123
	50,854	44,563

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 2010 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	–	601	50	28	679
Mr. Lu Yong	–	280	23	28	331
Mr. Jin Xiaohua	–	474	40	28	542
Mr. Mo Luojiang	–	321	27	28	376
Mr. Zhang Jinhua	–	253	21	27	301
Mr. Li Hongyuan	–	252	21	28	301
Non-executive directors					
Mr. Li Li	30	–	–	–	30
Mr. Zhu Shengfu	30	–	–	–	30
Ms. Ye Mingzhu	30	–	–	–	30
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Hsu Chunmin	120	–	–	–	120
Supervisors					
Mr. Cai Ying	–	120	9	7	136
Mr. Ge Jiaqi	–	84	8	–	92
Mr. Fan Weidong *(note 5)*	–	25	5	4	34
Ms. Zhu Yinghua *(note 6)*	–	28	–	7	35
	330	2,438	204	185	3,157

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

(continued)

For the year ended 31 December 2009 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	–	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 *(note 5)*	–	58	–	8	66
	324	2,239	190	158	2,911

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) Resigned in May 2010

(6) Appointed in May 2010

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 2010 and 2009.

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

(continued)

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

	Number of individuals	
	2010	2009
Directors	**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 2010 and 2009, 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.

12. INCOME TAX EXPENSE

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

	Group	
	2010 RMB'000	2009 RMB'000
Current income tax		
PRC enterprise income tax		
– tax for the year	**23,808**	17,375
– (over)/under provision in respect of prior years	**(483)**	16
Hong Kong profits tax		
– over provision in respect of prior years	**–**	(105)
Deferred tax *(note 30)*	**(1,181)**	4,360
	22,144	21,646

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 22% (2009: 20%) on their assessable profit for the year ended 31 December 2010. Such tax rate will gradually increase to 24% and 25% in 2011 and 2012.

12. INCOME TAX EXPENSE *(continued)*

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 are charged at 2.5% (2009 3.3%) of their revenue.

Profits of other subsidiaries established in the PRC are subject to EIT at 25% (2009: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2009: 16.5%).

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

	Group	
	2010	2009
	RMB'000	RMB'000
Profit before income tax expense	**102,221**	34,232
Tax calculated at tax rate of 22% (2009: 20%)	**22,488**	6,846
Effect of different tax rates for subsidiaries	**1,918**	2,248
Income and expense items that are not subject to tax	**(3,809)**	8,206
Tax losses not recognised	**2,030**	4,435
Over provision in respect of prior years, net	**(483)**	(89)
Income tax expense	**22,144**	21,646

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB39,190,000 (2009: RMB5,866,000).

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	
	2010	2009
Profit attributable to owners of the Company (RMB'000)	**66,972**	2,268
Weighted average number of ordinary shares in issue (thousands)	**936,190**	936,190
Basic earnings per share (RMB per share)	**0.072**	0.002

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 2010 and 2009.

15. DIVIDENDS

	Company	
	2010 RMB'000	2009 RMB'000
Interim, declared and paid - RMB0.011 (2009: Nil per share)	**10,298**	–
Final, proposed - RMB0.022 (2009: Nil per share)	**20,596**	–
	30,894	–

The final dividend for 2010 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming general meeting. The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2010.

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
2010	
Cost	
At 1 January 2010 and 31 December 2010	10,011
Accumulated amortisation	
At 1 January 2010	562
Provided for the year	204
At 31 December 2010	766
2009	
Cost	
At 1 January 2009	12,321
Disposal of a subsidiary *(note 33)*	(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 33)*	(158)
At 31 December 2009	562
Net book values	
At 31 December 2010	9,245
At 31 December 2009	9,449

As at 31 December 2010, payments for leasehold land held for own use under operating leases with a net book value of RMB7,671,000 (2009: RMB7,838,000) were pledged as security for the Group's bank borrowings (note 29(a)).

17. PROPERTY, PLANT AND EQUIPMENT

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
2010						
Cost						
At 1 January 2010	40,873	48,796	72,141	18,326	58,291	238,427
Additions	–	11,160	–	2,837	1,562	15,559
Transfer from construction in progress *(note 18)*	–	1,994	53	1,218	–	3,265
Disposals	–	(13,990)	–	(342)	(2,075)	(16,407)
At 31 December 2010	40,873	47,960	72,194	22,039	57,778	240,844
Accumulated depreciation and impairment loss						
At 1 January 2010	2,858	3,851	14,408	4,797	17,313	43,227
Provided for the year	1,815	10,026	5,238	2,340	5,571	24,990
Eliminated on disposals	–	(4,782)	–	(109)	(798)	(5,689)
Impairment loss	–	–	–	–	3,200	3,200
At 31 December 2010	4,673	9,095	19,646	7,028	25,286	65,728
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 33)*	(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 33)*	(527)	–	(1,508)	(88)	–	(2,123)
At 31 December 2009	2,858	3,851	14,408	4,797	17,313	43,227
Net book values						
At 31 December 2010	36,200	38,865	52,548	15,011	32,492	175,116
At 31 December 2009	38,015	44,945	57,733	13,529	40,978	195,200

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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
2010					
Cost					
At 1 January 2010	19,124	7,096	1,156	1,612	28,988
Additions	–	–	7	–	7
Transfer from construction in progress *(note 18)*	–	–	1,218	–	1,218
Disposal	–	–	(2)	–	(2)
At 31 December 2010	19,124	7,096	2,379	1,612	30,211
Accumulated depreciation					
At 1 January 2010	3,255	1,011	521	810	5,597
Provided for the year	908	337	190	191	1,626
Eliminated on disposals	–	–	(2)	–	(2)
At 31 December 2010	4,163	1,348	709	1,001	7,221
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
Net book values					
At 31 December 2010	14,961	5,748	1,670	611	22,990
At 31 December 2009	15,869	6,085	635	802	23,391

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2010 and 2009, the following property, plant and equipment of the Group and the Company were pledged as security for the Company's bank borrowings (note 29(a)):

	Net book value RMB'000	
Group and Company	**2010 RMB'000**	2009 RMB'000
Buildings	**14,961**	–

18. CONSTRUCTION IN PROGRESS

Group	RMB'000
At 1 January 2009	13,365
Additions	4,204
Transfer to property, plant and equipment *(note 17)*	(13,305)
Disposal of a subsidiary *(note 33)*	(190)
Disposals	(1,266)
At 31 December 2009 and 1 January 2010	2,808
Additions	3,265
Transfer to property, plant and equipment *(note 17)*	(3,265)
Disposals	(1,163)
At 31 December 2010	1,645

Company	RMB'000
At 1 January 2009	578
Additions	117
Disposal	(695)
At 31 December 2009 and 1 January 2010	–
Additions	1,218
Transfer to property, plant and equipment *(note 17)*	(1,218)
At 31 December 2010	–

19. INTANGIBLE ASSETS

Group	Goodwill RMB'000	Customer contracts RMB'000	Construction licence *(note)* RMB'000	Computer software RMB'000	Total RMB'000
2010					
Cost					
At 1 January 2010 and 31 December 2010	16,930	18,558	131,266	782	167,536
Accumulated amortisation					
At 1 January 2010	–	18,558	–	394	18,952
Provided for the year	–	–	–	72	72
At 31 December 2010	–	18,558	–	466	19,024
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
Net book values					
At 31 December 2010	16,930	–	131,266	316	148,512
At 31 December 2009	16,930	–	131,266	388	148,584

Note: Construction licence represents construction contract tier-one qualification and municipal utility contract tier-one qualification for road and bridge constructions.

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 weighted average growth rate of 6% (2009: 6%).

19. INTANGIBLE ASSETS *(continued)*

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

	2011	2012	2013	2014	2015
Weighted average gross margin	9.8%	8.9%	9.0%	9.0%	9.1%
Weighted average growth rate	11.5%	8.0%	8.0%	6.0%	6.0%
Percentage of working capital over revenue	29%	27%	26%	25%	24%
Discount rate	12.7%	12.7%	12.7%	12.7%	12.7%

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.

Company	**Computer software** RMB'000
2010	
Cost	
At 1 January 2010 and 31 December 2010	565
Accumulated amortisation	
At 1 January 2010	358
Provided for the year	56
At 31 December 2010	414
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
Net book values	
At 31 December 2010	151
At 31 December 2009	207

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20. INVESTMENT IN SUBSIDIARIES

	2010 RMB'000	2009 RMB'000
Unlisted equity investments, at cost	**366,230**	315,438

The following are the details of the Group's subsidiaries at 31 December 2010:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held Directly	Equity interests held Indirectly
楝華(香港)有限公司 ("Donghua Hong Kong")	Hong Kong, limited liability company	Asphalt trading in Hong Kong and logistic service	HKD39,000,000 of 39,000,000 ordinary shares of HKD1 each	100%	–
武漢華隆公路物資有限公司 ("武漢華隆") *(note (a)&(b))*	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	100%	–
上海楝華瀝青有限公司 ("Tonva Asphalt") *(note (c))*	PRC, limited liability company	Asphalt trading in the PRC	RMB20,000,000	100%	–
江蘇楝華交通材料有限公司 ("Jiangsu Tonva") *(note (f))*	PRC, limited liability company	Asphalt trading in the PRC	RMB20,500,000	51%	–
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%
泰州華業石油化工有限公司 ("Taizhou Huaye")	PRC, limited liability company	Asphalt and fuel oil processing and trading in the PRC	USD3,329,100	–	100%
上海泰華石油化工有限公司 ("Shanghai Taihua") *(note (e))*	PRC, limited liability company	Fuel oil trading in the PRC	RMB60,000,000	100%	–
Shanghai Shenhua	PRC, limited liability company	Provision of land transportation service in the PRC	RMB108,000,000	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%
武漢神隆物流有限公司 ("武漢神隆") *(note (a))*	PRC, limited liability company	Provision of land transportation service in the PRC	RMB2,000,000	–	100%

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
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%
Shenhua Dongtai	PRC, limited liability company	Provision of land transportation service in the PRC	RMB1,000,000	–	100%
Suzhong Shipping	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB16,000,000	–	55%
南通路橋工程有限公司 ("Nantong Highway and Bridge") *(note (d))*	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 2010, the Group acquired additional 20% equity interests in 武漢華隆 and 武漢神隆 from its non-controlling interests without any consideration. 武漢華隆 and 武漢神隆 therefore became wholly owned subsidiaries of the Group. The difference of RMB756,000 representing the carrying value of net liabilities of the subsidiaries acquired with nil consideration and has been debited to the retained profits.

(b) 武漢華隆 raised additional registered capital of RMB22,000,000 in 2010.

(c) Tonva Asphalt was incorporated in 2010.

(d) Nantong Highway and Bridge raised additional registered capital of RMB14,080,000 in 2010, including capital injection from non-controlling interests of RMB5,288,000. After the capital injection, the equity interests held by the Company remained as 62.44%.

(e) During the year ended 31 December 2009, the Company acquired additional 29% equity interests in Shanghai Taihua from its non-controlling interests 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.

(f) Jiangsu Tonva raised additional registered capital of RMB18,500,000 in 2009, including capital injection from non-controlling interests 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 for the year ended 31 December 2009.

21. INTERESTS IN ASSOCIATES

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Unlisted shares, at cost	**–**	–	**24,333**	24,333
Share of net assets other than goodwill	**47,241**	47,433	**–**	–
	47,241	47,433	**24,333**	24,333

The details of the Group's associates at 31 December 2010 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
上海浦東路橋瀝青材料有限公司 ("Pudong Road and Bridge")	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	49%	–
江西華通公路物資有限公司 *(note)*	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%

Notes: This associate was in the process of deregistration.

21. INTERESTS IN ASSOCIATES *(continued)*

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

	2010 RMB'000	2009 RMB'000
Total assets	**141,069**	267,654
Total liabilities	**(15,967)**	(141,449)
Net assets	**125,102**	126,205
Group's share of net assets of associates	**47,241**	47,433
Total revenue	**87,970**	336,888
Total (losses)/profits for the year	**(1,103)**	16,806
Group's share of (losses)/profits of associates for the year	**(192)**	7,752

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2010 RMB'000	2009 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.

23. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Asphalt for resale	**37,870**	133,969	**29,800**	124,946
Fuel oil for resale	**7,674**	12,135	**–**	–
Asphalt for construction	**3,147**	6,447	**–**	–
Other construction materials	**10,843**	8,842	**–**	–
	59,534	161,393	**29,800**	124,946

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables *(note (a))*	**771,980**	680,934	**112,434**	89,004
Commercial notes receivable	**151,089**	151,723	**122,535**	123,711
Retention sum for construction contracts	**251,774**	181,564	**–**	–
	1,174,843	1,014,221	**234,969**	212,715
Less: Impairment losses	**(61,743)**	(69,192)	**(6,272)**	(8,915)
	1,113,100	945,029	**228,697**	203,800
Prepayments and deposits	**147,693**	135,313	**18,024**	29,182
Other receivables	**30,256**	31,467	**5,571**	7,965
Amounts due from associates *(note (b))*	**20,103**	2,227	**18,403**	665
Amounts due from subsidiaries *(note (b))*	**–**	–	**26,145**	63,182
	1,311,152	1,114,036	**296,840**	304,794
Classified as:				
Non-current assets	**225,462**	245,914	**–**	–
Current assets	**1,085,690**	868,122	**296,840**	304,794
	1,311,152	1,114,036	**296,840**	304,794

24. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) As at 31 December 2010, trade receivables of RMB102,517,000 (2009: RMB448,623,000) were pledged as security for the Group's bank borrowings (note 29).

(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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sale of asphalt and fuel oil and provision of logistic services *(note (a))*				
Less than 31 days	**251,524**	118,847	**136,400**	72,003
31 to 60 days	**52,692**	71,527	**41,279**	42,927
61 to 90 days	**38,894**	50,189	**29,286**	33,094
91 days to less than 1 year	**79,770**	88,075	**19,086**	48,636
1 year to less than 2 years	**9,659**	14,809	**2,835**	7,842
2 years to less than 3 years	**2,570**	13,819	**672**	3,619
3 years and over	**7,793**	5,045	**5,411**	4,594
	442,902	362,311	**234,969**	212,715
Road and bridge construction *(note (b))*				
Less than 6 months	**244,206**	311,686	**–**	–
6 months to less than 1 year	**79,923**	97,393	**–**	–
1 year to less than 2 years	**374,485**	225,298	**–**	–
2 years to less than 3 years	**21,464**	10,888	**–**	–
3 years and over	**11,863**	6,645	**–**	–
	731,941	651,910	**–**	–
	1,174,843	1,014,221	**234,969**	212,715

Except for the average credit period on road and bridge construction is negotiated on individual basis in accordance with contract terms, a credit period ranging from 0 to 60 days is granted to customers of sales of asphalt, fuel oil and provision of logistic services.

24. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) For sale of asphalt and fuel oil and provision of 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 provision of logistic services, trade receivables that are less than three months past due are not impaired. As at 31 December 2010, the Group's trade and notes receivables related to sale of asphalt and fuel oil and provision of logistic services amounted to RMB208,525,000 (2009: RMB153,038,000) 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.

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

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Less than 91 days past due	**141,626**	109,430	**67,163**	65,304
91 days to 1 year past due	**62,639**	38,838	**12,370**	9,566
Over 1 year past due	**4,260**	4,770	**2,596**	3,311
	208,525	153,038	**82,129**	78,181

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.

24. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Less than 6 months past due	92,675	76,226	–	–

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
At 1 January	**69,192**	35,023	**8,915**	6,346
Impairment loss recognised	**12,325**	34,363	**6,272**	2,569
Recovery of impairment previously recognised	**(19,774)**	(194)	**(8,915)**	–
At 31 December	**61,743**	69,192	**6,272**	8,915

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

	Group	
	2010 RMB'000	2009 RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses and less foreseeable losses	**1,752,925**	1,175,241
Less: progress billings	**(1,722,053)**	(1,097,110)
Contract work-in-progress at the end of reporting period	**30,872**	78,131
Represented by:		
Amounts due from customers for contract work included in current assets	**46,986**	86,791
Amounts due to customers for contract work included in current liabilities	**(16,114)**	(8,660)
	30,872	78,131

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

Provision for foreseeable losses on construction contracts as at 31 December 2009 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. During the year ended 31 December 2010, the legal disputes were settled and provision of RMB8,523,000 was reversed and credited to the consolidated statement of comprehensive income.

26. RESTRICTED BANK DEPOSITS

The Group's and the Company's restricted bank deposits were denominated in RMB, United States Dollars ("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 2.25% per annum as at 31 December 2010 (2009: 0.01% to 1.71% per annum).

27. ASSETS CLASSIFIED AS HELD FOR SALE

In 2009, management actively sought for potential buyers for the disposal of its interest in an associate, Jiangxi Ganbei Highway Materials Company Limited ("Jiangxi Ganbei"). The disposal was in progress in 2009 and Jiangxi Ganbei was thus classified as assets held for sale.

During the year ended 31 December 2010, the disposal transaction was completed with the consideration of RMB5,807,000 and resulted in a gain of RMB790,000.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**291,883**	269,228	**4,537**	2,376
Notes payable	**173,162**	169,611	**97,194**	87,914
	465,045	438,839	**101,731**	90,290
Amount due to an associate *(note)*	**1,969**	6,631	**1,969**	6,631
Amounts due to subsidiaries *(note)*	**–**	–	**28,318**	47,613
Deposits received	**38,683**	100,190	**32,457**	64,388
Other payables	**54,931**	48,647	**685**	3,672
Accruals	**7,823**	9,379	**5,357**	5,811
	568,451	603,686	**170,517**	218,405

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

28. TRADE AND OTHER PAYABLES *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sale of asphalt and fuel oil and provision of logistic services:				
Less than 31 days	**66,496**	61,764	**35,127**	35,798
31 to 60 days	**27,015**	8,889	**24,461**	726
61 to 90 days	**51,450**	27,700	**24,760**	27,500
91 days to less than 1 year	**17,721**	34,980	**16,781**	26,266
1 year to less than 2 years	**648**	813	**526**	–
2 years to less than 3 years	**198**	81	**76**	–
3 years and over	**5**	–	**–**	–
	163,533	134,227	**101,731**	90,290
Road and bridge construction:				
Less than 6 months	**195,082**	208,409	**–**	–
6 months to less than 1 year	**23,523**	50,550	**–**	–
1 year to less than 2 years	**67,514**	31,962	**–**	–
2 years to less than 3 years	**8,579**	9,634	**–**	–
3 years and over	**6,814**	4,057	**–**	–
	301,512	304,612	**–**	–
	465,045	438,839	**101,731**	90,290

29. BANK BORROWINGS

		Group		Company	
		2010	2009	**2010**	2009
		RMB'000	RMB'000	**RMB'000**	RMB'000
Secured	– interest-bearing bank loans *(note (a) and (c))*	**127,000**	130,000	**37,000**	–
	– trust receipt loans *(note (b))*	**54,529**	147,967	**54,529**	128,357
Unsecured	– interest-bearing bank loans *(note (c))*	**458,500**	390,270	**–**	53,270
		640,029	668,237	**91,529**	181,627

At 31 December 2010, total current and non-current bank loans of the Group were repayable as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**605,029**	568,237	**91,529**	181,627
More than one year, but not exceeding two years	**–**	100,000	**–**	–
More than two years, but not exceeding five years	**35,000**	–	**–**	–
	640,029	668,237	**91,529**	181,627
Amount due within one year included in current liabilities	**(605,029)**	(568,237)	**(91,529)**	(181,627)
Non-current portion	**35,000**	100,000	**–**	–

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:

	2010	2009
	RMB'000	RMB'000
Payments for leasehold land held for own use under operating leases *(note 16)*	**7,671**	7,838
Property, plant and equipment *(note 17)*	**14,961**	–
Trade receivables *(note 24)*	**102,517**	448,623

(b) The trust receipt loans were secured by the restricted bank deposits (note 26) of RMB47,054,000 (2009: RMB54,668,000).

(c) The secured and unsecured bank borrowings of the Group to the extent of RMB565,500,000 (2009: RMB520,270,000) were guaranteed by certain independent third parties and certain directors of the Company and its subsidiaries. Out of the guarantee amount, RMB478,500,000 (2009: RMB490,270,000) was guaranteed by the directors of the Company, Mr. Qian Wenhua and Mr. Zhang Jinhua.

The secured and unsecured bank borrowings of the Company to the extent of RMB37,000,000 (2009: RMB53,270,000) were guaranteed by a subsidiary and a director of the Company, Mr. Qian Wenhua.

30. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

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	Capitalisation of interest expense RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
At 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 and 1 January 2010	9,493	–	–	–	–	9,493
Credited/(charged) to profit or loss	1,773	–	–	(793)	–	980
At 31 December 2010	11,266	–	–	(793)	–	10,473

Deferred tax liabilities – Group

	Fair value surplus in respect of business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	37,571	117	37,688
Credited to profit or loss	(2,389)	(117)	(2,506)
At 31 December 2009 and 1 January 2010	35,182	–	35,182
Credited to profit or loss	(201)	–	(201)
At 31 December 2010	34,981	–	34,981

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of RMB12,441,686 (2009: RMB28,763,000) can be carried forward indefinitely and the tax losses of RMB60,475,353 (2009: RMB58,241,000) will expire in five years' time.

30. DEFERRED TAX *(continued)*

Deferred tax assets – Company

	Impairment loss on receivables RMB'000	Financial guarantee contracts RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	1,587	239	37	1,863
Credited/(charged) to profit or loss	642	(239)	(37)	366
At 31 December 2009, 1 January 2010 and 31 December 2010	2,229	–	–	2,229

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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Deferred tax assets	**10,473**	9,493	**2,229**	2,229
Deferred tax liabilities	**(34,981)**	(35,182)	**–**	–
	(24,508)	(25,689)	**2,229**	2,229

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 2009, 31 December 2009, 1 January 2010 and 31 December 2010	936,190,000	93,619

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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Total borrowings	**640,029**	668,237	**91,529**	181,627
Equity attributable to the Company's owners	**547,793**	492,356	**493,060**	440,872
Debt-to-equity ratio	**116.8%**	135.7%	**18.6%**	41.2%

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 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 and 1 January 2010	221,766	28,951	96,536	347,253
Profit for the year	–	–	62,486	62,486
Dividends paid	–	–	(10,298)	(10,298)
Transfer to statutory common reserve fund	–	6,685	(6,685)	–
At 31 December 2010	221,766	35,636	142,039	399,441

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 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.

Group

(d) The Group's other reserve represents its share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired an additional equity interests of certain subsidiaries 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. DISPOSAL OF SUBSIDIARY IN PRIOR YEAR

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)
Non-controlling 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

34. FINANCIAL GUARANTEE CONTRACTS

	Group		**Company**	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Fair value of outstanding financial guarantees	**705**	705	**784**	784

34. FINANCIAL GUARANTEE CONTRACTS *(continued)*

Group

The Group acted as a guarantor for various external borrowings made by certain third party entities and an associate of the Group amounting to approximately RMB20,000,000 as at 31 December 2010 (2009: RMB54,500,000).

	Total guarantee		Expiry date	
	2010 RMB'000	2009 RMB'000	**2010**	2009
通州市金江交通投資有限公司	**10,000**	10,000	**20 March 2015**	20 March 2015
南通市俊業混凝土有限公司 *(note (b))*	**–**	5,000	**–**	6 August 2012
江蘇戴園建材集團有限公司 *(note (b))*	**–**	5,000	**–**	9 April 2012
江蘇戴園建材集團有限公司	**10,000**	10,000	**26 February 2011**	27 August 2012
Pudong Road and Bridge *(note (b))*	**–**	24,500	**–**	20 March 2015
Total	**20,000**	54,500		

Note:

(a) 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 4(i)(vi). 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.

(b) Financial guarantee contracts were early released during 2010.

Company

The Company has provided guarantees to banks for the borrowings of RMB548,500,000 (2009: RMB506,610,000) granted to its subsidiaries and an associate.

35. 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	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Not later than one year	**7,668**	6,730	**1,273**	1,285
Later than one year and not later than five years	**15,249**	20,603	**2,545**	4,945
Later than five years	**9,128**	24,941	**–**	13,470
	32,045	52,274	**3,818**	19,700

Operating leases – lessor

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

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Not later than one year	**12,477**	–	**–**	–

36. 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

	2010 RMB'000	2009 RMB'000
Pudong Road and Bridge, an associate	**54,390**	66,459

(ii) Sales of fuel oil

	2010 RMB'000	2009 RMB'000
Pudong Road and Bridge, an associate	**765**	–

(iii) Provision of services to

	2010 RMB'000	2009 RMB'000
Pudong Road and Bridge, an associate	**1,307**	1,092

(b) Key management compensation

	2010 RMB'000	2009 RMB'000
Basic salaries and allowances	**2,767**	3,067
Discretionary bonus	**204**	232
Retirement scheme contributions	**185**	183
	3,156	3,482

37. 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.

Risk management

(a) 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 2010 and 2009, if RMB had strengthened/weakened by 4% (2009: 4%) 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 2010 and 2009.

(b) 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.

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

	Group			
	2010		2009	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate bank deposits	**2.3%**	**47,054**	2.3%	54,668
Floating rate bank deposits	**0.4%**	**88,575**	0.4%	93,027
		135,629		147,695
Fixed rate borrowings	**5%**	**187,000**	5%	322,770
Floating rate borrowings	**5%**	**453,029**	7%	345,467
Total borrowings		**640,029**		668,237

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

Risk management *(continued)*

(b) Interest rate risk (continued)

At the respective end of reporting period, 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 RMB2,745,000 (2009: RMB1,543,000) for the year ended 31 December 2010.

(c) 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.

(d) 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.

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

Risk management *(continued)*

(d) Liquidity risk (continued)

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 2010				
Bank borrowings	620,384	35,295	–	655,679
Trade and other payables	568,451	–	–	568,451
Financial guarantees issued – maximum amount guaranteed	20,000	–	–	20,000
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
Company				
At 31 December 2010				
Bank borrowings	92,474	–	–	92,474
Trade and other payables	170,517	–	–	170,517
Financial guarantees issued – maximum amount guaranteed	859,500	–	–	859,500
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

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

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; and

- 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.

The directors considered that the carrying amounts of the financial assets and liabilities approximate their fair value, except for the available-for-sale financial asset which is measured at cost less impairment.

38. EVENTS AFTER THE REPORTING PERIOD

On 1 March 2011, the Group announced that the directors proposed to transfer the listing of the Company's H shares from GEM to Main Board of The Stock Exchange of Hong Kong Limited pursuant to Chapter 9A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2011.