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: 1103

Interim Report 2012

*For identification purposes only

HIGHLIGHTS

1. The Group's turnover for the 6 months ended 30 June 2012 was approximately RMB1,937,475,000 (6 months ended 30 June 2011: approximately RMB1,694,902,000). A growth of approximately 14.3% was recorded year-on-year.

2. Profit attributable to the owners of the Company for the 6 months ended 30 June 2012 was approximately RMB32,073,000 (6 months ended 30 June 2011: approximately RMB28,126,000). A growth of approximately 14% was recorded year-on-year.

3. The Board has resolved to declare an interim dividend of RMB0.016 per ordinary share amounting to RMB14,979,000 for the six months ended 30 June 2012 (The Company has not declared an interim dividend for the first quarter of 2011 and no interim dividend for the second quarter of 2011).

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

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 2012 together with comparative unaudited figures for the corresponding periods in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

		For the three months ended 30 June		For the six months ended 30 June	
	Note	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Turnover	*2*	**1,099,635**	995,740	**1,937,475**	1,694,902
Cost of sales		**(1,016,299)**	(945,900)	**(1,800,659)**	(1,594,326)
Gross profit		**83,336**	49,840	**136,816**	100,576
Other income	*2*	**4,112**	1,068	**10,173**	1,600
Distribution costs		**(2,525)**	(4,239)	**(5,831)**	(6,679)
Administrative expenses	*13*	**(32,068)**	(10,932)	**(39,067)**	(21,308)
Finance costs	*4*	**(22,986)**	(11,426)	**(42,084)**	(23,550)
Share of losses of associates		**(234)**	(512)	**(1,270)**	(1,122)
Profit before income tax expense	*5*	**29,635**	23,799	**58,737**	49,517
Income tax expense	*6*	**(10,219)**	(7,140)	**(19,095)**	(13,705)
Profit for the period		**19,416**	16,659	**39,642**	35,812
Other comprehensive income					
Exchange differences on translating foreign operations		**(30)**	(521)	**(32)**	(852)
Total comprehensive income for the period		**19,386**	16,138	**39,610**	34,960
Profit attributable to:					
– Owners of the Company		**14,922**	12,720	**32,073**	28,126
– Non-controlling interests		**4,494**	3,939	**7,569**	7,686
		19,416	16,659	**39,642**	35,812
Total comprehensive income attributable to:					
– Owners of the Company		**14,892**	12,199	**32,041**	27,274
– Non-controlling interests		**4,494**	3,939	**7,569**	7,686
		19,386	16,138	**39,610**	34,960
Basic and diluted earnings per share for profit attributable to owners of the Company during the period (Expressed in RMB per share)	*7*	**0.016**	0.014	**0.034**	0.030
Interim dividend	*8*	**14,979**	–	**14,979**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2012 Unaudited RMB'000**	As at 31 December 2011 Audited RMB'000
ASSETS			
Non-current assets			
Payments for leasehold land held for own use under operating leases		**17,725**	9,041
Property, plant and equipment	*13*	**142,129**	150,213
Intangible assets		**148,457**	148,440
Interests in associates		**41,424**	42,177
Available-for-sale financial assets		**800**	800
Trade and other receivables	*10*	**319,183**	269,473
Deferred tax assets		**3,846**	3,847
Total non-current assets		**673,564**	623,991
Current assets			
Inventories	*9*	**121,784**	66,489
Amounts due from customers for contract work		**34,042**	33,738
Trade and other receivables	*10*	**1,816,607**	1,419,309
Restricted bank deposits		**159,613**	89,570
Cash and cash equivalents		**303,296**	218,545
Tax recoverable		**292**	1,734
		2,435,634	1,829,385
Assets classified as held for sale		**–**	10,466
Total current assets		**2,435,634**	1,839,851
Total assets		**3,109,198**	2,463,842

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,065,673	712,457
Amounts due to customers for contract work		34,706	17,927
Borrowings	12	1,237,480	1,000,480
Current tax liabilities		9,549	19,639
Total current liabilities		2,347,408	1,750,503
Net current assets		88,226	89,348
Total assets less current liabilities		761,790	713,339
Non-current liabilities			
Borrowings	12	8,841	–
Deferred tax liabilities		22,127	22,127
Total non-current liabilities		30,968	22,127
Total liabilities		2,378,376	1,772,630
NET ASSETS		730,822	691,212
Capital and reserves attributable to owners of the Company			
Share capital		93,619	93,619
Reserves		537,010	504,969
Equity attributable to owners of the Company		630,629	598,588
Non-controlling interests		100,193	92,624
TOTAL EQUITY		730,822	691,212

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to owners of the Company							
	Share capital RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Other reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011 (audited)	93,619	221,766	39,928	17,912	(5,821)	180,389	108,280	656,073
Profit for the period	–	–	–	–	–	28,126	7,686	35,812
Other comprehensive income	–	–	–	–	(852)	–	–	(852)
Total comprehensive income	–	–	–	–	(852)	28,126	7,686	34,960
Dividend declared in respect of the year 2010	–	–	–	–	–	(20,596)	–	(20,596)
Further acquisition of 23.61% equity interest in a non-wholly owned subsidiary	–	–	–	–	–	–	(4,970)	(4,970)
Deregistration of a non-wholly owned subsidiary	–	–	–	–	–	–	(10,000)	(10,000)
Balance at 30 June 2011 (unaudited)	93,619	221,766	39,928	17,912	(6,673)	187,919	100,996	655,467
Balance at 1 January 2012 (audited)	**93,619**	**221,766**	**58,917**	**17,912**	**(6,456)**	**212,830**	**92,624**	**691,212**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**32,073**	**7,569**	**39,642**
Other comprehensive income	**–**	**–**	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(32)**	**32,073**	**7,569**	**39,610**
Balance at 30 June 2012 (unaudited)	**93,619**	**221,766**	**58,917**	**17,912**	**(6,488)**	**244,903**	**100,193**	**730,822**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	**(192,022)**	(189,846)
Net cash from/(used in) investing activities	**30,932**	(14,970)
Net cash from financing activities	**245,841**	286,479
Net increase in cash and cash equivalents	**84,751**	81,663
Cash and cash equivalents at beginning of the period	**218,545**	89,155
Cash and cash equivalents at end of the period	**303,296**	170,818

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 2012 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 applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the reporting period, the Group has adopted a number of new and revised HKFRSs, issued by the HKICPA that are effective for the accounting period beginning on 1 January 2012. The adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's financial statements.

The interim financial statements have been prepared on the basis of historical cost convention except for non-current assets classified as held for sale which are measured at 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.

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 2012 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011.

2. TURNOVER AND OTHER INCOME

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	
	2012	2011
	RMB'000	RMB'000
Turnover:		
Road and bridge constructions	**328,843**	360,610
Sales of fuel oil	**1,405,950**	1,152,643
Sales of asphalt	**179,067**	153,040
Logistic services	**23,615**	28,609
	1,937,475	1,694,902
Other income:		
Government grants	**273**	433
Interest income	**282**	68
Others	**9,618**	1,099
	10,173	1,600
Total revenues:	**1,947,648**	1,696,502

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

At 30 June 2012, the Group is organized into four main business segments:

(1) Road and bridge construction;

(2) Sales of fuel oil;

(3) Sales of asphalt; and

(4) Provision of logistic services.

The segment results for the six months ended 30 June 2012 are as follows:

	Road and bridge construction RMB'000	Sales of fuel oil RMB'000	Sales of asphalt RMB'000	Logistic services RMB'000	Total RMB'000
Total segment revenue	328,843	1,405,950	179,818	23,643	1,938,254
Inter-segment revenue	–	–	(751)	(28)	(779)
Reportable segment revenue from external customers	328,843	1,405,950	179,067	23,615	1,937,475
Reportable segment profit/(loss)	53,839	51,151	5,175	(8,074)	102,091
Finance costs					(42,084)
Share of losses of associates	–	–	(590)	(680)	(1,270)
Profit before income tax expense					58,737
Income tax expense					(19,095)
Profit for the period					39,642

3. SEGMENT INFORMATION *(Continued)*

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

The segment results for the six months ended 30 June 2011 are as follows:

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

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

	Six months ended 30 June 2012					Six months ended 30 June 2011				
	Road and bridge construction RMB'000	Sales of fuel oil RMB'000	Sales of asphalt RMB'000	Logistic services RMB'000	Total RMB'000	Road and bridge construction RMB'000	Sales of fuel oil RMB'000	Sales of asphalt RMB'000	Logistic services RMB'000	Total RMB'000
Depreciation	1,446	70	8,954	1,341	11,811	4,718	58	3,117	3,136	11,029
Amortisation	8	–	28	–	36	8	–	28	–	36

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, interests in associates, inventories, trade and other receivables, cash and cash equivalents, available-for-sale financial assets and deferred tax assets.

Segment liabilities comprise operating liabilities, such as current tax liabilities and borrowings.

The segment assets and liabilities at 30 June 2012 as follows:

	Road and bridge Construction RMB'000	Sales of fuel oil RMB'000	Sales of asphalt RMB'000	Logistic services RMB'000	Total RMB'000
Total assets	**1,790,978**	**436,615**	**814,701**	**66,904**	**3,109,198**
Total liabilities	**1,474,050**	**249,201**	**643,608**	**11,517**	**2,378,376**

The segment assets and liabilities at 31 December 2011 as follows:

	Road and bridge Construction RMB'000	Sales of fuel oil RMB'000	Sales of asphalt RMB'000	Logistic services RMB'000	Total RMB'000
Total assets	1,449,499	204,797	692,007	117,539	2,463,842
Total liabilities	1,155,099	132,581	481,051	3,899	1,772,630

3. SEGMENT INFORMATION *(Continued)*

(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 non-current assets are located in the PRC, which is considered as one geographic location with similar risks and returns.

4. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest on bank loans	**42,084**	23,550

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**11,811**	11,029
Staff costs	**17,656**	12,421
Cost of inventories recognised as expenses	**1,515,514**	1,258,513
Operating lease rental expenses in respect of		
– Land and buildings	**3,701**	3,037
– Transportation facilities	**1,000**	2,783
Reversal of impairment loss on trade and other receivables, net	**(8,013)**	(8,968)

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
PRC enterprise income tax	**19,095**	13,705
Hong Kong profits tax	**–**	–
	19,095	13,705

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 Enterprise Income Tax Law ("EIT Law"), the Company and Shanghai Shenhua are subject to Enterprise Income Tax ("EIT") at 25% (for the six months ended 30 June 2011: 24%) on their assessable profits for the six months ended 30 June 2012.

Besides, the Company's subsidiaries, Jiangsu Suzhong Oil Shipping Company Limited ("Suzhong Shipping") and Shanghai Shenhua (Dongtai) Logistics 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 other subsidiaries established in the PRC are subject to EIT at 25% (for the six months ended 30 June 2011: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (for the six months ended 30 June 2011: 16.5%).

7. EARNINGS PER SHARE

The calculation of the earnings per share for the three months and six months ended 30 June 2012 is based on the profit attributable to owners of the Company of RMB14,922,000 and RMB32,073,000 respectively, and the number of 936,190,000 shares (three months and six months ended 30 June 2011: 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 resolved to declare an interim dividend of RMB0.016 per ordinary share for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

The interim dividend has not been recognised as a liability at the end of the reporting period.

9. INVENTORIES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Asphalt for resale	**42,132**	42,116
Fuel oil for resale	**4,246**	6,446
Asphalt for construction	**5,185**	2,860
Other construction materials	**70,221**	15,067
	121,784	66,489

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade receivables	**1,230,001**	1,021,153
Commercial notes receivable	**172,015**	127,324
Retention sum for construction contracts	**286,215**	356,972
	1,688,231	1,505,449
Prepayments and deposits	**181,806**	220,924
Other receivables	**336,418**	35,372
Amounts due from associates	**–**	5,715
Less: Provision for impairment of receivables	**(70,665)**	(78,678)
	2,135,790	1,688,782
Classified as:		
Non-current assets	**319,183**	269,473
Current assets	**1,816,607**	1,419,309
	2,135,790	1,688,782

10. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade and notes receivables based on invoice date and before impairment loss is as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Petrochemical product supply chain service business *(note (a))*		
Less than 31 days	**350,645**	262,720
31 to 60 days	**191,148**	115,876
61 to 90 days	**48,469**	61,522
91 days to less than 1 year	**228,233**	108,563
1 year to less than 2 years	**54,890**	42,875
2 years to less than 3 years	**3,022**	1,711
Over 3 years	**7,176**	6,210
	883,583	599,477
Road and bridge construction *(note (b))*		
Less than 6 months	**379,405**	420,250
6 months to less than 1 year	**375,368**	117,366
1 year to less than 2 years	**1,907**	294,063
2 years to less than 3 years	**46,296**	68,538
Over 3 years	**1,672**	5,755
	804,648	905,972
Total	**1,688,231**	1,505,449

Notes:

(a) For petrochemical product supply chain service business, 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. Normally the general credit period is ranging from 0 to 90 days.

(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. Normally the general credit period is ranging from 0 day to 3 years.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables	**145,810**	300,472
Notes payable	**549,862**	204,887
	695,672	505,359
Amount due to an associate	**–**	2,449
Deposits received	**149,591**	110,030
Other payables	**220,410**	83,400
Accruals	**–**	11,219
	370,001	207,098
Total	**1,065,673**	712,457

11. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables is as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Petrochemical product supply chain service business		
Less than 31 days	**103,628**	3,073
31 to 60 days	**71,765**	40,000
61 to 90 days	**89,647**	65,255
91 days to less than 1 year	**61,052**	10,539
1 year to less than 2 years	**200**	693
2 year to less than 3 years	**–**	–
Over 3 years	**81**	76
	326,373	119,636
Road and bridge construction		
Less than 6 months	**314,817**	324,917
6 months to less than 1 year	**47,510**	8,325
1 year to less than 2 years	**452**	26,312
2 years to less than 3 years	**4,441**	19,198
Over 3 years	**2,079**	6,971
	369,299	385,723
Total	**695,672**	505,359

12. BORROWINGS

		As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Secured	– interest bearing loans	**18,798**	107,980
Unsecured	– interest bearing loans	**1,227,523**	892,500
		1,246,321	1,000,480

At 30 June 2012 and 31 December 2011, total current and non-current borrowings of the Group were payable as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
On demand or within one year	**1,237,480**	1,000,480
More than one year, but not exceeding two years	**8,841**	–
	1,246,321	1,000,480
Amount due within one year included in current liabilities	**(1,237,480)**	(1,000,480)
Non-current portion	**8,841**	–

13. SIGNIFICANT DISPOSALS OF ASSETS

In April 2012, the Group disposed its ocean-going carrier named "Shenhua 1" at a price of RMB5,600,000. The original cost of the carrier was RMB22,371,000, with accumulated depreciation and impairment loss of RMB4,693,000 and RMB6,743,000 respectively. An amount of RMB5,335,000 had been recognized as loss on disposal during the reporting period.

In May 2012, the Group wrote off the equipment of the warehouse located in Nanchang City, Jiangxi Province. The original book value of these equipment amounted to RMB7,632,000, with an accumulated depreciation of RMB3,228,000, incurring a loss on disposal of RMB4,404,000 for the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

In the first half of 2012, affected by factors such as the European debt crisis and weak demand from the overseas markets, the overall domestic economic situation was challenging. Facing the complicated domestic economic situation, the Group realigned its business structure in a timely and effectively manner in response to market changes and optimized the resource allocation for its major business segments, which resulted in improvement of its overall profitability. Despite the sluggish business environment, the Group still managed to achieve steady business growth during the period. For the six months ended 30 June 2012, turnover, gross profit and net profit attributable to the owners of the Group were approximately RMB1,937,475,000, RMB136,816,000 and RMB32,073,000, respectively, representing an increase of approximately 14.3%, 36.0% and 14.0% when compared with the corresponding period of last year. On the road and bridge construction business, in response to the macro-control measures implemented in recent years, the Group actively carried out adjustments and made full use of the advantage from its differentiated businesses, achieving steady growth in the number of construction projects undertaken by the segment, with its gross profit and gross margin increased by approximately 31.7% and 6 percentage points over the corresponding period of last year respectively. On petrochemical product supply chain service business, the Group introduced certain varieties of higher margins in order to refine the product mix of the business segment, while effectively adjusting customer structure by securing more major premier customers who may contribute to the Company's revenue, resulting in an increase of approximately 20.6% and 40.1% in turnover and gross profit of the business segment over the corresponding period of last year respectively.

Especially, the successful transfer of listing of the Shares of the Company from GEM to the Main Board of the Stock Exchange of Hong Kong Limited on 16 July 2012 marked the Group's entry into a larger capital market platform. The transfer of listing will further facilitate the buoyant trading of the Company's H Shares, which is beneficial for uplifting its corporate image and the investment community's awareness and thus is constructive for the future growth and development of the Company.

Business Operations

The Group is a conglomerate incorporating the road and bridge construction and the petrochemical product supply chain services. The road and bridge construction business mainly comprises the construction of highways and municipal roads in the PRC. The petrochemical product supply chain service business mainly comprises the provision of one-stop services including purchase, storage and transportation to the Group's customers based on its well established logistics system, covering fuel oil trading business, asphalt trading business and the auxiliary logistics services provided for fuel oil trading business and asphalt trading business.

Road and Bridge Construction Business

For the six months ended 30 June 2012, turnover of the Group's road and bridge construction business was approximately RMB328,843,000 (for the six months ended 30 June 2011: approximately RMB360,610,000), representing a decrease of approximately 8.8% from the corresponding period of last year and accounting for approximately 17% of the Group's total turnover.

For the six months ended 30 June 2012, gross profit of the Group's road and bridge construction business was approximately RMB63,715,000 (for the six months ended 30 June 2011: approximately RMB48,391,000), representing an increase of approximately 31.7% from the corresponding period of last year, whereas gross margin increased from approximately 13.4% in the corresponding period of last year to approximately 19.4% in the reporting period.

Despite the decrease in turnover over the corresponding period of last year, the business segment achieved growth in both its gross profit and gross margin. The growth was mainly attributable to our strategy to selectively undertake some small and medium projects with higher gross profit instead of blindly pursuing for large projects in order to control risk and ensure funds security, in view of the overall sluggish domestic economic situation.

As at 30 June 2012, the backlog of bid-winning construction contracts not yet recognized as revenue amounted to approximately RMB817,507,000, most of which will be completed within the next 3 to 17 months.

Petrochemical Product Supply Chain Service Business

The business arm comprises the provision of one-stop services including purchase, storage and transportation to the Company's customers based on its well-established logistics service system, covering fuel oil trading business and asphalt trading business. With sound business footholds in place, the Group has extended its presence from Shanghai to Jiangsu, Jiangxi, Anhui, Zhejiang, Hubei and Henan. Turnover from the Group's petrochemical product supply chain service business in the first half of the year was approximately RMB1,608,632,000 (for the six months ended 30 June 2011: approximately RMB1,334,292,000), accounting for approximately 83% of the Group's total turnover. This business arm is summarised by segments as follow:

Fuel Oil Trading Business

For the six months ended 30 June 2012, turnover of the Group's fuel oil trading business was approximately RMB1,405,950,000 (for the six months ended 30 June 2011: approximately RMB1,152,643,000), representing an increase of approximately 22.0% over the corresponding period of last year and accounting for approximately 72.6% of the Group's total turnover.

For the six months ended 30 June 2012, gross profit of the Group's fuel oil trading business was approximately RMB54,316,000 (for the six months ended 30 June 2011: approximately RMB28,332,000), representing an increase of approximately 91.7% over the corresponding period of last year, whereas gross margin also increased from 2.5% to 3.9%. The increase in gross margin was mainly attributable to the Group's ongoing efforts to optimize its customer portfolio by developing major premier customers and to improve the quality of its products and services so as to ensure stable growth of the gross margin.

Asphalt Trading Business

For the six months ended 30 June 2012, turnover of the Group's asphalt trading business was approximately RMB179,067,000 (for the six months ended 30 June 2011: approximately RMB153,040,000), representing an increase of approximately 17.0% over the corresponding period of last year and accounting for approximately 9.2% of the Group's total turnover.

Gross margin of the asphalt trading business decreased from approximately 12.3% in the corresponding period of last year to 8.5% in the reporting period. The decrease was mainly attributable to the relatively higher gross margin for the first half of last year as a result of higher price difference achieved on sales of asphalt inventories which were then stockpiled at lower prices. Despite such decrease over the corresponding period of last year, the level of the gross margin for the current period fell within the normal range since it was still higher than the average gross margin of last year.

For the six months ended 30 June 2012, gross profit of the Group's asphalt trading business was approximately RMB15,187,000 (for the six months ended 30 June 2011: approximately RMB18,838,000), representing a decrease of approximately 19.4% over the corresponding period of last year. The decrease was mainly attributable to the decrease in gross margin as compared to the corresponding period of last year.

Logistics Business

Logistics business mainly comprises the provision of auxiliary services to fuel oil and asphalt trading businesses to enable the Group to provide one-stop supply chain services to its customers. For the six months ended 30 June 2012, turnover of the Group's logistics business was approximately RMB23,615,000 (for the six months ended 30 June 2011: approximately RMB28,609,000), representing a decrease of approximately 17.5% from the corresponding period of last year. The decrease was mainly attributable to the less storage of asphalt and fuel oil to reduce risks from volatile asphalt and fuel oil prices since this year, as well as a corresponding drop in revenue from logistics business due to the adoption of direct sales (i.e., skipping the handling through the Company's oil tanks) for certain business to cut down logistics costs and the choice by some customers of our petrochemical product supply chain service business to collect products by themselves.

The logistics business is aimed to enable the Group to provide one-stop services to its customers, so as to improve the comprehensive competitiveness of the Group. Therefore, despite a decrease in the revenue for the first half of the year as compared to the corresponding period of last year, the business arm remains one of the main supports to maintain our competitive edge.

Other Income

For the six months ended 30 June 2012, the Group's other revenue were approximately RMB10,173,000 (for the six months ended 30 June 2011: approximately RMB1,600,000). The increase in other income was mainly attributable to the compensation charged by the Company to a few customers of our petrochemical product supply chain service business for use of the trade receivables.

Distribution Costs

For the six months ended 30 June 2012, the Group's distribution costs were approximately RMB5,831,000 (for the six months ended 30 June 2011: approximately RMB6,679,000), representing a decrease of approximately 12.7% over the corresponding period of last year. The decrease was mainly attributable to the self-collection of products by some customers of our petrochemical product supply chain service business, for which the transportation costs were also bore by themselves.

Administrative Expenses

For the six months ended 30 June 2012, administrative expenses of the Group were approximately RMB39,067,000 (for the six months ended 30 June 2011: approximately RMB21,308,000). The increase in administrative expenses was mainly due to 1) the disposal of the equipment of our asphalt warehouse located in Nanchang City, Jiangxi Province as its storage and transportation capability was not sufficient to accommodate the actual needs, resulting in a book loss of approximately RMB4,404,000; 2) the disposal loss of approximately RMB5,335,000 for the sole ocean carrier owned by the Company, which was made out of prudent consideration and due to its shrinking business volume amid an overall sluggish international shipping industry as a result of the financial crisis; 3) the costs incurred for the transfer of the listing of our shares from the GEM to the Main Board of the Stock Exchange; and 4) the increase in costs due to the expansion of our overall businesses.

Profit Attributable to Shareholders

For the six months ended 30 June 2012, the profit attributable to owners of the Group was approximately RMB32,073,000 (for the six months ended 30 June 2011: approximately RMB28,126,000), representing an increase of approximately 14.0% when compared with the corresponding period of last year. The basic and diluted earnings per share attributable to owners of the Company during the period were RMB0.034 (for the six months ended 30 June 2011: approximately RMB0.030), representing an increase of approximately 13.3% when compared with the corresponding period of last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 30 June 2012, the Group had total assets less current liabilities of approximately RMB761,790,000 (31 December 2011: approximately RMB713,339,000), including non-current assets approximately RMB673,564,000 (31 December 2011: approximately RMB623,991,000) and net current asset approximately RMB88,226,000 (31 December 2011: approximately RMB89,348,000).

Liquidity and Financial Resources

As at 30 June 2012 and 31 December 2011, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB462,909,000 and RMB308,115,000 respectively.

As at 30 June 2012 and 31 December 2011, bank loans of the Group amounted to approximately RMB1,246,321,000 and RMB1,000,480,000 respectively.

As at 30 June 2012 and 31 December 2011, the respective debt-to-asset ratio was approximately 76.49% and 71.9%, which was calculated as total liabilities divided 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 against Renminbi.

Charges of Assets

As at 30 June 2012, property, plant and equipment with a net book value of approximately RMB22,911,700 (31 December 2011: approximately RMB24,947,000) were pledged as security for the Group's bank borrowings.

As at 30 June 2012, no trade and other receivables (31 December 2011: approximately RMB50,000,000) were pledged as security for the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2012, the Company provided guarantees in favour of certain third parties for their external borrowings of approximately RMB10,000,000 (31 December 2011: approximately RMB10,000,000).

Employee Information

As at 30 June 2012, the Group had 480 employees. During the period under review, total employee remuneration (including directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB17,656,000. Employee's remuneration is determined according to their performance and work experience.

PROSPECTS

In the second half of the year, the domestic economic environment still faces great challenge as uncertainties remain in the global economy. However, with the launch of resolutions to solve the European debt crisis and the implementation of a series of macro-control measures by the PRC government such as the "pro-growth" policy, the domestic economy is expected to gradually pick up from its downturn and show signs of stabilization. It is expected that liquidity of money-supply will be further improved in the second half of the year as the monetary easing policies implemented in the first half of the year begin to show effect, which led to a decrease in financing costs for the small and medium enterprises. Meanwhile, the state government takes steps to adjust the allocation of capital between the real economy and the virtual economy, so as to attract inflow of credit funds towards the real economy, which shall also be beneficial to the future development of the Group.

The Group will strive to achieve growth and development in the following business segments.

On road and bridge construction business, adhering to the main principal of maintaining sound and stable development, the Group will actively explore medium-size projects based on our existing business units and capital condition, and enhance internal management and implement stringent control over costs and expenditures, in an effort to ensure stable growth for this business segment in the short and medium term. In the long run, the segment will gradually increase the proportion of BT projects or other quality projects when appropriate opportunities arise and sufficient funds are available, so as to improve the profitability of the business segment.

As to the petrochemical product supply chain service business, the Group will continue to utilize the advantages of "one-stop" logistic management and make full use of the synergies of the logistics service systems, asphalt trading and fuel oil trading businesses. Meanwhile, for the fuel oil trading projects, the Group will proactively seek for major premier customers and develop similar collaborative products to further increase its market share. In the short term, the Company will raise sufficient liquidity through various channels such as bank borrowings to further expand the bulk commodity trading business, in an effort to achieve steady growth for the business segment. On the asphalt trading business, the Company will continue to facilitate steady and smooth progress of all bid-winning projects and actively participate in the bidding for the Shanghai Disney project, to ensure stable development of the business segment.

On the policy front, the Group will continue to benefit from the support for infrastructure construction in the "Twelfth Five-Year Plan", which may boost the market demand for road and bridge construction and energy petrochemical products. The Group will also adjust its operation strategies of each business segment in a timely manner to maximize the synergies of all its major businesses, so as to promote overall steady growth of its profitability.

DISCLOSURE OF INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

At 30 June 2012, 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 Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "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 30 June 2012, the persons or company (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 338 of the SFO and who were directly and/or indirectly deem to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Persons	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 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 Persons	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
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 2012.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2012, 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 the Model Code in Appendix 10 of the 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

The Company established an audit committee in 2005 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. Chung Cheuk Ming, Ms. Ye Mingzhu and Mr. Zhu Shengfu and one non-executive Director, Mr. Chan Cheuk Wing Andy. Mr. Chung Cheuk Ming 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 2012, 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 2012, 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) 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.

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.

NOMINATION COMMITTEE

The Company established the nomination committee in 2012 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed change to the Board to complement the Company's strategies. The nomination committee comprises three independent non-executive Directors, Mr. Chung Cheuk Ming, Ms Ye Mingzhu and Mr. Zhu Shengfu, and one executive Director, Mr. Qian Wenhua. Mr. Qian Wenhua is the chairman of the nomination committee.

DIVIDEND

The Board of Company has resolved to declare an interim dividend of RMB0.016 per share (six months ended 30 June 2011: nil) amounting to a total of approximately RMB14,979,000 for six months ended 30 June 2012 (six months ended 30 June 2011: nil), which is proposed to be payable on or before 31 December 2012 to shareholders whose names appear on the register of members of the Company on the Record Date (defined below).

DISTRIBUTION OF INTERIM DIVIDEND

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividend payable to holders of the domestic shares of the Company will be made and paid in Renminbi, whereas dividend payable to holders of the H shares of the Company will be declared in Renminbi but paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of the interim dividends.

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, 27 August 2012

As at the date of this report, the Board comprises four executive Directors: Qian Wenhua, Lu Yong, Zhang Jinhua and Li Hongyuan; one non-executive Director: Chan Cheuk Wing Andy; three independent non-executive Directors: Chung Cheuk Ming, Ye Mingzhu and Zhu Shengfu.