



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



Interim Report **2011**

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



HIGHLIGHTS

1. The Group's turnover for the 6 months ended 30 June 2011 was approximately RMB1,694,902,000 (6 months ended 30 June 2010: approximately RMB1,073,953,000). A growth of approximately 57.8% was recorded year-on-year.
2. Profit attributable to the owners of the Company for the 6 months ended 30 June 2011 was approximately RMB28,126,000 (6 months ended 30 June 2010: approximately RMB25,235,000). A growth of approximately 11.5% was recorded year-on-year.
3. The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (The Company has declared an interim dividend of RMB10,298,090 at RMB0.011 per share for the first quarter of 2010 and no interim dividend for the second quarter of 2010).

The board of Directors (the "Board") of Shanghai Tonva Petrochemical Company Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three and six months ended 30 June 2011 together with comparative unaudited figures for the corresponding periods in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT– UNAUDITED

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	2	995,740	511,713	1,694,902	1,073,953
Cost of sales		(945,900)	(477,866)	(1,594,326)	(979,796)
Gross profit		49,840	33,847	100,576	94,157
Other income and gains	2	1,068	7,288	1,600	7,325
Distribution costs		(4,239)	(5,563)	(6,679)	(8,753)
Administrative expenses		(10,932)	(16,194)	(21,308)	(39,611)
Operating profit	4	35,737	19,378	74,189	53,118
Finance costs	5	(11,426)	(9,064)	(23,550)	(16,575)
Share of (loss)/profit of associates		(512)	896	(1,122)	(2,731)
Profit before income tax expense		23,799	11,210	49,517	33,812
Income tax expenses	6	(7,140)	(1,550)	(13,705)	(8,804)
Profit for the period		16,659	9,660	35,812	25,008
Profit attributable to:					
– Owner of the Company		12,720	9,972	28,126	25,235
– Non-controlling interests		3,939	(312)	7,686	(227)
		16,659	9,660	35,812	25,008
Basic and diluted earnings per share for profit attributable to owner of the Company during the period (Expressed in RMB per share)	7	0.014	0.011	0.030	0.027
Dividends	8	–	–	–	10,298

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
ASSETS			
Non-current assets			
Payments for leasehold land held for own use under operating lease		9,161	9,245
Property, plant and equipment		168,143	175,116
Construction-in-progress		1,645	1,645
Intangible assets		148,457	148,512
Investments in associates		56,241	47,241
Available-for-sale financial assets		800	800
Trade and other receivables	10	225,712	225,462
Deferred tax assets		10,608	10,473
Total non-current assets		620,767	618,494
Current assets			
Inventories	9	108,029	59,534
Tax recoverable		2,579	2,579
Amount due from customers for contract work		238,381	46,986
Trade and other receivables	10	1,218,624	1,085,690
Restricted bank deposits		126,020	47,054
Cash and cash equivalents		170,818	89,155
Total current assets		1,864,451	1,330,998
Total assets		2,485,218	1,949,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	11	838,341	568,451
Amount due to customers for contract work		2,099	16,114
Bank borrowings	12	906,508	605,029
Current income tax liabilities		27,845	33,844
Total current liabilities		1,774,793	1,223,438
Net current assets		89,658	107,560
Total assets less current liabilities		710,425	726,054
Non-current liabilities			
Bank borrowings	12	20,000	35,000
Deferred tax liabilities		34,958	34,981
Total non-current liabilities		54,958	69,981
Total liabilities		1,829,751	1,293,419
NET ASSETS		655,467	656,073
Capital and reserves attributable to owner of the Company			
Share Capital		93,619	93,619
Reserves		272,933	273,785
Retained earnings		187,919	180,389
Equity attributable to owners of the Company		554,471	547,793
Non-controlling interests		100,996	108,280
TOTAL EQUITY		655,467	656,073

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity holders of the Company							Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory		Currency translation reserve RMB'000	Retained earnings RMB'000	Minority Interest RMB'000	
			reserve	Other				
			fund	reserve				
Balance at 1 January 2010	93,619	221,766	29,797	17,912	(5,340)	134,602	89,131	581,487
Currency translation differences	-	-	-	-	(347)	-	-	(347)
Profit for the period	-	-	-	-	-	25,235	(227)	25,008
Dividend declared in respect of the first quarter of 2010	-	-	-	-	-	(10,298)	-	(10,298)
Minority interest – capital injection by minority shareholders	-	-	-	-	-	-	5,290	5,290
Balance at 30 June 2010	93,619	221,766	29,797	17,912	(5,687)	149,539	94,194	601,140
Balance at 1 January 2011	93,619	221,766	39,928	17,912	(5,821)	180,389	108,280	656,073
Currency translation differences	-	-	-	-	(852)	-	-	(852)
Profit for the period	-	-	-	-	-	28,126	7,686	35,812
Dividend declared in respect of the year 2010	-	-	-	-	-	(20,596)	-	(20,596)
Further acquisition of 23.61% equity interest in a non-whole owned subsidiary	-	-	-	-	-	-	(4,970)	(4,970)
Deregistration of a non-wholly owned subsidiary	-	-	-	-	-	-	(10,000)	(10,000)
Balance at 30 June 2011	93,619	221,766	39,928	17,912	(6,673)	187,919	100,996	655,467

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Net cash used in operating activities	(189,846)	(18,864)
Net cash (used in)/from investing activities	(14,970)	5,600
Net cash from financing activities	286,479	13,765
Net increase in cash and cash equivalents	81,663	501
Cash and cash equivalents at beginning of the period	89,155	93,426
Cash and cash equivalents at the end of the period	170,818	93,927



Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“interim financial statements”) of the Group for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard No. 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the GEM Listing Rules.

The interim financial statements have been prepared on the basis of historical cost convention, as modified by the revaluation of available-for-sale investments. All significant inter-company transactions and balances within the Group are eliminated on consolidation. The accounting policies adopted in preparing the interim financial statements for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2010.

2. TURNOVER

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

	For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Turnover:		
Sales of asphalt	153,040	384,701
Sales of fuel oil	1,152,643	311,576
Logistic services	28,609	25,551
Road and bridge constructions	360,610	352,125
	1,694,902	1,073,953
Other revenues:		
Dividend income from unlisted investments	–	5,600
Subsidy income	433	–
Interest income	68	36
Others	1,099	1,689
	1,600	7,325
Total revenues	1,696,502	1,081,278

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

At 30 June 2011, the Group is organized into four main business segments:

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

The segment results for the period ended 30 June 2011 are as follow:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total segment revenue	243,217	1,152,643	31,256	360,610	1,787,726
Inter-segment revenue	(90,177)	–	(2,647)	–	(92,824)
Revenue	153,040	1,152,643	28,609	360,610	1,694,902
Operating profit/Segment results	6,569	24,347	3,545	39,728	74,189
Finance cost					(23,550)
Share of profit of associates	(795)	–	(327)	–	(1,122)
Profit before income tax					49,517
Income tax expenses					(13,705)
Profit for the period					35,812



3. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

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

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

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

	Period ended 30 June 2011					Period ended 30 June 2010				
	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Total RMB'000	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge construction RMB'000	Total RMB'000
Depreciation	3,117	58	3,136	4,718	11,029	2,976	58	3,909	5,879	12,822
Amortisation	28	-	-	8	36	28	36	50	-	114

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

3. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

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

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

The segment assets and liabilities at 30 June 2011 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total assets	656,766	169,242	120,804	1,538,406	2,485,218
Total liabilities	453,396	99,743	6,985	1,269,627	1,829,751

The segment assets and liabilities at 31 December 2010 as follows:

	Sales of asphalt RMB'000	Sales of fuel oil RMB'000	Logistic services RMB'000	Road and bridge Construction RMB'000	Total RMB'000
Total assets	526,140	142,976	119,115	1,161,261	1,949,492
Total liabilities	297,346	75,506	8,527	912,040	1,293,419

(b) Secondary reporting format – geographical segments

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

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Charging:		
Depreciation of fixed assets	11,029	12,822
Staff costs	12,421	10,851
Cost of inventories	1,258,513	741,559
Operating lease rental expenses in respect of		
– Land and buildings	3,037	4,349
– Transportation facilities	2,783	1,234
	1,283,582	1,533,215

5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest on bank loans	23,550	16,575
	23,550	16,575

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
PRC enterprise income tax	13,705	8,804
Hong Kong profit tax	–	–
	13,705	8,804

6. INCOME TAX EXPENSE (Continued)

The Company and one of its subsidiaries, Shanghai Shenhua Logistics Company Limited ("Shanghai Shenhua"), are incorporated in Pudong New Area of Shanghai. Pursuant to the implementation guidance of the new CIT Law ("EIT Law"), the Company and Shenhua Logistics are subject to Enterprise Income Tax ("EIT") 24% (for the six months ended 30 June 2010: 22%) on their assessable profit for the six months ended 30 June 2011. Such tax rate will increase to 25% in 2012.

Besides, the Company's subsidiaries, Jiangsu Suzhong Oil Shipping Company Limited ("Suzhong Shipping") and Shanghai Shenhua Logistics (Dongtai) Company Limited ("Shenhua Dongtai"), are treated as small-scale companies for PRC EIT purpose. According to a circular issued by Jiangsu provincial tax bureau in December 2003, the income tax of Suzhong Shipping and Shenhua Dongtai are charged at 2.5% of their revenue.

Profits of others subsidiaries established in the PRC are subject to EIT at 25% (for the six months ended 30 June 2010: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profit tax of 16.5% (for the six months ended 30 June 2010: 16.5%).

7. EARNINGS PER SHARE

The calculation of the earnings per share for the three months and six months ended 30 June 2011 is based on the profit attributable to owners of the Company of RMB12,720,000 and RMB28,126,000, respectively, and the number of 936,190,000 shares (three months and six months ended 30 June 2010: 936,190,000 shares).

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

8. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (The Company has declared an interim dividend of RMB10,298,090 at RMB0.011 per share for the first quarter of 2010 and no interim dividend for the second quarter of 2010).



9. INVENTORIES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Asphalt for resale	73,855	37,870
Fuel Oil for resale	5,315	7,674
Asphalt for construction	1,720	3,147
Other construction materials	27,139	10,843
	108,029	59,534

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Trade receivables	720,849	771,980
Commercial notes receivable	115,674	151,089
Retention sum for construction contracts	255,223	251,774
	1,091,746	1,174,843
Less: Provision for impairment of receivables	(52,775)	(61,743)
	1,038,971	1,113,110
Prepayments and deposits	264,295	147,693
Other receivables	141,070	30,256
Amount due from associates	-	20,103
	1,444,336	1,311,152
Classified as:		
Non-current assets	225,712	225,462
Current assets	1,218,624	1,085,690
	1,444,336	1,311,152

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Sales of asphalt and fuel oil and logistic services (Note (a))		
Less than 31 days	220,234	251,524
31 to 60 days	107,073	52,692
61 to 90 days	47,828	38,894
91 days to less than 1 year	82,256	79,770
1 year to less than 2 years	9,427	9,659
2 years to 3 years	645	2,570
Over 3 years	6,489	7,793
	473,952	442,902
Road and bridge construction (Note(b)):		
Less than 6 months	164,670	244,206
6 months to less than 1 year	73,807	79,923
1 year to less than 2 years	351,410	374,485
2 years to 3 years	21,658	21,464
Over 3 years	6,249	11,863
	617,794	731,941
Total	1,091,746	1,174,843

Notes:

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

11. TRADE AND OTHER PAYABLES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Trade payables	255,333	291,883
Notes payable	244,505	173,162
	499,838	465,045
Amount due to an associate	–	1,969
Deposit received	159,066	38,683
Other payables	158,841	62,754
Dividend payable	20,596	–
	838,341	568,451

11. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Sales of asphalt and fuel and logistic services:		
Less than 31 days	21,955	66,496
31 to 60 days	58,463	27,015
61 to 90 days	12,197	51,450
91 days to less than 1 year	26,869	17,721
1 year to less than 2 years	728	648
2 year to 3 years	120	198
Over 3 years	81	5
	120,413	163,533
Road and bridge construction:		
Less than 6 months	317,949	195,082
6 months to less than 1 year	6,996	23,523
1 year to less than 2 years	44,418	67,514
2 years to 3 years	3,091	8,579
Over 3 years	6,971	6,814
	379,425	301,512
Total	499,838	465,045



12. BANK BORROWINGS

		As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Secured	– interest bearing bank loan	50,000	127,000
	– trust receipt loans	73,008	54,529
Unsecured	– interest bearing loan	803,500	458,500
		926,508	640,029

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

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
On demand or within one year	906,508	605,029
More than one year, but not exceeding two years	20,000	–
More than two years, but not exceeding five years	–	35,000
	926,508	640,029
Amount due within one year included in current liabilities	(20,000)	(605,029)
Non-current portion	906,508	35,000

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

In the first half of 2011, the Group continued expanding various businesses in accordance with the strategic plan formulated at the beginning of the year. Benefiting from the synergies achieved among various business units, the Group recorded steady growth in turnover compared to the corresponding period. Fuel oil trading business achieved outperforming results in the first half of 2011, recording an increase of approximately 269.9% and 247.3% on turnover and sales volume respectively, which makes the fuel oil trading business a key driver in contributing to the Group's overall profitability. As to the asphalt trading business, sales volume was lower than the level recorded in the corresponding period in last year due to a rapid but temporarily surge in demand for asphalt when the construction projects for the Shanghai World Expo were in full swing in 2010. While the average market price was maintained at similar levels, sales volume of asphalt returned to a normal level in the first half of 2011. In regards to the road and bridge construction business, as the construction teams are focusing on the implementation of the projects won, with a total contract value of approximately RMB1 billion, the road and bridge construction business continued achieving steady growth. Benefiting from the surge in fuel oil sales and the Group's development of the asphalt storage business, revenue contributions from logistics business increased. The gross profit of logistics business increased approximately 95.9% when compared with the corresponding period last year. For the six months ended 30 June 2011, turnover of the Group was approximately RMB1,694,902,000, representing an increase of approximately 57.8% when compared with the corresponding period last year.

Business Operation

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

Asphalt Trading Business

For the six months ended 30 June 2011, turnover of the Group's asphalt trading business was approximately RMB153,040,000 (for the six months ended 30 June 2010: approximately RMB384,701,000), representing a decrease of approximately 60.2% when compared with the corresponding period last year. The income from the asphalt trading business accounted for approximately 9.0% of the Group's total turnover.

Gross margin of the asphalt trading business decreased from approximately 12.1% in the corresponding period last year to 12.3% in the reporting period. For the six months ended 30 June 2011, gross profit of the Group's asphalt trading business was approximately RMB18,838,000 (for the six months ended 30 June 2010: approximately RMB46,714,000), representing a decrease of approximately 59.7% when compared with the corresponding period last year.

The decrease of income and gross profit from the asphalt trading business during the period was mainly attributable to a rapid surge in demand for asphalt temporarily in Shanghai in the corresponding period last year, when the road construction projects of the Shanghai World Expo were in full swing. Therefore, the sales volume of asphalt during the period decreased by approximately 63.1% when compared with the corresponding period last year.

Fuel Oil Trading Business

For the six months ended 30 June 2011, turnover of the Group's fuel oil trading business was approximately RMB1,152,643,000 (for the six months ended 30 June 2010: approximately RMB311,576,000), representing an increase of approximately 269.9% when compared with the corresponding period last year. The fuel oil business accounted for approximately 68.0% of the Group's total turnover in the reporting period. Sales volume of fuel oil recorded a significant surge of approximately 247.3% when compared with last year. The increase of fuel oil trading is mainly because the Group secured several major customers in the first half of the year, thereby generating a considerable sales volume for the Group.

For the six months ended 30 June 2011, gross profit of the Group's fuel oil trading business was approximately RMB28,332,000 (for the six months ended 30 June 2010: approximately RMB9,305,000), representing an increase of approximately 204.5% when compared with the corresponding period last year, while gross margin decreased from 3.0% to 2.5% in the reporting period this year, which was in line with the Group's sales strategic of selling at low margins to capture new major customers.

Logistics Business

For the six months ended 30 June 2011, turnover of the Group's logistics business was approximately RMB28,609,000 (for the six months ended 30 June 2010: approximately RMB25,551,000), representing an increase of approximately 12.0% when compared with the corresponding period last year. The income from logistics business accounted for approximately 1.7% of the Group's total turnover. The increase in income from logistics was mainly driven by the significant surge in the sales volume of fuel oil and the proactive approach in developing asphalt storage business during the period.

The gross margin for the logistics business increased from 10.0% in the corresponding period last year to 17.5% during the reporting period. For the six months ended 30 June 2011, gross profit of the Group's logistics business was approximately RMB5,015,000, representing an increase of approximately 95.9% when compared with the corresponding period last year.

Road and Bridge Construction Business

For the six months ended 30 June 2011, turnover of the Group's road and bridge construction business was approximately RMB360,610,000 (for the six months ended 30 June 2010: approximately RMB352,125,000), representing an increase of approximately 2.4% when compared with the corresponding period last year. The income from road and bridge construction business accounted for approximately 21.3% of the Group's total turnover.

For the six months ended 30 June 2011, gross profit of the Group's road and bridge construction business was approximately RMB48,391,000 (for the six months ended 30 June 2010: approximately RMB35,578,000), representing an increase of approximately 36.0% when compared with the corresponding period last year, while the gross margin increased from approximately 10.1% in the corresponding period last year to approximately 13.4% in the reporting period this year.

Other Income and Gains

For the six months ended 30 June 2011, other income and gains of the Group were approximately RMB1,600,000 (for the six months ended 30 June 2010: approximately RMB7,325,000), representing a decrease of approximately 78.2% when compared with the corresponding period last year. The decrease in other income and gains was mainly due to the dividend income from unlisted investment received in the corresponding period last year amounting to approximately RMB5,600,000 and there was no relevant income in the reporting period.

Distribution Costs

For the six months ended 30 June 2011, distribution costs of the Group were approximately RMB6,679,000 (for the six months ended 30 June 2010: approximately RMB8,753,000), representing a decrease of approximately 23.7% when compared with the corresponding period last year. The decrease in distribution costs was mainly caused by the Group's lower distribution costs in asphalt business in the period.

Administrative Expenses

For the six months ended 30 June 2011, administrative expenses of the Group were approximately RMB21,308,000 (for the six months ended 30 June 2010: approximately RMB39,611,000), representing a decrease of approximately 46.2% when compared with the corresponding period last year. The decrease in administrative expenses was mainly caused by provision of approximately RMB11,000,000 in discount value on the construction receivables in accordance with the Hong Kong Accounting Standards in connection with the Group's road and bridge business with the corresponding period last year. As some of the receivables were recovered, accordingly, there was approximately RMB8,000,000 provisions being reversed in the reporting period.

Profit Attributable to Shareholders

For the six months ended 30 June 2011, the profit attributable to owners of the Group was approximately RMB28,126,000 (for the six months ended 30 June 2010: approximately RMB25,235,000), representing an increase of approximately 11.5% when compared with the corresponding period last year. The basic and diluted earnings per share attributable to owners of the Company during the period were RMB0.030 (for the six months ended 30 June 2010: approximately RMB0.027), representing an increase of approximately 11.1% when compared with the corresponding period last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 30 June 2011, the Group had total assets less current liabilities approximately RMB710,425,000 (31 December 2010: RMB726,054,000), including non-current assets approximately RMB620,767,000 (31 December 2010: RMB618,494,000) and net current asset approximately RMB89,658,000 (31 December 2010: RMB107,560,000).

Liquidity and Financial Resources

As at 30 June 2011 and 31 December 2010, the Group had total cash and bank balances of approximately RMB170,818,000 and RMB89,155,000 respectively.

As at 30 June 2011 and 31 December 2010, bank loans of the Group amounted to approximately RMB926,508,000 and RMB640,029,000 respectively.

As at 30 June 2011 and 31 December 2010, the respective debt-to-asset ratio was 73.6% and 66.3% which was calculated as total liabilities dividend by total assets.

Foreign Currency Exposure

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

Charges of Assets

As at 30 June 2011, property, plant and equipment with a net book value of approximately RMB14,506,000 (31 December 2010: approximately RMB14,961,000) were pledged as security for the Group's bank borrowings.

As at 30 June 2011, trade receivables of approximately RMB73,008,000 (31 December 2010: approximately RMB102,517,000) were pledged as security for the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2011, the Company provided guarantees in favour of certain third parties for their external borrowing of approximately RMB24,700,000 (31 December 2010: approximately RMB20,000,000).

Employee Information

As at 30 June 2011, the Group had about 487 employees. During the period under review, total employee remuneration (including directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB12,421,000. Employee's remuneration is determined according to their performance and work experience.

PROSPECTS

The sales of asphalt in the first half of the year is less favorable as compared to the corresponding period last year due to the boosting impact resulted from the demand for asphalt of the Shanghai World Expo in the corresponding period last year, so that the demand for asphalt in the corresponding period last year was more thriving than it was in the period. It is believed the sales of asphalt in the second half of the year will return to a normal level as the Group continues to secure more new customers of asphalt from regions outside Shanghai areas.

As to fuel oil trading, the Group will actively engaged in expanding into the markets surrounding Shanghai area and continue to capture market share. The sales volume of fuel oil is expected to continue its robust growth momentum in the second half, as it was in the first half of the year.

As to road and bridge construction, the business continued to remain upbeat and won several projects in the year. As of the end of the period, there are some contracts with contract value of approximately RMB1 billion pending completion. While certain contracts will be completed within this year and is expected to generate considerable returns to the Group.

The Group will continue to fully utilize the advantages of "one-stop" logistics management and combine the synergies of asphalt trading and fuel oil trading businesses. It is expected that the logistics business will generate stable revenue to the Group in the long run.

The Group's future development will focus on expanding the market of various businesses, as well as, maximizing the synergies of the four major businesses in order to strive for more interests to the shareholders.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 June 2011, 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:

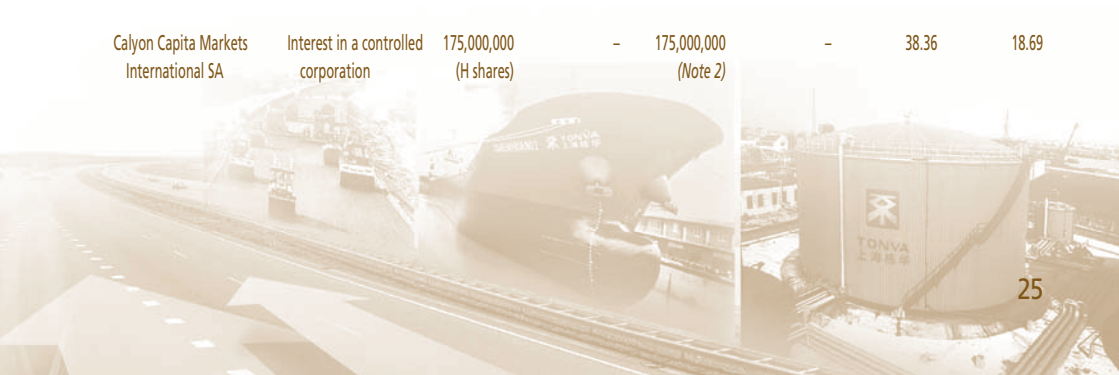
Name of Directors	Capacity	Number of shares		Total long position	Approximate	Approximate
		Personal interest	Family interest		percentage of shareholding in such class of shares of the Company	percentage of shareholding in the registered share capital of the Company
Qian Wenhua (Executive Director)	Beneficial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

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

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

At 30 June 2011, the persons or company (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 338 of the SFO and who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Directors	Capacity	Number of shares			Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest	Total long position			
Liu Huiping (Note 1)	Beneficial owner	35,854,000 (domestic Shares)	225,706,000 (Note 1) (domestic shares)	261,560,000	-	54.49	27.94
Yao Peie	Beneficial owner	34,546,000 (domestic shares)	-	34,546,000	-	7.20	3.69
Simosa Oil Co., Ltd (中塑油品股份有限公司)	Beneficial owner	38,498,460 (H Shares)	-	38,498,460	-	8.44	4.11
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 Capita Markets International SA	Interest in a controlled corporation	175,000,000 (H shares)	-	175,000,000 (Note 2)	-	38.36	18.69



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

Name of Directors	Capacity	Number of shares			Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Family interest	Total long position			
Credit Agricole Corporate 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	Interest in a controlled corporation	140,000,000 (H shares)	-	140,000,000 (Note 2)	-	30.69	14.95
Aria Investment Partners II, L.P. ("Aria II")	Interest in a controlled corporation	35,000,000 (H shares)	-	35,000,000 (Note 2)	-	7.67	3.74
Mumiya Limited	Interest in a controlled corporation	35,000,000 (H shares)	-	35,000,000 (Note 2)	-	7.67	3.74

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

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

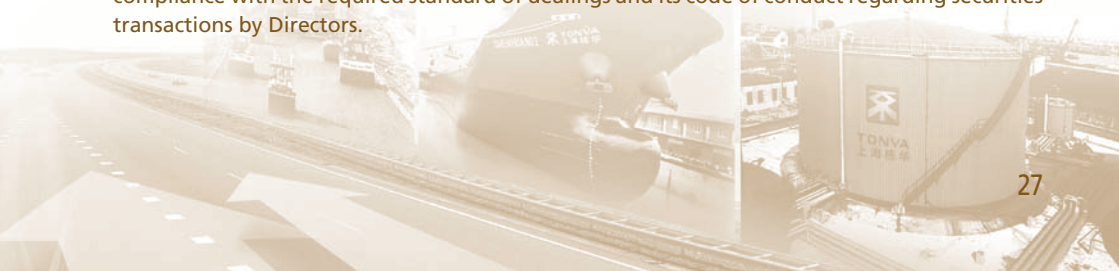
Note 2: Mumiya Limited and Babylon Limited hold 35,000,000 and 140,000,000 H shares of the Company respectively. As Aria II controls more than one-third of the voting power at general meetings of Mumiya Limited, Aria II is deemed to be interested in 35,000,000 H shares held by Mumiya Limited pursuant to the SFO. Aria III controls more than one-third of the voting power at general meetings of Babylon Limited and is thus deemed to be interested in 140,000,000 H shares held by Babylon Limited pursuant to the SFO. As CLSA Private Equity Management Ltd. is the investment manager of Aria II and Aria III, it is deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO. 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.

Directors' and Supervisors' right to acquire shares or debentures

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the period ended 30 June 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2011, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.



AUDIT COMMITTEE

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

The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2011, and was of an opinion that the preparation of such results complied with the applicable accounting and reporting standards and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

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

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

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

CORPORATE GOVERNANCE (*Continued*)

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

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

Executive Committee

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

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

Internal Audit Team

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

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



CORPORATE GOVERNANCE (Continued)

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

Appreciation

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

By Order of the Board

Qian Wenhua

Chairman

Shanghai, the PRC, 9 August 2011

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