SHANGHAI TONVA PETROCHEMICAL CO., LTD.*

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

Stock Code: 1103

2012
Annual Report

*For identification purposes only

Contents

Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2012	2011	2010	2009	2008
Turnover	**4,422,014**	3,220,685	2,475,024	1,581,550	1,504,659
Profit before income tax expense	**161,287**	92,982	102,221	34,232	57,419
Profit attributable to owners of the Company	**101,278**	71,722	66,972	2,268	35,404
Net profit margin	**2.29%**	2.23%	2.71%	0.14%	2.35%
Earnings per share (RMB)	**0.108**	0.077	0.072	0.002	0.038

ASSETS AND LIABILITIES

	As at 31 December				
	2012	2011	2010	2009	2008
Non-current assets	**739,733**	623,991	618,494	659,681	683,118
Current assets	**2,225,504**	1,839,851	1,330,998	1,269,584	899,788
Non-current liabilities	**(11,311)**	(22,127)	(69,981)	(135,182)	(24,405)
Current liabilities	**(2,151,974)**	(1,750,503)	(1,223,438)	(1,212,596)	(965,369)
Non-controlling interests	**(117,646)**	(92,624)	(108,280)	(89,131)	(92,668)
Capital and reserves attributable to owners of the Company	**684,306**	598,588	547,793	492,356	500,464

Corporate Information

EXECUTIVE DIRECTORS

Qian Wenhua – Chairman and Chief Executive Officer
Lu Yong – Vice Chairman (passed away on 26 March 2013)
Li Hongyuan

NON-EXECUTIVE DIRECTORS

Chan Cheuk Wing Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Cheuk Ming
Pan Min
Zhou Jianhao

SUPERVISORS

Zhang Liangjun
Ye Mingzhu
Bian Ji

AUDITOR

BDO Limited, *Certified Public Accountants*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PLACE OF BUSINESS IN HONG KONG

Room 1613, 16/F.,
Tai Yau Building,
No. 181 Johnston Road,
Wanchai,
Hong Kong

COMPANY WEBSITE

www.tonva.com

COMPLIANCE OFFICER

Li Hongyuan

COMPANY SECRETARY

Lui Tin Nang, *CPA, FCA, FCPA, ACMA, FTIHK, MBA, BSc*

AUTHORISED REPRESENTATIVES

Li Hongyuan
Lui Tin Nang, *CPA, FCA, FCPA, ACMA, FTIHK, MBA, BSc*

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming
Chan Cheuk Wing Andy
Pan Min
Zhou Jianhao

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao
Chung Cheuk Ming
Pan Min

MEMBERS OF NOMINATION COMMITTEE

Qian Wenhua
Chung Cheuk Ming
Pan Min
Zhou Jianhao

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
China PingAn Bank
Agricultural Bank of China
China CITIC Bank

Chairman's Statement

2012 was the second year of the "Twelfth Five-Year Plan". Amid the ongoing severe European debt crisis and global economic environment, the growth of China slowed down with more uncertainties. Despite such a challenging environment, with dedicated efforts of our staff, the Group captured opportunities and maintained a solid and considerable growth in overall business performance. During the period under review, the Group realigned its business and asset structure in an effective manner, optimized the resource allocation for its major business segments and disposed some non-performing assets with high value in a timely manner, which contributed to the fast improvement of its overall profitability. Despite the sluggish business environment, the Group still managed to achieve steady business growth. The Group recorded significant growth both in turnover and profit after tax during the year, laying a solid foundation for the development of the Group in the year ahead. In the coming year, the Group will continue to capture opportunities of China's vigorous infrastructure development, actively develop the road and bridge construction business to leverage on the opportunities brought forth by the "Twelfth Five-Year Plan" while consolidating the strengths of the petrochemical product supply chain service business, developing new fuel oil and expanding trade platform, with an aim to continuously improve the comprehensive competitiveness of the Group and achieve sustainable development of our businesses.

2012 also represented a milestone for the Group. 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 uplift our corporate image and the investment community's awareness.

Results of the Year

During the year, the Group's profit after tax increased by 45.9% over last year to approximately RMB130,594,000 (2011: approximately RMB89,481,000). The significant increase in profit is mainly attributable to a substantial year-on-year increase of 37.3% in turnover during the year. The fuel oil trading business, being one of the major business segments of the petrochemical products supply chain service business, recorded a significant growth in turnover, accounting for more than half of the Group's turnover in 2012 (approximately 69.6%) and thus became one of the Group's major sources of revenue. Profit attributable to owners of the Company increased by 41.2% over last year to approximately RMB101,278,000 (2011: RMB71,722,000). This positive financial data reflects the Group's encouraging performance in 2012, bringing a good foundation for the development of the Group in the year ahead. The Board decided to pay a final dividend of RMB0.036 per share to the shareholders for their great support to the Group.

Business overview and major factors affecting the profit

During the year, in spite of the continuing tight monetary policy in China, with our effective management, extensive experiences, advanced technology and equipments in construction and leveraging on our overall strength and resource advantage, the Group made steady progress in the construction of all road and bridge construction projects on hand while actively participated in market competition, and succeeded in bidding for a number of large road or bridge construction projects. Turnover of the petrochemical products supply chain service business reached approximately RMB3,562,938,000, representing an increase of 54.9% over last year. Among which, the fuel oil trading business recorded remarkable growth in 2012. The Group put in more resources in the development of new fuel oil product while further exploring the overseas market for fuel oil trading business, which made good progress. In addition, the Group implemented a policy for lower margins but quick turnover for the business and therefore has successfully developed many quality customers of that business and enhanced the Group's market competitiveness, which drove the increase in the Group's overall profits. During the year, the Group's fuel oil sales volume grew by 62.9% over last year and its turnover increased by 67.6% year on year to approximately RMB3,079,498,000.

Asphalt trading business recorded steady growth during the year. For the year ended 31 December 2012, gross profit of the asphalt trading business was approximately RMB32,767,000, representing an increase of approximately 10.4% compared with 2011. The increase was mainly because the Group maintained stable sales and maximized the profit during the year under review, which was mainly due to the strengthening of the Group's cooperation with powerful large suppliers and timely and accurate understanding of market trends of asphalt price, as well as the Group's selectively increasing supply volume to clients with high margins in its sale process. Moreover, with the commencement of construction for the Shanghai Disneyland project, the growth of Shanghai's demand for asphalt will also contribute to better earning expectation of the Company's asphalt trading business for the next year.

PROSPECT

The "Twelfth Five-Year Plan" of China has successfully entered into its second year. Driven by the Twelfth Five-Year Development Plan for Comprehensive Traffic and Transportation System, the Group's road and bridge business succeeded in bidding for a number of road and bridge projects during the year. It is expected that the Group's road and bridge construction business will continue to benefit from the national public transportation policy with steady growth. For the year ended 31 December 2012, the construction contracts of the Group signed but not yet recognized as revenue amounted to approximately RMB444 million, most of which will be completed within the next 12 to 14 months. With the commencement of construction for projects such as Shanghai Disneyland Park and the coastal development projects in Northern Jiangsu province, we are confident to win the bidding for more projects. The Group has confidence in achieving good development in road and bridge construction business in the coming year.

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, fuel oil trading and asphalt trading businesses. The Group will also continue to develop new fuel oil and seek further expansion of overseas market for fuel oil trading business while consolidating its existing trade relationship and maintaining key client relationships. With the gradual enhancement of bargaining power and continuous expansion of business scale of the Group, we believe that the business will maintain sustainable growth. Looking forward, the Group will continue to actively explore markets in Shanghai and the neighboring provinces and cities and overseas market to expand our customer base and improve our market competitiveness as well as to explore and achieve additional potential market shares, so as to be better positioned for the Group's future developments. Driven by the State's "Twelfth Five-Year Plan", it is expected that the domestic demand for asphalt will rise continuously on the increase in infrastructure projects. Also with the launch of the Shanghai Disneyland project, the Group believes that the asphalt trading business will maintain steady growth. Meanwhile, leveraging on the existing scale of business, the Group will also continue to expand its customer base and enhance its market competitiveness to increase the profit contribution to the Group.

Looking forward, the Group will adjust its operation strategies of each business segment in a timely manner in line with the market demand to maximize the synergies among the business segments, so as to promote overall steady growth of its profitability. Meanwhile, the Group will continue to optimize its capital allocation to improve its overall profitability, so as to bring long-term and more fruitful return for the shareholders who have been paying close attention to the development of the Group.

Qian Wenhua
Chairman

Management Discussion and Analysis

Business Review

In 2012, facing severe international economic environment and the central government's moderate tightening measures, the Group realigned part of its business structure in a timely and effectively manner to cope with changes in market demand and further optimized the resource allocation for its major business segments, which improved its overall profitability. Despite the sluggish economic environment, the Group still managed to achieve steady business growth during the year. For the twelve months ended 31 December 2012, turnover, gross profit and net profit of the Group were approximately RMB4,422,014,000, RMB247,428,000 and RMB130,594,000, respectively, representing an increase of approximately 37.3%, 28.9% and 45.9% when compared with last year. During the year, the Group proceeded steadily with the construction of various road and bridge projects, meanwhile the Group also actively participated in market competition and won the bidding of several large road and bridge projects. During the year, the petrochemical product supply chain service business realised excellent synergies, both fuel oil trading business and asphalt trading business recorded encouraging growth. The fuel oil trading business grew rapidly. With diversified types of fuel oil, broader customer base and enhanced competitive edge, the business became the growth engine for the Group which drove the overall earnings of the Group. Turnover of the fuel oil trading business was approximately RMB3,079,498,000, representing a significant increase of approximately 67.6% over last year, and gross profit was approximately RMB129,993,000, representing a significant increase of approximately 118.1% over last year. The rapid growth of the business was mainly attributable to the fact that the Group developed new fuel oil, proactively sought for major premier customers and further explored overseas market during the period under review, which helped continuously increase the market share of our products. As to the asphalt trading business, the Group maintained stable sales and maximized the profit during the year under review, which was mainly due to the strengthening of the Group's cooperation with powerful large suppliers and timely and accurate understanding of market trends of asphalt price, as well as the Group's selectively increasing supply volume to clients with high margins in its sale process. Moreover, with the commencement of construction for the Shanghai Disneyland project, the growth of Shanghai's demand for asphalt will also contribute to better earning expectation of the Group's asphalt trading business for the next year.

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 year ended 31 December 2012, turnover for the Group's road and bridge construction business was approximately RMB859,076,000 (2011: approximately RMB920,354,000), down by approximately 6.7% as compared with last year, which was mainly due to the difference in concentration of completion schedule of construction projects. Turnover of the road and bridge construction business accounted for approximately 19.4% of the Group's total turnover.

For the year ended 31 December 2012, gross profit of the Group's road and bridge construction business was approximately RMB82,027,000 (2011: approximately RMB91,618,000), representing a decrease of approximately 10.5% from last year, whereas gross margin decreased from approximately 10.0% last year to approximately 9.5% in the reporting period.

Turnover and gross profit of the business decreased over last year, which was mainly due to Nantong Road and Bridge's proactive exploration on the structural adjustment of construction projects in 2012, including (i) gradually disposed of some ordinary projects with low efficiency and difficulty in collection of payment; (ii) kept strengthening the internal control and considered the cost control, detailed management and collection of receivables as key indicators to assess the efficiency of the projects under construction; and (iii) undertook new projects more prudently and scientifically instead of simply seeking scale expansion.

For the year ended 31 December 2012, the backlog of bid-winning construction contracts not yet recognized as revenue amounted to approximately RMB444 million, most of which will be completed within the next 12 to 14 months.

Management Discussion and Analysis

Petrochemical Product Supply Chain Service Business

The business segment comprises the provision of one-stop services including purchase, storage and transportation to the Group'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 and even to overseas market during the year under review. Turnover from the petrochemical product supply chain service business for the year was approximately RMB3,562,938,000 (2011: approximately RMB2,300,331,000), accounting for approximately 80.6% of the Group's total turnover.

This business segments are summarised as follow:

Fuel Oil Trading Business

For the year ended 31 December 2012, turnover of the Group's fuel oil trading business was approximately RMB3,079,498,000 (2011: approximately RMB1,837,160,000), representing a significant increase of approximately 67.6% over last year and accounting for approximately 69.6% of the Group's total turnover.

For the year ended 31 December 2012, gross profit of the Group's fuel oil trading business was approximately RMB129,993,000 (2011: approximately RMB59,591,000), representing a significant increase of approximately 118.1% over last year, whereas gross margin also increased from 3.2% to 4.2%. The surge in gross margin was mainly attributable to the fact that the Group developed new fuel oil and proactively sought for major premier customers, which helped continuously increase the market share of its products. Meanwhile, the Group kept optimizing its customer portfolio by developing major premier customers and improved the quality of its products and services so as to maintain stable growth of the gross margin.

Asphalt Trading Business

For the year ended 31 December 2012, turnover of the Group's asphalt trading business was approximately RMB444,879,000 (2011: approximately RMB403,412,000), representing an increase of approximately 10.3% over the corresponding period of last year and accounting for approximately 10.1% of the Group's total turnover.

Gross margin of the asphalt trading business was approximately 7.4%, similar to that of last year. Gross margin maintained stable growth, mainly due to the Company's reasonable control of inventory level and strengthening market analysis and forecast to reasonably avoid the risk rising from the price fluctuation of asphalt.

For the year ended 31 December 2012, gross profit of the Group's asphalt trading business was approximately RMB32,767,000 (2011: approximately RMB29,692,000), representing an increase of approximately 10.4% over last year. The increase was mainly because the Group maintained stable sales and maximized the profit during the year under review, which was mainly due to the strengthening of the Group's cooperation with powerful large suppliers and timely and accurate understanding of market trends of asphalt price, as well as the Group's selectively increasing supply volume to clients with high margins in its sale process. Moreover, with the commencement of construction for the Shanghai Disneyland project, the growth of Shanghai's demand for asphalt will also contribute to better earning expectation of the Company's asphalt trading business for the next year.

Logistics Business

Logistics business mainly comprises the provision of auxiliary services to fuel oil trading and asphalt trading businesses to enable the Group to provide one-stop supply chain services to its customers. For the twelve months ended 31 December 2012, turnover of the Group's logistics business was approximately RMB38,561,000 (2011: approximately RMB59,759,000), representing a decrease of approximately 35.5% from last year. The decrease was mainly due to decrease in revenue from storage resulting from the less storage of asphalt and fuel oil to reduce risks from volatile asphalt and fuel oil prices, as well as a drop in revenue from transportation business due to the adoption of direct sales (i.e., skipping the handling through the Company's oil tanks) for certain business and the self-collection of products by some customers for which the transportation costs were also borne by themselves. Logistics business is aimed to enable the Group to provide one-stop services to its customers and remains one of the main supports to maintain our competitive edge.

Profit for the Year

For the year ended 31 December 2012, the Group recorded profit attributable to owners of the Company for the year of approximately RMB101,278,000 (2011: approximately RMB71,722,000), representing an increase of approximately 41.2% over last year.

Other Income and Gains

Other income and gains increased from approximately RMB37,714,000 for the year ended 31 December 2011 to approximately RMB85,041,000 for the year ended 31 December 2012. The significant increase in the other income and gains was mainly due to the relocation compensation for office that had been occupied by Nantong Road and Bridge and was requisitioned by the government for unified planning.

Administrative Expenses

For the year ended 31 December 2012, the administrative expenses increased by approximately 7.9% to approximately RMB100,749,000. The increase in administrative expenses was mainly due to the reasonable increase of expenses resulting from the business expansion and increase in sales volume of the Company, and the recognition of loss on disposal for the year in an amount of RMB10,705,000 resulting from the disposal of an asphalt warehouse located in Nanchang City, Jiangxi Province and an ocean carrier by the logistic business segment.

Distribution Costs

For the year ended 31 December 2012, the distribution costs were approximately RMB12,044,000, which decreased by approximately 11.5% as compared with the previous year. The decrease in distribution costs 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 borne by themselves.

Finance Costs

The finance costs for the year was approximately RMB58,071,000, representing a year-on-year increase of approximately 100%. The increase in finance costs was mainly due to higher overall gearing ratio resulting from the increase in funding requirements arising from the development of fuel oil business and road and bridge construction projects.

Management Discussion and Analysis

Capital Structure, Liquidity and Financial Resources

Net Current Assets Value

As at 31 December 2012, the Group had current assets of approximately RMB2,225,504,000 (2011: approximately RMB1,839,851,000). The current assets comprised: cash and cash equivalents amounting to approximately RMB502,215,000 (2011: approximately RMB218,545,000), restricted bank deposits of approximately RMB195,097,000 (2011: approximately RMB89,570,000), trade and other receivables of approximately RMB1,464,807,000 (2011: approximately RMB1,419,309,000), amounts due from customers for contract work of approximately RMB10,813,000 (2011: approximately RMB33,738,000) and inventories of approximately RMB52,572,000 (2011: approximately RMB66,489,000). The Group had current liabilities of approximately RMB2,151,974,000 (2011: approximately RMB1,750,503,000). The current liabilities comprised: borrowings of approximately RMB1,235,000,000 (2011: approximately RMB1,000,480,000), trade and other payables of approximately RMB843,059,000 (2011: approximately RMB712,457,000), amounts due to customers for contract work of approximately RMB48,903,000 (2011: approximately RMB17,927,000) and current income tax liabilities of approximately RMB25,012,000 (2011: approximately RMB19,639,000). As at 31 December 2012, the net current asset value was RMB73,530,000 (2011: approximately RMB89,348,000).

Working Capital

As at 31 December 2012, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB697,312,000 (2011: approximately RMB308,115,000). The significant increase in cash and cash equivalents was mainly attributable to the enhancement in collection of trade receivables by the Group in the second half of the year. The net cash generated from financing activities was approximately RMB219,541,000 (2011: approximately RMB306,744,000).

Borrowings

As at 31 December 2012, the Group did not have any long-term borrowings (2011: Nil) and had short-term borrowings of approximately RMB1,235,000,000 (2011: approximately RMB1,000,480,000). All of the Group's borrowings were denominated in RMB.

Charges of Assets

As at 31 December 2012, the net book value of payments for leasehold land held for own use under operating leases were approximately RMB8,870,000 (2011: Nil).

As at 31 December 2012, property, plant and equipment with a net book value of approximately RMB13,144,000 (2011: approximately RMB24,947,000) were pledged as security for the Group's borrowings.

As at 31 December 2012, trade receivables of approximately RMB58,000,000 (2011: approximately RMB50,000,000) were pledged as security for the Group's borrowings.

As at 31 December 2012, the Group had restricted bank deposits of approximately RMB195,097,000 (2011: RMB89,570,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

Debt to Asset Ratio

The debt to asset ratio as at 31 December 2012 was approximately 73.0% (2011: approximately 71.9%) which was calculated as total liabilities divided by total assets.

Foreign Currency Risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognised assets and liabilities are denominated in RMB. In the opinion of the directors, the Group's exposure to the foreign currency risk is minimal.

Profile of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Qian Wenhua (錢文華), aged 56, is a qualified economist in China. He graduated from Shanghai TV University (上海電視大學) in July 1986 with a professional diploma in Industrial Enterprise Management and obtained his EMBA degree in December 2002 from Phoenix International University (鳳凰國際大學) and Fudan Qiushi College (復旦求是進修學院), which is ancillary to Fudan University (復旦大學). Mr. Qian has over 20 years' experience in the asphalt industry. From 1975 to 1996, he worked in the sales team of a subsidiary of Shanghai Building Materials Supply General Corp. (上海市建築材料供應總公司) and was promoted to the position of manager, responsible for asphalt sales. From 1996 to 1997, Mr. Qian was the general manager of Shanghai Construction Materials Tax Free Trading Enterprise (上海建築材料保稅貿易行). He was the Chairman, General Manager and Executive Director of the Company from 1997 to 2003. Mr. Qian is the Chairman and the Chief Executive Officer of the Company currently.

Mr. Lu Yong (陸勇) (passed away on 26 March 2013), aged 58, is qualified as an Assistant Economist in China. He was appointed as Executive Director and Vice General Manager of the Company in 1999 and was appointed as Vice Chairman of the Company in December 2003 who is responsible for the Group's market development. From June 2004 to August 2007, Mr. Lu has been appointed as General Manager of the Company. Mr. Lu is the Vice Chairman, Vice President and the Executive Director of the Company currently.

Mr. Li Hongyuan (李鴻源), aged 56, is a qualified economist in China. He graduated from Shanghai TV University (上海電視大學) in July 1986 with a diploma in Industrial Enterprise Management. Mr. Li has over 10 years' experience in the construction materials industry. From 1991 to 2001, he worked in Shanghai Fosroc Expandite Construction and Engineering Products Company Ltd (上海富斯樂士本泰建築工程產品有限公司) as general manager. He joined the Company in 2001 and was the Supervisor from 2001 to 2003. Mr. Li was appointed as Vice General Manager and Director of the Company from December 2003 to August 2007. He is the Executive Director and the Vice President of the Company, and responsible for the Group's fuel oil trading business currently.

NON-EXECUTIVE DIRECTORS

Mr. Chan Cheuk Wing Andy (陳焯榮), aged 37, has extensive experience in private equity in pan-Asia region and strategic management consulting. Currently, Mr. Chan is the Senior Vice President of CLSA Capital Partner (HK) Ltd. Prior to joining CLSA Group, Mr. Chan was with CITIC International Assets Management Ltd, a company specialized in direct investment in China where Mr. Chan was responsible for deal evaluation and execution as well as fund formation. Mr. Chan was formerly the investment manager of PAMA Group and EMP-Daiwa Capital Asia Ltd, both are pan-Asia private equity funds, responsible for direct investment in pan-Asia region. He also worked for strategic management consulting companies, A.T. Kearney and IF Consulting, in New York, Boston and London as a management consultant. Mr. Chan holds an MBA from Duke University and a bachelor's degree in business from the University of Michigan in the United States of America.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Cheuk Ming (鍾卓明), aged 50, is a Practising Certified Public Accountant in Hong Kong. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a member of Society of Chinese Accountants and Auditors, and a member of the Hong Kong Institute of Bankers and a Registered Financial Planner of Hong Kong. Mr. Chung has been the principal of Alex Chung & Company, C.P.A. since 2006. Mr. Chung is a court-appointed nominee and trustee in bankruptcy. He worked as a senior manager in a practising accounting firm in Hong Kong from 2003 to 2006. Mr. Chung graduated from the University of Hong Kong with a Bachelor of Arts degree. He also obtained a master of science degree in e-commerce from Hong Kong Polytechnic University and a master of science degree in corporate governance and directorship from Hong Kong Baptist University. In addition, Mr. Chung obtained a postgraduate diploma in information system development from the City University of Hong Kong and a postgraduate diploma in insolvency from HKICPA.

Profile of Directors, Supervisors and Senior Management

Mr. Zhou Jianhao (周建浩), aged 52, is currently the general manager of Shanghai Kunpu Electronics and Technology Co., Ltd. (上海坤浦電子科技有限公司) and Shanghai Pai Feng Co., Ltd. (上海派鋒實業有限公司) and had formerly worked with Shanghai Hong Chen Real Estate Co., Ltd. (上海虹宸置業有限公司),etc. Mr. Zhou was an undergraduate from Nanjing Institute of Politics (南京政治學院) in 2000 and was a postgraduate from Shanghai Academy of Social Sciences, Institute of Economics (上海社會科學院) in 2002.

Ms. Pan Min (潘敏), aged 43, is a Certified Public Accountant in the PRC and currently a partner of ShineWing Certified Public Accountants (Shanghai Branch) (信永中和會計師事務所). Ms. Pan had formerly worked with Shanghai Wan Long Zhong Tian Accountants (上海萬隆眾天會計師事務所) and Crowe Horwath China CPAs* (國富浩華會計師事務所). Ms. Pan obtained a Bachelor's degree in Accounting in Hangzhou Institute of Electronics and Engineering (杭州電子工業學院) (currently known as Hangzhou Dianzi University (現杭州電子科技大學)) and is currently studying a Doctor's degree in Accountancy in Wu Han University (武漢大學).

SUPERVISORS AS NOMINATED BY SHAREHOLDERS OR EMPLOYEES

Mr. Zhang Liangjun (張良駿), aged 64, is a senior economist (高級經濟師). Mr. Zhang is currently the senior consultant with Shanghai Waterproof Building Materials (Group) Company (上海建築防水材料(集團)公司) and formerly a chief supervisor of Shanghai White Butterfly Pipe Technology Co., Ltd.* (上海白碟管業科技股份有限公司).

Ms. Ye Mingzhu (葉明珠), aged 68, a Certified Public Accountant in the PRC and is previously the independent non-executive Director of the Company, the independent director of Fujian Start Group Co., Ltd. (福建實達集團股份有限公司) and the manager of ShineWing Certified Public Accountants (信永中和會計師事務所). Ms. Ye had formerly worked with Shanghai Xin Shen Certified Public Accountants* (上海新申會計師事務所) and Shanghai Ruidong Hospital (上海瑞東醫院). Ms. Ye has over 40 years' experience in auditing, finance and accounting.

Mr. Bian Ji (邊吉), aged 27, is currently a deputy manager of the Company. He is appointed as staff representative supervisor.

SENIOR MANAGEMENT

Mr. Xu Jianwei (許建偉), aged 59, graduated from high school. Mr. Xu possesses more than 30 years of experience in logistics industry. He was the head of delivery department in Shanghai Yichuan Shopping Group (上海宜川購物集團公司) between 1992 to 2002, responsible for the deployment of vehicles. He joined the Company in August 2005 and was responsible for establishing Shanghai Shenhua Logistic Company Limited, a subsidiary of the Company. He is the vice President of the Company, and responsible for the Group's management and operation of land and inland water transport.

* For identification purpose only

Profile of Directors, Supervisors and Senior Management

Mr. Jin Xiaohua (金曉華), aged 42, holds EMBA from Nankai University. He was appointed as Vice General Manager of the Company in June 2004. In March 2007, he has been appointed as Executive Vice General Manager. From August 2007 to December 2010, Mr. Jin has been appointed as General Manager of the Company, and has been responsible for asphalt segment of the Group. Mr. Jin is the Vice President of the Company currently.

Mr. Mo Luojiang (莫羅江), aged 34, graduated from Shanghai University of Finance and Economics (上海財經大學) with a diploma in accountancy in April 2003. He joined the Company in April 2003 and was responsible for the preparation of Listing of the Company in Hong Kong. Mr. Mo was appointed as Secretary of Directors' Board in 2003. He was appointed as Vice General Manager of the Company in May 2006. In March 2007, he has been appointed as Executive Vice General Manager and responsible for corporate governance and capital market finance and the asphalt business in Henan & Hubei of the Group. Mr. Mo was awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs" in 2008. He is Vice President of the Company currently.

Ms. Cheng Du (程渡), aged 34, joined the Company in July 2012. She is the Financial Controller of the Group. Ms. Cheng has over 10 years of experience in accounting, auditing, taxation and corporate finance. Ms. Cheng holds a Bachelor Degree of Economics from Zhengzhou Institute of Aeronautical Industry Management, a Master degree in project management and a Master degree in business administration from the University of Southern Queensland, Australia, Ms. Cheng is a member of Australia Institute of Public Accountants.

Mr. Lui Tin Nang (呂天能), aged 55, has been appointed as the Secretary of the Company in July 2012. Mr. Lui has over 20 years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui holds a Bachelor of Science degree from University of Leeds and a Master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Lui is also a member of the Chartered Institute of Management Accountants.

Corporate Governance Report

The Board is committed to maintaining a qualified corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders, comply with the increasingly stringent regulatory requirements, and fulfill its commitment to excellence in corporate governance. The Company has adopted the Code Provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Up to the date of this annual report, in the opinion of the Board, saved as disclosed below, the Company has complied with the CG Code.

CG CODE PROVISION A.2.1

The Company is aware of the requirement under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not separately have any officer with the title of "chief executive officer". Mr. Qian Wenhua, the Chairman and founder of the Group, is also responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner.

The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arises.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors, which currently comprises 7 Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board of Directors to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

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

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

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

TRAININGS OF DIRECTORS

All newly appointed directors are provided with necessary induction and information to ensure that they have a proper understanding of the Group's businesses and their statutory supervision responsibilities as directors of listed companies. The Company will update directors on the latest development regarding the Group's businesses as well as the Listing Rules and other applicable regulatory requirements. In addition, all directors are encouraged to participate in training programmes held by qualified professional people in relation to the revised code and amendments to the relevant listing rules, so as to develop and update their knowledge and skills.

During the current financial year, all the directors have participated in proper continuous professional development trainings to update their knowledge and skills by attending briefings, conferences, programmes, workshops and seminars as well as by way of further education and self-study, so as to understand their roles, functions and responsibilities under the Listing Rules.

Attendance of individual Directors at Board meetings for 2012:

Number of meetings	15	
Executive Directors:		
Qian Wenhua	15/15	100%
Lu Yong	15/15	100%
Li Hongyuan	15/15	100%
Zhang Jinhua [1]	13/13	100%
Jin Xiaohua [2]	8/8	100%
Mo Luojiang [3]	8/8	100%
Non-executive Directors:		
Chan Cheuk Wing Andy	15/15	100%
Hsu Chun-min [4]	7/8	87.5%
Independent Non-executive Directors:		
Chung Cheuk Ming [5]	7/7	100%
Pan Min [6]	0/0	N/A
Zhou Jianhao [7]	0/0	N/A
Zhu Shengfu [8]	15/15	100%
Ye Mingzhu [9]	15/15	100%
Li Li [10]	8/8	100%
Average attendance rate	99.3%	

Notes:

1. Mr. Zhang Jinhua resigned as executive Director on 19 November 2012.
2. Mr. Jin Xiaohua resigned as executive Director on 15 June 2012.
3. Mr. Mo Luojiang resigned as executive Director on 15 June 2012.
4. Mr. Hsu Chun-min resigned as non-executive Director on 15 June 2012.
5. Mr. Chung Cheuk Ming was appointed as independent non-executive Director on 15 June 2012.
6. Ms. Pan Min was appointed as independent non-executive Director on 27 December 2012.
7. Mr. Zhou Jianhao was appointed as independent non-executive Director on 27 December 2012.
8. Mr. Zhu Shengfu resigned as independent non-executive Director on 27 December 2012.
9. Ms. Ye Mingzhu resigned as independent non-executive Director on 27 December 2012.
10. Mr. Li Li resigned as independent non-executive Director on 15 June 2012.

REMUNERATION OF DIRECTORS

The remuneration and assessment committee was established in 2005 (It was originally known as Remuneration Committee and was changed as the remuneration and assessment committee in 2012). The committee members are independent non-executive Directors and the committee chairman is Mr. Zhou Jianhao. Other committee members are Mr. Chung Cheuk Ming and Ms. Pan Min.

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

Corporate Governance Report

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

Number of meetings	3	
Independent Non-executive Directors:		
Zhou Jianhao [1]	0/0	N/A
Chung Cheuk Ming [2]	2/2	100%
Pan Min [3]	0/0	N/A
Zhu Shengfu [4]	3/3	100%
Ye Mingzhu [5]	3/3	100%
Li Li [6]	1/1	100%
Others:		
Shao Dan [7]	1/1	100%
Average attendance rate	100%	

Notes:

1. Mr. Zhou Jianhao was appointed as the remuneration and assessment committee chairman on 27 December 2012.

2. Mr. Chung Cheuk Ming was appointed as a remuneration and assessment committee member on 15 June 2012.

3. Ms. Pan Min was appointed as a remuneration and assessment committee member on 27 December 2012.

4. Mr. Zhu Shengfu resigned as a remuneration and assessment committee member on 27 December 2012.

5. Ms. Ye Mingzhu resigned as a remuneration and assessment committee member on 27 December 2012.

6. Mr. Li Li resigned as remuneration and assessment committee chairman on 15 June 2012.

7. Mr. Shao Dan resigned as a remuneration and assessment committee member on 10 October 2012.

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

NOMINATION COMMITTEE

The Company established the nomination committee on 16 February 2012 in accordance with the latest GEM Listing Rules issued in 2012 while it was listed on GEM. The majority of committee members are independent non-executive Directors and the committee chairman is Mr. Qian Wenhua, the other members include Mr. Chung Cheuk Ming, Mr. Zhou Jianhao and Ms. Pan Min.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and make recommendations on any proposed change to the Board to complement the Company's corporate strategies. Furthermore, the committee will make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession planning for directors, subject to the final approval in the general meeting.

Details of the attendance of the nomination committee:

Number of meetings	2	
Executive Director:		
Qian Wenhua	2/2	100%
Non-executive Directors:		
Chung Cheuk Ming [1]	1/1	100%
Pan Min [2]	0/0	N/A
Zhou Jianhao [3]	0/0	N/A
Li Li [4]	1/1	100%
Ye Mingzhu [5]	2/2	100%
Zhu Shengfu [6]	2/2	100%
Average attendance rate	100%	

Notes:

1. Mr. Chung Cheuk Ming was appointed as a nomination committee member on 15 June 2012.

2. Ms. Pan Min was appointed as a nomination committee member on 27 December 2012.

3. Mr. Zhou Jianhao was appointed as a nomination committee member on 27 December 2012.

Corporate Governance Report

4. Mr. Li Li resigned as a nomination committee member on 15 June 2012.

5. Ms. Ye Mingzhu resigned as a nomination committee member on 27 December 2012.

6. Mr. Zhu Shengfu resigned as a nomination committee member on 27 December 2012.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor including whether such non-auditing functions could lead to any potential material adverse effect on the Company. During the year, the Company paid an aggregate of approximately RMB2,338,000 to the external auditor for their auditing services.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules while it was listed on GEM. The Board has reviewed the terms of reference of the audit committee after the Transfer Date and confirmed that the terms of reference are in compliance with the Main Board CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three independent non-executive Directors and one non-executive Director. The chairman of the audit committee is Mr. Chung Cheuk Ming. The audit committee held six meetings during the year.

Details of the attendance of the audit committee:

Number of meetings	**6**	
Non-executive Director:		
Chan Cheuk Wing Andy	6/6	100%
Independent Non-executive Directors:		
Chung Cheuk Ming [1]	3/3	100%
Pan Min [2]	0/0	N/A
Zhou Jianhao [3]	0/0	N/A
Li Li [4]	3/3	100%
Zhu Shengfu [5]	6/6	100%
Ye Mingzhu [6]	6/6	100%
Average attendance rate	100%	

Notes:

1. Mr. Chung Cheuk Ming was appointed as the audit committee chairman on 15 June 2012.

2. Ms. Pan Min was appointed as an audit committee member on 27 December 2012.

3. Mr. Zhou Jianhao was appointed as an audit committee member on 27 December 2012.

4. Mr. Li Li resigned as the audit committee chairman on 15 June 2012.

5. Mr. Zhu Shengfu resigned as an audit committee member on 27 December 2012.

6. Ms. Ye Mingzhu resigned as an audit committee member on 27 December 2012.

The Group's unaudited interim results and audited annual results for the year ended 31 December 2012 have been reviewed by the audit committee, which has the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Audit Team

In order to review the effectiveness of control internal 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 wealth of financial, contract management, project management and legal experience. The duties of the internal audit team principally include:

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

Corporate Governance Report

STRATEGY COMMITTEE OF THE BOARD

In order to study the Company's business strategies and significant operational issues, review the general business performance as well as effectiveness of its corporate governance, and to identify and control major business risks, the Board has established an executive committee in December 2007 which was renamed as the strategy committee of the Board in October 2012. The strategy committee of the Board comprises 6 members, including the head of each operation and persons in charge of financial and corporate governance.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 28 of this report.

FINANCIAL REPORTING AND INTERNAL CONTROL

FINANCIAL REPORTING

The Board is responsible for preparing the financial statements of the Company and the Group with the supports of Group Financial Controller and financial department of the Group. In preparing the financial statements, the Board has applied the Hong Kong Financial Reporting Standards and consistently followed the appropriate accounting policies and provisions of laws. The Board is aimed to give a clear and fair assessment of the Group's results to the shareholders in the annual and interim reports, and make disclosures and announcements in a timely basis.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Company has set up internal control department to ensure effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has reviewed the internal audit report and assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions, during the year ended 31 December 2012. No major issue was raised but certain areas for improvement had been identified and considered for appropriate actions.

MANAGEMENT FUNCTIONS

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

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

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

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.tonva.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other areas are posted.

The Company endeavours to maintain an on-going dialogue with its shareholders, in particular, through AGMs or other general meetings to communicate with the shareholders and encourage their participation. The Chairman of the Board as well as the Chairmen of the Audit Committee, Nomination Committee and Remuneration and Assessment Committee will make themselves available at the AGM to meet with the shareholders.

The forthcoming AGM of the Company will be held on 6 June 2013. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual director.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2012, the supervisory committee of Shanghai Tonva Petrochemical Co., Ltd. (the "Supervisory Committee"), exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of trustworthiness, honestly carried out the duties of supervisors and worked cautiously and diligently, in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company for their accountability to the shareholders.

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

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

2. the Directors, general manager and other senior management of the Company have strictly followed the principles of trustworthiness, worked diligently and responsibly, and discharged their duties for the best interest of the Company. The Supervisory Committee has not discovered that any Directors, general manager and other senior management of the Company had abused their powers, damaged the interest of the Company or the benefits of the shareholders and employees or contravened any laws and regulations or the Articles of Association of the Company;

3. the financial statements of the Company for the year ended 31 December 2012, which were audited by BDO Limited, have truly and fairly reflected the operating results and asset position of the Group. The related parties transactions were in compliance with the Listing Rules and were fair and reasonable and had not infringed upon the interests of the Company and the shareholders.

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

By order of the Supervisory Committee

Mr. Zhang Liangjun
Chairman of the Supervisory Committee

Shanghai, 19 March 2013

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2012.

CORPORATE REORGANISATION

The Company is a joint stock limited company incorporated in the People's Republic of China.

The H Shares of the Company were listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (its last trading date was 13 July 2012) and were transferred to the Main Board of the Stock Exchange on 16 July 2012.

The H Shares were traded on the Main Board under the new stock code "1103" in board lot size of 4,000 H Shares following the Transfer of Listing up to Friday, 27 July 2012. The board lot size changed from 4,000 H Shares to 8,000 H Shares with effect from Monday, 30 July 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are road and bridge construction and petrochemical product supply chain business. The activities of its subsidiaries are set out in note 20 to the financial statements.

SEGMENT INFORMATION

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

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 30.

The state of the Group's affairs as at 31 December 2012 is set out in the consolidated statement of financial position on page 31 and 32.

For the six months ended 30 June 2012, the Board declared and paid an interim dividend of approximately RMB14,979,000, while there was no interim dividend in 2011. The Board proposes to issue a final dividend of RMB0.036 (2011: nil) per share for the year, amounting to approximately RMB33,702,000 (2011: nil).

In accordance with the proposed share consolidation as mentioned in note 31(a) to the financial statements, every ten ordinary shares of RMB0.10 each in the share capital of the Company will be consolidated into one consolidated share of RMB1.00 each after the approval by the relevant regulatory authorities in the PRC. Assuming the proposed share consolidation takes effect prior to the record date for the final dividend of the Company, the final dividend will be RMB0.36 per share of the Company amounting in total to approximately RMB33,703,000, otherwise the final dividend will be RMB0.036 per share of the Company with the total dividend payable remaining the same.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2012, calculated under the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB183,602,000 (2011: RMB149,869,000).

Report of the Directors

PRE-EMPTIVE RIGHTS

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

SUMMARY OF FINANCIAL INFORMATION

The summary of the results of the Group for the last five financial years is set out on page 2.

SHARE OPTIONS

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

DIRECTORS

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

Executive Directors

Mr. Qian Wenhua
Mr. Lu Yong
Mr. Li Hongyuan
Mr. Zhang Jinhua (resigned on 19 November 2012)
Mr. Jin Xiaohua (resigned on 15 June 2012)
Mr. Mo Luojiang (resigned on 15 June 2012)

Non-executive Director

Mr. Chan Cheuk Wing Andy
Mr. Hsu Chun-min (resigned on 15 June 2012)

Independent Non-executive Directors

Mr. Chung Cheuk Ming (appointed on 15 June 2012)
Ms. Pan Min (appointed on 27 December 2012)
Mr. Zhou Jianhao (appointed on 27 December 2012)
Mr. Zhu Shengfu (resigned on 27 December 2012)
Ms. Ye Mingzhu (resigned on 27 December 2012)
Mr. Li Li (resigned on 15 June 2012)

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent to the Group in accordance with the terms of the guidelines as set out in Rule 3.13 of the Listing Rules.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on pages from 11 to 13.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 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")) which were 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 under 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	260,706,000 *(Note 1)* (domestic shares)	854,000 *(Note 2)* (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

Note 1: These Shares included the shares related to the sale and purchase agreement entered into between Mr. Qian Wenhua and Ms. Liu Huiping on 9 October 2012, pursuant to which, Ms. Liu Huiping sold 35,000,000 domestic shares she held to Mr. Qian Wenhua. The transaction was passed at the SGM held on 27 December 2012, but was approved by and filed with the relevant regulatory department in 2013.

Note 2: The 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

As at 31 December 2012, the persons or companies (not being a Director, Supervisor or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO, or who were deemed to be interested, directly and/or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Report of the Directors

Name of Person	Capacity	Number of shares Personal interest	Family interest	Total long position	Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
Liu Huiping *(Note 1)*	Beneficial owner	854,000 (domestic shares)	260,706,000 *(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
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	Beneficial owner	140,000,000 (H shares)	–	140,000,000 *(Note 2)*	–	30.69	14.95
Aria Investment Partners II, L.P. ("Aria II")	Interest in a controlled corporation	35,000,000 (H shares)	–	35,000,000 *(Note 2)*	–	7.67	3.74
Mumiya Limited	Beneficial owner	35,000,000 (H shares)	–	35,000,000 *(Note 2)*	–	7.67	3.74

Note:

1. Liu Huiping is the wife of Qian Wenhua.

2. Mumiya Limited and Babylon Limited hold 35,000,000 and 140,000,000 H shares of the Company respectively. As Aria II controls more than one-third of the voting power at general meetings of Mumiya Limited, Aria II is deemed to be interested in 35,000,000 H shares held by Mumiya Limited pursuant to the SFO. Aria III controls more than one-third of the voting power at general meetings of Babylon Limited and is thus deemed to be interested in 140,000,000 H shares held by Babylon Limited pursuant to the SFO. As CLSA Private Equity Management Ltd. is the investment manager of Aria II and Aria III, it is deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO. SAS Rue la Boetie controls more than one-third of the voting power at the general meetings of Credit Agricole S.A., which in turn controls more than one– third of the voting power at general meetings of Credit Agricole Corporate and Investment Bank (formerly known as Calyon S.A.), which in turn controls more than one-third of the voting power at general meetings of 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, SAS Rue la Boetie, Credit Agricole S.A., Credit Agricole Corporate and Investment Bank, Credit Agricole Securities Asia B.V., CLSA B.V. and CLSA Capital Partners Limited are deemed to be interested in the 175,000,000 H shares in aggregate pursuant to the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	17.28%
– five largest customers combined	47.36%

Purchases

– the largest supplier	26.52%
– five largest suppliers combined	56.40%

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

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 year ended 31 December 2012.

AUDIT COMMITTEE

In compliance with Rules 3.21 and Appendix 14 to the Listing Rules, the Company established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors and one non-executive Director, namely Mr. Chung Cheuk Ming, Mr. Chan Cheuk Wing Andy, Mr. Zhou Jianhao and Ms. Pan Min. Mr. Chung Cheuk Ming is the Chairman of the audit committee.

The audit committee has reviewed the Group's consolidated results for the year ended 31 December 2012 and had the opinion that the preparation of the results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Report of the Directors

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had certain connected and continuing connected transactions, details of which are set out in note 37 to the financial statements and disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out in note 37 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors received the letter from the Company's auditor BDO Limited, confirming that the continuing connected transactions (i) has been approved by the Board; (ii) complied with the Company's pricing policies; (iii) has been entered into in accordance with the relevant agreements governing the transactions; and (iv) did not exceed the maximum amounts for the financial year ended 31 December 2012 as set out in the prospectus.

STAFF AND REMUNERATION POLICY

The Group staff functions were analyzed as follows:

	Number of staff	
	2012	2011
Functions:		
Management	**91**	104
Sales and marketing	**18**	18
Accounting and finance	**45**	43
Administration and human resources	**13**	21
Legal	**3**	3
Information system	**4**	3
Technical and quality control	**31**	24
Shipping and transportation	**51**	78
Storage centre	**50**	57
Engineer	**88**	76
Construction workers	**63**	61
Total	**457**	488

As at 31 December 2012, the Group had 457 staff (2011: 488 staff). Employees are remunerated according to market level, individual performance, qualification and working experience. Other benefits included social insurance scheme. The annual staff costs amounted to approximately RMB66,046,000 (2011: RMB56,992,000).

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

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

COMPETING INTERESTS

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, nor has any other conflict of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date prior to the issue of this report.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2012 and up to the date of this report which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

AUDITOR OF THE COMPANY

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

On behalf of the Board

Qian Wenhua
Chairman

Shanghai, The PRC, 19 March 2013

Independent Auditor's Report

BDO

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

We have audited the consolidated financial statements of Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 30 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

Independent Auditor's Report

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

Auditor's responsibility *(continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	*6*	**4,422,014**	3,220,685
Cost of sales		**(4,174,586)**	(3,028,723)
Gross profit		**247,428**	191,962
Other income and gains	*7*	**85,041**	37,714
Distribution costs		**(12,044)**	(13,611)
Administrative expenses		**(100,749)**	(93,394)
Share of losses of associates	*21*	**(318)**	(680)
Finance costs	*8*	**(58,071)**	(29,009)
Profit before income tax expense	*9*	**161,287**	92,982
Income tax expense	*12*	**(30,693)**	(3,501)
Profit for the year		**130,594**	89,481
Other comprehensive income			
Exchange differences on translating foreign operations		**(581)**	(635)
Total comprehensive income for the year		**130,013**	88,846
Profit for the year attributable to:			
– Owners of the Company		**101,278**	71,722
– Non-controlling interests		**29,316**	17,759
		130,594	89,481
Total comprehensive income for the year attributable to:			
– Owners of the Company		**100,697**	71,087
– Non-controlling interests		**29,316**	17,759
		130,013	88,846
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*14*	**0.108**	0.077
– Diluted	*14*	**0.108**	0.077

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	*16*	**17,587**	9,041
Property, plant and equipment	*17*	**107,254**	150,213
Construction in progress	*18*	**2,656**	–
Intangible assets	*19*	**148,405**	148,440
Interests in associates	*21*	**38,609**	42,177
Available-for-sale financial asset	*22*	**800**	800
Trade and other receivables	*24*	**420,575**	269,473
Deferred tax assets	*30*	**3,847**	3,847
Total non-current assets		**739,733**	623,991
Current assets			
Inventories	*23*	**52,572**	66,489
Amounts due from customers for contract work	*25*	**10,813**	33,738
Trade and other receivables	*24*	**1,464,807**	1,419,309
Restricted bank deposits	*26*	**195,097**	89,570
Cash and cash equivalents		**502,215**	218,545
Tax recoverable		**–**	1,734
		2,225,504	1,829,385
Assets classified as held for sale	*27*	**–**	10,466
Total current assets		**2,225,504**	1,839,851
Total assets		**2,965,237**	2,463,842
Liabilities			
Current liabilities			
Trade and other payables	*28*	**843,059**	712,457
Amounts due to customers for contract work	*25*	**48,903**	17,927
Borrowings	*29*	**1,235,000**	1,000,480
Current tax liabilities		**25,012**	19,639
Total current liabilities		**2,151,974**	1,750,503
Net current assets		**73,530**	89,348
Total assets less current liabilities		**813,263**	713,339

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Deferred tax liabilities	*30*	**11,311**	22,127
Total liabilities		**2,163,285**	1,772,630
NET ASSETS		**801,952**	691,212
Capital and reserves attributable to owners of the Company			
Share capital	*31*	**93,619**	93,619
Reserves		**590,687**	504,969
Equity attributable to owners of the Company		**684,306**	598,588
Non-controlling interests		**117,646**	92,624
TOTAL EQUITY		**801,952**	691,212

On behalf of the Board

Qian Wenhua
Director

Li Hongyuan
Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**23,511**	21,476
Intangible assets	*19*	**37**	94
Investment in subsidiaries	*20*	**429,311**	429,311
Investment in associates	*21*	**18,190**	20,636
Available-for-sale financial asset	*22*	**800**	800
Deferred tax assets	*30*	**2,229**	2,229
Total non-current assets		**474,078**	474,546
Current assets			
Inventories	*23*	**7,415**	17,330
Trade and other receivables	*24*	**312,740**	289,597
Restricted bank deposits	*26*	**11,000**	17,611
Cash and cash equivalents		**111,535**	37,168
Tax recoverable		**–**	1,734
Total current assets		**442,690**	363,440
Total assets		**916,768**	837,986
Liabilities			
Current liabilities			
Trade and other payables	*28*	**121,387**	110,937
Borrowings	*29*	**250,000**	223,000
Current tax liabilities		**1,746**	–
Total current liabilities		**373,133**	333,937
Net current assets		**69,557**	29,503
NET ASSETS		**543,635**	504,049
Capital and reserves			
Share capital	*31*	**93,619**	93,619
Reserves	*32*	**450,016**	410,430
TOTAL EQUITY		**543,635**	504,049

On behalf of the Board

Qian Wenhua
Director

Li Hongyuan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital RMB'000	Capital reserve *(note 32(a))* RMB'000	Statutory reserve fund *(note 32(b))* RMB'000	Other reserve *(note 32(c))* RMB'000	Currency translation reserve *(note 32(d))* RMB'000	Retained earnings *(note 32(e))* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	93,619	221,766	39,928	17,912	(5,821)	180,389	547,793	108,280	656,073
Profit for the year	–	–	–	–	–	71,722	71,722	17,759	89,481
Exchange differences on translating foreign operations	–	–	–	–	(635)	–	(635)	–	(635)
Total comprehensive income	–	–	–	–	(635)	71,722	71,087	17,759	88,846
Transfer to statutory reserve fund	–	–	18,989	–	–	(18,989)	–	–	–
2010 final dividends paid	–	–	–	–	–	(20,596)	(20,596)	–	(20,596)
Acquisition of additional equity interests in subsidiaries *(note 20(c)&(d))*	–	–	–	–	–	304	304	(18,852)	(18,548)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(3,759)	(3,759)
Liquidation of a non-wholly owned subsidiary *(note 20(e))*	–	–	–	–	–	–	–	(10,804)	(10,804)
Balance at 31 December 2011 and 1 January 2012	**93,619**	**221,766**	**58,917**	**17,912**	**(6,456)**	**212,830**	**598,588**	**92,624**	**691,212**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**101,278**	**101,278**	**29,316**	**130,594**
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**(581)**	**–**	**(581)**	**–**	**(581)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(581)**	**101,278**	**100,697**	**29,316**	**130,013**
Transfer to statutory reserve fund	**–**	**–**	**18,289**	**–**	**–**	**(18,289)**	**–**	**–**	**–**
2012 interim dividends *(note 15)*	**–**	**–**	**–**	**–**	**–**	**(14,979)**	**(14,979)**	**–**	**(14,979)**
Disposal of a non-wholly owned subsidiary *(note 33)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,294)**	**(4,294)**
Balance at 31 December 2012	**93,619**	**221,766**	**77,206**	**17,912**	**(7,037)**	**280,840**	**684,306**	**117,646**	**801,952**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
Cash flows from operating activities			
Profit before income tax expense		**161,287**	92,982
Adjustments for:			
Gain on disposal of assets classified as held for sale		**(50,599)**	–
Dividend income		**(4,000)**	(17,500)
Interest income		**(12,464)**	(12,697)
Amortisation of intangible assets		**72**	72
Amortisation of payments for leasehold land held for own use under operating leases		**324**	204
Depreciation of property, plant and equipment		**17,646**	21,180
Impairment loss on trade and other receivables, net		**17,970**	16,935
Loss/(gain) on disposal of property, plant and equipment and construction in progress		**10,705**	(257)
Finance costs		**58,071**	29,009
Share of losses of associates		**318**	680
Loss on disposal of an associate		**801**	1,032
Loss on disposal of a subsidiary		**3,007**	–
Impairment loss on property, plant and equipment		**–**	2,127
Impairment loss on construction in progress		**–**	1,645
Operating profit before working capital changes		**203,138**	135,412
Decrease/(increase) in inventories		**13,917**	(6,955)
Increase in trade and other receivables		**(153,083)**	(342,920)
Increase in trade and other payables		**191,779**	145,819
Cash generated from/(used in) operations		**255,751**	(68,644)
Interest paid		**(96,083)**	(67,406)
Income taxes paid		**(34,402)**	(23,089)
Net cash from/(used in) operating activities		**125,266**	(159,139)
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		**(10,271)**	(11,659)
Purchase of intangible assets		**(37)**	–
Purchase of payments for leasehold land held for own use under operating leases		**(8,870)**	–
Proceeds from sale of property, plant and equipment		**5,895**	3,046
Proceeds from disposal of associates		**–**	3,352
Increase in restricted bank deposits		**(105,527)**	(42,516)
Interest received		**12,464**	12,697
Proceeds from sale of assets classified as held for sale		**39,580**	–
Disposal of a subsidiary, net of cash received		**2,210**	–
Dividends received from available-for-sale financial asset		**4,000**	17,500
Net cash used in investing activities		**(60,556)**	(17,580)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
Cash flows from financing activities			
Refund to non-controlling interests of liquidated subsidiary		–	(10,804)
Acquisition of additional equity interests in subsidiaries		–	(18,548)
New borrowings		**1,410,000**	1,275,340
Repayment of borrowings		**(1,175,480)**	(914,889)
Dividends paid to owners of the Company		**(14,979)**	(20,596)
Dividends paid to non-controlling interests		–	(3,759)
Net cash from financing activities		**219,541**	306,744
Net increase in cash and cash equivalents		**284,251**	130,025
Cash and cash equivalents at beginning of year		**218,545**	89,155
Effect of exchange rate changes on cash and cash equivalents		**(581)**	(635)
Cash and cash equivalents at end of year		**502,215**	218,545

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL

Shanghai Tonva Petrochemical Co., Ltd. (the "Company") and its subsidiaries (together as the "Group") are principally engaged in road and bridge construction, trading of fuel oil, trading of asphalt and logistic services in the People's Republic of China (the "PRC"). For the road and bridge construction business, the Group has construction contract tier-one qualification and municipal utility contract tier-one qualification. The Group offers "one-stop" solutions to customers ranging from procurement, storage and delivery of fuel oil and asphalt. The Group's fuel oil and asphalt trading business geographically covers the downstream region of the Yangtze River and some inland provinces. Its logistics services cover vehicle transportation, waterway transportation, inland water transportation and the storage of fuel oil and asphalt products.

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

During the year, the formal application was made by the Company to The Stock Exchange of Hong Kong Limited ("The Stock Exchange") for the transfer of listing from The Growth Enterprise Market ("GEM") to Main Board. The application was approved and the dealing of the H shares of the Company on Main Board was commenced on 16 July 2012 with new stock code "1103".

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

(a) Adoption of amendments to HKFRSs - effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets

The adoption of these amendments has no material impact on the Group's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

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

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2009 – 2011 Cycle[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2014

[4] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKFRS 1 – Government Loans

The amendments add an exception to the retrospective application of HKFRSs to require that first-time adopters apply the requirements in HKFRS 9 Financial Instruments and HKAS 20 Accounting for Government Grants and Disclosure of Governance Assistance prospectively to government loans existing at the date of transition to HKFRSs.

This means that first-time adopters will not recognise the corresponding benefit of the government loan at a below market rate of interest as a government grant. However, entities may choose to apply the requirements of HKFRS 9 and HKAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to five standards.

(i) HKFRS 1 First-time Adoption of HKFRS

Issue – repeated application of HKFRS 1

The amendment applies to entities that have applied HKFRS in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with HKFRS. The financial statement preparer in this situation may either prepare financial statements in accordance with HKFRS 1 or apply HKFRS retrospectively in accordance with HKAS 8.

Issue – borrowing costs

The improvement clarifies that a first-time adopter is allowed to carry forward the amount previously capitalised under its previous generally accepted accounting principles in the opening statement of financial position at the date of transition. Borrowing costs incurred on or after the date of transition relating to qualifying assets are accounted for in accordance with HKAS 23, even if the construction of qualifying asset commences before the transition date.

(ii) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(iii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iv) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle (continued)

(v) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

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

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements and the directors so far concluded that they are not yet in a position to quantify the effects on the Group's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

3. BASIS OF PREPARATION

(a) Statement of compliance

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

The Group also prepares consolidated financial statements in accordance with the generally accepted accounting principles in the People's Republic of China ("PRC GAAP") for statutory filing purpose. As there are differences between HKFRS and PRC GAAP, there may be discrepancies in the Group's financial position and results as presented in the consolidated financial statements prepared under HKFRS and in those prepared under PRC GAAP.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

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

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

(c) Associates

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

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

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

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

(d) Goodwill

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

(g) Intangible assets

(i) Acquired intangible assets

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

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

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

(ii) Impairment

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(ii) Impairment (continued)

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

(h) Leasing

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

The Group as lessor

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

The Group as lessee

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

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

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(i) Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

For loans and receivables

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

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

For available-for-sale financial assets

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

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

(iii) Financial liabilities

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Non-current assets held for sale

Non-current assets are classified as held for sale when:

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

Non-current assets classified as held for sale are measured at the lower of:

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

Following their classification as held for sale, non-current assets are not depreciated.

(k) Capitalisation of borrowing costs

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories

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

(m) Construction contracts

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

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

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

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

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

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

(n) Government grants

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

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

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

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

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

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

Revenue from agency services for fuel oil is recognised when the services are rendered.

Rental income under operating leases of transportation and storage facilities is recognised on a straight-line basis over the lease term.

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

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

(p) Income taxes

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income taxes *(continued)*

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

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

(q) Foreign currency

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

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

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

On disposal of a foreign operation (i.e. disposal involving loss of control over a subsidiary), the cumulative exchange differences recognised in the currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over subsidiary, the proportionate share of cumulative exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Impairment of other assets

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

- payments for leasehold land held for own use under operating leases;
- property, plant and equipment;
- construction in progress;
- intangible assets with finite lives; and
- investments in subsidiaries and associates

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

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

(s) Employee benefits

(i) Defined contribution retirement plan

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

(ii) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions and contingent liabilities

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of goodwill and construction licence

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

(b) Impairment of trade and other receivables

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

If any assumption of the impairment of these receivables had been changed, the amount of impairment changed accordingly.

Notes to the Financial Statements

For the year ended 31 December 2012

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

(c) Construction contracts

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

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

(d) Financial guarantee contracts

The Group has issued financial guarantee contracts in favour of third parties (see note 34). The initial and subsequent measurement to the value of these financial guarantee contracts involve high degree of judgments and estimations by the Group's management.

6. SEGMENT INFORMATION

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments

For the year ended 31 December 2012 are as follows:

	Road and bridge construction RMB'000	Sale of fuel oil RMB'000	Sale of asphalt RMB'000	Logistic services RMB'000	Group RMB'000
Total segment revenue *(note (i) & (ii))*	859,076	3,080,404	445,148	38,598	4,423,226
Inter segment revenue	–	(906)	(269)	(37)	(1,212)
Reportable segment revenue from external customers	859,076	3,079,498	444,879	38,561	4,422,014
Reportable segment profit/(loss)	93,508	42,785	10,235	(15,934)	130,594
Interest income	11,150	915	399	–	12,464
Finance costs	10,086	41,901	6,053	31	58,071
Share of profits/(losses) of associates	–	–	805	(1,123)	(318)
Capital expenditures *(note (iii))*	4,150	6,087	–	34	10,271
Depreciation of property, plant and equipment	7,004	1,407	3,570	5,665	17,646
Gain on disposal of assets classified as held for sale	50,599	–	–	–	50,599
Loss on disposal of property, plant and equipment and construction in progress	853	–	–	9,852	10,705
Loss on disposal of an associate	–	–	801	–	801
Loss on disposal of a subsidiary	–	–	–	3,007	3,007
Amortisation of intangible assets	15	57	–	–	72
Amortisation of payments for leasehold land held for own use under operating leases	157	–	167	–	324
Impairment loss/(reversal of impairment loss) on trade and other receivables, net	6,560	1,529	9,903	(22)	17,970
Income tax expense/(credit)	13,327	13,086	4,291	(11)	30,693
Interests in associates	–	–	25,857	12,752	38,609
Reportable segment assets	1,809,742	668,564	430,744	56,187	2,965,237
Reportable segment liabilities	1,422,985	567,211	171,934	1,155	2,163,285

Notes to the Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

For the year ended 31 December 2011 are as follows:

	Road and bridge construction RMB'000	Sale of fuel oil RMB'000	Sale of asphalt RMB'000	Logistic services RMB'000	Group RMB'000
Total segment revenue *(note (i) & (ii))*	920,354	1,837,500	403,412	63,952	3,225,218
Inter segment revenue	–	(340)	–	(4,193)	(4,533)
Reportable segment revenue from external customers	920,354	1,837,160	403,412	59,759	3,220,685
Reportable segment profit	54,727	24,155	10,408	191	89,481
Interest income	12,259	129	276	33	12,697
Finance costs	380	23,399	5,138	92	29,009
Share of profits/(losses) of associates	–	–	685	(1,365)	(680)
Capital expenditures *(note (iii))*	7,368	68	277	3,946	11,659
Depreciation of property, plant and equipment	9,902	119	4,319	6,840	21,180
Gain/(loss) on disposal of property, plant and equipment and construction in progress	767	–	(58)	(452)	257
Loss on disposal of an associate	–	–	1,032	–	1,032
Amortisation of intangible assets	16	–	56	–	72
Amortisation of payments for leasehold land held for own use under operating leases	37	–	167	–	204
Impairment loss/(reversal of impairment loss) on trade and other receivables, net	22,797	–	(4,709)	(1,153)	16,935
Impairment loss on property, plant and equipment	–	–	–	2,127	2,127
Impairment loss on construction in progress	–	–	1,645	–	1,645
Income tax (credit)/expense	(5,685)	3,469	3,739	1,978	3,501
Interests in associates	–	–	28,301	13,876	42,177
Reportable segment assets	1,453,789	368,985	545,275	95,793	2,463,842
Reportable segment liabilities	1,159,849	383,423	225,859	3,499	1,772,630

Notes:

(i) The revenue from road and bridge construction segment included contract revenue and construction consulting services income of and RMB805,572,000 (2011: RMB880,074,000) and RMB53,504,000 (2011: RMB40,280,000) respectively.

(ii) The revenue from sale of fuel oil segment included agency services income of RMB98,000 (2011: RMB16,323,000).

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

(iv) For the year ended 31 December 2012, certain property, plant and equipment with net book value of RMB18,339,000 is reallocated from sale of asphalt segment to sale of fuel oil segment due to the change of principal activity of two subsidiaries in the Group.

Notes to the Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

There were two customers (2011: nil) contributed to 10% or more revenue to the Group's revenue for the year ended 31 December 2012.

	Year ended 31 December 2012 Sale of fuel oil RMB'000
Customer A	771,219
Customer B	692,256

(c) Geographical information

The entire Group's revenue from external customers is derived from customers located in the PRC.

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

7. OTHER INCOME AND GAINS

	Group	
	2012 RMB'000	2011 RMB'000
Gain on disposal of assets classified as held for sale *(note 27)*	50,599	–
Dividend income from available-for-sale financial asset	4,000	17,500
Interest income *(note 24(b))*	12,464	12,697
Government grants	2,299	539
Others	15,679	6,978
	85,041	37,714

Notes to the Financial Statements

For the year ended 31 December 2012

8. FINANCE COSTS

	Group	
	2012	2011
	RMB'000	RMB'000
Interest expense on borrowings wholly repayable within five years	**75,606**	53,588
Interest expense on discounted commercial notes	**17,593**	10,130
Others	**2,884**	3,688
Total finance costs	**96,083**	67,406
Less: amount capitalised *(note)*	**(38,012)**	(38,397)
	58,071	29,009

Note: Borrowing costs capitalised during the year arose on the general borrowings during the year and were calculated by applying a capitalisation rate of approximately 6.30% per annum (2011: 6.39% per annum) to expenditure on qualifying assets.

9. PROFIT BEFORE INCOME TAX EXPENSE

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

	Group	
	2012	2011
	RMB'000	RMB'000
Amortisation of intangible assets	**72**	72
Amortisation of payments for leasehold land held for own use under operating leases	**324**	204
Auditor's remuneration	**2,338**	3,088
Cost of inventories recognised as expenses	**3,712,221**	2,149,298
Depreciation of property, plant and equipment	**17,646**	21,180
Impairment loss on trade and other receivables, net *(note 24(e))*	**17,970**	16,935
Loss/(gain) on disposal of property, plant and equipment and construction in progress	**10,705**	(257)
Operating lease rental expenses in respect of		
– Land and buildings	**2,678**	3,327
– Transportation facilities	**276**	1,134
– Machinery and others	**7,017**	10,372
Staff costs *(note 10)*	**66,046**	56,992
Loss on disposal of an associate	**801**	1,032
Loss on disposal of a subsidiary *(note 33)*	**3,007**	–
Impairment loss on property, plant and equipment	**–**	2,127
Impairment loss on construction in progress	**–**	1,645

Notes to the Financial Statements

For the year ended 31 December 2012

10. STAFF COSTS

	Group 2012 RMB'000	Group 2011 RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**60,138**	51,839
Social security costs	**2,594**	2,619
Contributions on defined contribution retirement plans	**3,314**	2,534
	66,046	56,992

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

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

For the year ended 31 December 2012

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Qian Wenhua	–	840	960	33	1,833
Mr. Lu Yong	–	300	300	33	633
Mr. Jin Xiaohua *(note (a))*	–	230	600	15	845
Mr. Mo Luojiang *(note (a))*	–	180	350	15	545
Mr. Zhang Jinhua *(note (c))*	–	420	800	29	1,249
Mr. Li Hongyuan	–	480	600	33	1,113
Non-executive directors					
Mr. Li Li *(note (a))*	14	–	–	–	14
Mr. Zhu Shengfu *(note (c))*	14	–	–	–	14
Ms. Ye Mingzhu *(note (e))*	30	–	–	–	30
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Hsu Chunmin *(note (a))*	55	–	–	–	55
Mr. Chung Cheuk Ming *(note (b))*	31	–	–	–	31
Ms. Pan Min *(note (d))*	1	–	–	–	1
Mr. Zhou Jianhao *(note (d))*	1	–	–	–	1
Supervisors					
Mr. Cai Ying *(note (c))*	–	144	62	33	239
Mr. Ge Jiaqi *(note (c))*	–	120	70	–	190
Ms. Zhu Yinghua *(note (c))*	–	54	15	13	82
Mr. Bian Ji *(note (d))*	1	1	–	–	2
Mr. Zhang Liangjun *(note (d))*	–	–	–	–	–
Mr. Ye Mingzhu *(note (e))*	–	–	–	–	–
	267	2,769	3,757	204	6,997

Notes to the Financial Statements

For the year ended 31 December 2012

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

For the year ended 31 December 2011

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Qian Wenhua	–	713	450	30	1,193
Mr. Lu Yong	–	301	175	30	506
Mr. Jin Xiaohua *(note (a))*	–	483	300	30	813
Mr. Mo Luojiang *(note (a))*	–	359	150	30	539
Mr. Zhang Jinhua *(note (c))*	–	464	350	30	844
Mr. Li Hongyuan	–	354	175	30	559
Non-executive directors					
Mr. Li Li *(note (a))*	30	–	–	–	30
Mr. Zhu Shengfu *(note (c))*	30	–	–	–	30
Ms. Ye Mingzhu *(note (e))*	30	–	–	–	30
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Hsu Chunmin *(note (a))*	120	–	–	–	120
Supervisors					
Mr. Cai Ying *(note (c))*	–	145	52	22	219
Mr. Ge Jiaqi *(note (c))*	–	117	60	–	177
Ms. Zhu Yinghua *(note (c))*	–	49	12	11	72
	330	2,985	1,724	213	5,252

Notes:

(a) Resigned in June 2012

(b) Appointed in June 2012

(c) Resigned in December 2012

(d) Appointed in December 2012

(e) Redesignated from independent non-executive director to supervisor in December 2012

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

None of the directors waived emoluments during the years ended 31 December 2012 and 2011.

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

Of the five individuals with the highest emoluments in the Group for the years ended 31 December 2012 and 2011, all were directors of the Company whose emoluments are included in the disclosures in above.

During the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

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

	Group	
	2012	2011
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax		
– tax for the year	**42,155**	29,560
– over provision in respect of prior years, net *(note)*	**(646)**	(19,901)
Hong Kong profits tax		
– tax for the year	**–**	70
Deferred tax *(note 30)*	**(10,816)**	(6,228)
	30,693	3,501

The Company and one of its subsidiaries, 上海神華物流有限公司 (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 24% on their assessable profits for the year ended 31 December 2011, and such tax rate is increased to 25% in 2012.

Besides, the Company's subsidiary, 江蘇蘇中油運有限公司 (Jiangsu Suzhong Oil Shipping Company Limited) ("Suzhong Shipping") was treated as small-scale company for PRC EIT purpose and its EIT is charged at 2.5% (2011: 2.5%) on its revenue.

Profits of other subsidiaries established in the PRC are subject to EIT at 25% (2011: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2011: 16.5%).

Notes to the Financial Statements

For the year ended 31 December 2012

12. INCOME TAX EXPENSE *(continued)*

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

	Group	
	2012	2011
	RMB'000	RMB'000
Profit before income tax expense	**161,287**	92,982
Tax calculated at tax rate of 25% (2011: 24%)	**40,322**	22,316
Effect of different tax rates for certain subsidiaries	**551**	1,437
Income and expense items that are not subject to tax	**(16,618)**	(1,923)
Tax losses not recognised	**7,084**	1,572
Over provision in respect of prior years, net	**(646)**	(19,901)
Income tax expense	**30,693**	3,501

Note:

For the years ended 31 December 2006 and 2007, the Group's non-wholly owned subsidiary, 南通路橋工程有限公司 (Nantong Road and Bridge Engineering Co., Ltd.) ("Nantong Road and Bridge"), provided an EIT provision of approximately RMB20.2 million for the timing difference of revenue recognition.

During the year ended 31 December 2011, the Group received the final tax assessment notice from local tax bureau and concluded that the EIT arising from the timing difference of revenue recognition is RMB1.5 million. In the opinion of the directors, the assessment made by the local tax bureau is final and no EIT shall be demanded. Accordingly, the over provision of RMB18.7 million was credited to the consolidated statement of comprehensive income during the year ended 31 December 2011.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB26,065,000 (2011: RMB19,336,000).

Notes to the Financial Statements

For the year ended 31 December 2012

14. EARNINGS PER SHARE

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

	Group	
	2012	2011
Profit attributable to owners of the Company (RMB'000)	**101,278**	71,722
Weighted average number of ordinary shares in issue (thousands)	**936,190**	936,190
Basic earnings per share (RMB per share)	**0.108**	0.077

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2012 and 2011.

15. DIVIDENDS

	Company	
	2012 RMB'000	2011 RMB'000
Interim, declared and paid – RMB0.016 per share (2011: Nil)	**14,979**	–
Final, proposed (2011: Nil) (note)	**33,703**	–
	48,682	–

The final dividend for 2012 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming annual general meeting. The proposed dividends are not reflected as a dividend payable in the financial statements for the year ended 31 December 2012.

Note:

In accordance with the proposed share consolidation as mentioned in note 31(a), every ten ordinary shares of RMB0.10 each in the share capital of the Company will be consolidated into one consolidated share of RMB1.00 each after the approval by the relevant regulatory authorities in the PRC. Assuming the proposed share consolidation takes effect prior to the record date for the final dividend of the Company, the final dividend will be RMB0.36 per share of the Company amounting in total to approximately RMB33,703,000, otherwise the final dividend will be RMB0.036 per share of the Company with the total dividend payable remaining the same.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

	Group RMB'000
2012	
Cost	
At 1 January 2012	**10,011**
Additions	**8,870**
At 31 December 2012	**18,881**
Accumulated amortisation	
At 1 January 2012	**970**
Provided for the year	**324**
At 31 December 2012	**1,294**
2011	
Cost	
At 1 January 2011 and 31 December 2011	10,011
Accumulated amortisation	
At 1 January 2011	766
Provided for the year	204
At 31 December 2011	970
Net book values	
At 31 December 2012	**17,587**
At 31 December 2011	9,041

Notes to the Financial Statements

For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2012						
Cost						
At 1 January 2012	**31,804**	**42,994**	**72,510**	**22,270**	**60,115**	**229,693**
Additions	**993**	**780**	**34**	**725**	**5,083**	**7,615**
Disposals of a subsidiary *(note 33)*	**–**	**–**	**–**	**–**	**(21,262)**	**(21,262)**
Disposals	**(3,668)**	**(2,241)**	**(7,632)**	**(1,845)**	**(25,908)**	**(41,294)**
At 31 December 2012	**29,129**	**41,533**	**64,912**	**21,150**	**18,028**	**174,752**
Accumulated depreciation and impairment loss						
At 1 January 2012	**4,299**	**13,413**	**23,344**	**8,546**	**29,878**	**79,480**
Provided for the year	**1,564**	**5,756**	**5,097**	**2,148**	**3,081**	**17,646**
Disposals of a subsidiary *(note 33)*	**–**	**–**	**–**	**–**	**(8,449)**	**(8,449)**
Eliminated on disposals	**(153)**	**(1,726)**	**(3,228)**	**(1,360)**	**(14,712)**	**(21,179)**
At 31 December 2012	**5,710**	**17,443**	**25,213**	**9,334**	**9,798**	**67,498**
2011						
Cost						
At 1 January 2011	40,873	47,960	72,194	22,039	57,778	240,844
Additions	3,668	1,167	316	1,434	5,074	11,659
Disposals	–	(6,133)	–	(1,203)	(2,737)	(10,073)
Classified as held for sale *(note 27)*	(12,737)	–	–	–	–	(12,737)
At 31 December 2011	31,804	42,994	72,510	22,270	60,115	229,693
Accumulated depreciation and impairment loss						
At 1 January 2011	4,673	9,095	19,646	7,028	25,286	65,728
Provided for the year	1,897	8,301	5,375	2,253	3,354	21,180
Eliminated on disposals	–	(3,983)	(1,677)	(735)	(889)	(7,284)
Classified as held for sale *(note 27)*	(2,271)	–	–	–	–	(2,271)
Impairment loss	–	–	–	–	2,127	2,127
At 31 December 2011	4,299	13,413	23,344	8,546	29,878	79,480
Net book values						
At 31 December 2012	**23,419**	**24,090**	**39,699**	**11,816**	**8,230**	**107,254**
At 31 December 2011	27,505	29,581	49,166	13,724	30,237	150,213

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For the year ended 31 December 2012

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

Company	Buildings RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation facilities RMB'000	Total RMB'000
2012					
Cost					
At 1 January 2012	**19,124**	**7,096**	**1,965**	**1,612**	**29,797**
Additions	**–**	**–**	**–**	**4,109**	**4,109**
At 31 December 2012	**19,124**	**7,096**	**1,965**	**5,721**	**33,906**
Accumulated depreciation					
At 1 January 2012	**5,072**	**1,685**	**371**	**1,193**	**8,321**
Provided for the year	**908**	**337**	**190**	**639**	**2,074**
At 31 December 2012	**5,980**	**2,022**	**561**	**1,832**	**10,395**
2011					
Cost					
At 1 January 2011	19,124	7,096	2,379	1,612	30,211
Disposals	–	–	(414)	–	(414)
At 31 December 2011	19,124	7,096	1,965	1,612	29,797
Accumulated depreciation					
At 1 January 2011	4,163	1,348	709	1,001	7,221
Provided for the year	909	337	56	192	1,494
Eliminated on disposals	–	–	(394)	–	(394)
At 31 December 2011	5,072	1,685	371	1,193	8,321
Net book values					
At 31 December 2012	**13,144**	**5,074**	**1,404**	**3,889**	**23,511**
At 31 December 2011	14,052	5,411	1,594	419	21,476

Notes to the Financial Statements

For the year ended 31 December 2012

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

At 31 December 2012 and 2011, the following property, plant and equipment of the Group and the Company were pledged as security for the Group's borrowings (note 29(a)):

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Buildings	**13,144**	14,052	**13,144**	14,052
Machinery	**–**	10,895	**–**	–
	13,144	24,947	**13,144**	14,052

During the year ended 31 December 2011, the transportation facilities of the Group was impaired by RMB2,127,000 due to the decrease in usage of one of the vessels. The impairment was determined by comparing the fair value less costs to sell of the vessel (determined by an independent third party valuer who makes reference to an active market) with its carrying value. In April 2012, the Group disposed such vessel at a consideration of RMB5,600,000, amount of RMB5,335,000 had been recognised as loss on disposal during the year ended 31 December 2012.

18. CONSTRUCTION IN PROGRESS

Group	RMB'000
At 1 January 2011	1,645
Impairment loss	(1,645)
At 31 December 2011 and 1 January 2012	–
Additions	**2,656**
At 31 December 2012	**2,656**

During the year ended 31 December 2011, the construction in progress was fully impaired as the project related to the construction in progress had been terminated.

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For the year ended 31 December 2012

19. INTANGIBLE ASSETS

Group	Goodwill RMB'000	Customer contracts RMB'000	Construction licence *(note)* RMB'000	Computer software RMB'000	Total RMB'000
2012					
Cost					
At 1 January 2012	**16,930**	**18,558**	**131,266**	**782**	**167,536**
Additions	–	–	–	**37**	**37**
At 31 December 2012	**16,930**	**18,558**	**131,266**	**819**	**167,573**
Accumulated amortisation					
At 1 January 2012	–	**18,558**	–	**538**	**19,096**
Provided for the year	–	–	–	**72**	**72**
At 31 December 2012	–	**18,558**	–	**610**	**19,168**
2011					
Cost					
At 1 January 2011 and 31 December 2011	16,930	18,558	131,266	782	167,536
Accumulated amortisation					
At 1 January 2011	–	18,558	–	466	19,024
Provided for the year	–	–	–	72	72
At 31 December 2011	–	18,558	–	538	19,096
Net book values					
At 31 December 2012	**16,930**	–	**131,266**	**209**	**148,405**
At 31 December 2011	16,930	–	131,266	244	148,440

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

Impairment tests for goodwill and construction licence:

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average annual growth rate of 6% (2011: 6%).

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For the year ended 31 December 2012

19. INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill and construction licence: *(continued)*

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

	2013	2014	2015	2016	2017
Weighted average gross margin	10.2%	10.2%	10.2%	10.2%	10.2%
Weighted average growth rate	6.0%	6.0%	6.0%	6.0%	6.0%
Percentage of working capital over revenue	30.0%	30.0%	30.0%	30.0%	30.0%
Discount rate	7.1%	7.1%	7.1%	7.1%	7.1%

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

Company	**Computer software** RMB'000
2012	
Cost	
At 1 January 2012 and 31 December 2012	**565**
Accumulated amortisation	
At 1 January 2012	**471**
Provided for the year	**57**
At 31 December 2012	**528**
2011	
Cost	
At 1 January 2011 and 31 December 2011	565
Accumulated amortisation	
At 1 January 2011	414
Provided for the year	57
At 31 December 2011	471
Net book values	
At 31 December 2012	**37**
At 31 December 2011	94

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For the year ended 31 December 2012

20. INVESTMENT IN SUBSIDIARIES

	2012 RMB'000	2011 RMB'000
Unlisted equity investments, at cost	**429,311**	429,311

The following are the details of the Group's principal subsidiaries at 31 December 2012:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held	
				Directly	Indirectly
楝華(香港)有限公司 Donghua (Hong Kong) Limited	Hong Kong, limited liability company	Asphalt trading in Hong Kong and logistic service	HK$39,000,000 of 39,000,000 ordinary shares of HK$1 each	100%	–
武漢華隆公路物資有限公司 Wuhan Hualong Highway Resources Company Limited	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	100%	–
上海楝華瀝青有限公司 Shanghai Tonva Asphalt Company Limited ("Tonva Asphalt") *(note (a))*	PRC, limited liability company	Asphalt trading in the PRC	RMB80,000,000	100%	–
鄭州華盛石油制品有限公司 Zhengzhou Huasheng Petroleum Products Co. Ltd. ("Zhengzhou Huasheng") *(note (b))*	PRC, limited liability company	Fuel oil trading in the PRC	RMB40,000,000	–	100%
上海泰華石油化工有限公司 Shanghai Taihua Petrochemical Co., Ltd.	PRC, limited liability company	Fuel oil trading in the PRC	RMB60,000,000	100%	–
Shanghai Shenhua	PRC, limited liability company	Provision of land transportation service in the PRC	RMB108,000,000	100%	–

Notes to the Financial Statements

For the year ended 31 December 2012

20. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held	
				Directly	Indirectly
武漢神隆物流有限公司 Wuhan Shenlong Logistics Company Limited	PRC, limited liability company	Provision of land transportation service in the PRC	RMB2,000,000	–	100%
棟華貿易(香港)有限公司 (前稱騰華船務有限公司) Tonva Trading (Hong Kong) Limited (formerly known as Tonva Shipping Limited)	Hong Kong, limited liability company	Provision of waterway transportation service in the PRC	HK$100,000 of 100,000 ordinary shares of HK$1 each	–	100%
上海神華物流(東台)有限公司 Shanghai Shenhua (Dongtai) Logistics Company Limited	PRC, limited liability company	Provision of land transportation service in the PRC	RMB1,000,000	–	100%
Nantong Road and Bridge *(note (d))*	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB125,080,000	68.34%	–
江蘇九州市政工程有限公司 Jiangsu Jiuzhou Municipal Engineering Co., Ltd.	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB20,000,000	–	68.34%

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

Notes:

(a) Tonva Asphalt raised additional registered capital of RMB60,000,000 in 2011.

(b) Zhengzhou Huasheng raised additional registered capital of RMB20,000,000 in 2012.

(c) During the year ended 31 December 2011, the Group acquired additional 23.61% equity interests in Suzhong Shipping from its non-controlling interests with a total consideration of RMB4,965,000. The consideration amount equaled to the net assets acquired. During the year ended 31 December 2012, the Group disposed all of its 78.61% equity interests to an independent third party with a total consideration of RMB12,882,000. The loss on disposal of RMB3,007,000 was recognised in the consolidated statement of comprehensive income (note 33).

(d) During the year ended 31 December 2011, the Group acquired additional 5.90% equity interests in Nantong Road and Bridge from its non-controlling interests with total consideration of RMB13,583,000. At the acquisition date, the carrying value of net assets acquired was RMB13,887,000. The difference of RMB304,000 has been credited to retained earnings.

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For the year ended 31 December 2012

20. INVESTMENT IN SUBSIDIARIES *(continued)*

(e) During the year ended 31 December 2011, the liquidation process of the Company's non-wholly owned subsidiary, 江蘇棟華交通材料有限公司 (Jiangsu Tonva Communication Materials Company Limited), was completed.

(f) During the year ended 31 December 2012, the Group liquidated two wholly owned subsidiaries, 上海華揚船舶技術服務有限公司 (Shanghai Huayang Shipping Technical Service Company Limited) and 泰州華業石油化工有限公司 (Taizhou Huaye Petrochemical Company Limited).

21. INTERESTS IN ASSOCIATES

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Unlisted equity investments, at cost	**–**	–	**18,190**	20,636
Share of net assets	**38,609**	42,177	**–**	–
	38,609	42,177	**18,190**	20,636

The details of the Group's associates at 31 December 2012 are as follows:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Equity interests held Directly	Equity interests held Indirectly
上海浦東路橋瀝青材料有限公司 Shanghai Pudong Road and Bridge Asphalt-Based Materials Co., Ltd. ("Pudong Road, and Bridge")	PRC, limited liability company	Asphalt trading in the PRC	RMB30,000,000	49%	–
武漢大通華利船務有限公司 Wuhan Datong Huali Shipping Company Limited	PRC, limited liability company	Provision of marine transportation service in the PRC	RMB50,000,000	–	30%

Note: The Company liquidated its associate, 江西華通公路物資有限公司 (Jiangxi Huatong Highway Materials Company Limited) during the year ended 31 December 2012.

Notes to the Financial Statements

For the year ended 31 December 2012

21. INTERESTS IN ASSOCIATES *(continued)*

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

	2012 RMB'000	2011 RMB'000
Total assets	**104,080**	124,505
Total liabilities	**(10,223)**	(19,119)
Net assets	**93,857**	105,386
Group's share of net assets of associates	**38,609**	42,177
Total revenue	**58,150**	74,652
Total losses for the year	**(2,100)**	(3,165)
Group's share of losses of associates for the year	**(318)**	(680)

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2012 RMB'000	2011 RMB'000
Unlisted equity security, at cost	800	800

Available-for-sale financial asset represents investment in an unlisted company in the PRC. It is measured at cost less impairment, if any, at the end of each reporting period because the directors of the Company are of the opinion that the fair value cannot be measured reliably. The directors of the Company have no intention to dispose of the available-for-sale financial asset at the end of reporting period.

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23. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Asphalt for resale	**20,255**	42,116	**7,415**	17,330
Fuel oil for resale	**1,795**	6,446	**–**	–
Asphalt for construction	**3,669**	2,860	**–**	–
Other construction materials	**26,853**	15,067	**–**	–
	52,572	66,489	**7,415**	17,330

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**1,257,178**	1,021,153	**193,054**	175,812
Commercial notes receivable	**89,225**	127,324	**20,600**	1,809
Retention sum for construction contracts	**328,559**	356,972	**–**	–
Total trade and notes receivables *(note (a))*	**1,674,962**	1,505,449	**213,654**	177,621
Prepayments and deposits *(note (b))*	**213,943**	220,924	**38,029**	2,092
Other receivables *(note (c))*	**87,257**	35,372	**3,176**	3,279
Amounts due from associates *(note (d))*	**5,868**	5,715	**–**	–
Amounts due from subsidiaries *(note (d))*	**–**	–	**63,972**	111,762
	1,982,030	1,767,460	**318,831**	294,754
Less: Impairment losses *(note (e))*	**(96,648)**	(78,678)	**(6,091)**	(5,157)
	1,885,382	1,688,782	**312,740**	289,597
Classified as:				
Non-current assets	**420,575**	269,473	**–**	–
Current assets	**1,464,807**	1,419,309	**312,740**	289,597
	1,885,382	1,688,782	**312,740**	289,597

Notes to the Financial Statements

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24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables

As at 31 December 2012, trade receivables of RMB58,000,000 (2011: RMB50,000,000) were pledged as security for the Group's borrowings (note 29(a)).

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Road and bridge construction *(note (i))*:				
Less than 6 months	**664,129**	420,250	**–**	–
6 months to less than 1 year	**96,235**	117,366	**–**	–
1 year to less than 2 years	**134,822**	294,063	**–**	–
2 years to less than 3 years	**136,766**	68,538	**–**	–
3 years and over	**13,392**	5,755	**–**	–
	1,045,344	905,972	**–**	–
Sale of fuel oil and asphalt and logistic services *(note (ii))*:				
Less than 31 day	**362,529**	262,720	**133,214**	121,420
31 to 60 days	**100,386**	115,876	**50,845**	44,578
61 to 90 days	**78,260**	61,522	**20,840**	–
91 days to less than 1 year	**58,952**	108,563	**3,619**	–
1 year to less than 2 years	**6,399**	42,875	**–**	7,480
2 years to less than 3 years	**17,457**	1,711	**2,139**	215
3 years and over	**5,635**	6,210	**2,997**	3,928
	629,618	599,477	**213,654**	177,621
	1,674,962	1,505,449	**213,654**	177,621

Notes to the Financial Statements

For the year ended 31 December 2012

24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables *(continued)*

Note (i):

In respect of road and bridge construction, the average credit period is negotiated on individual basis in accordance with contract terms. Normally the general credit period is ranging from 0 day to 3 years.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months past due	**199,909**	146,159	**–**	–
6 months to less than 1 year past due	**42,339**	24,009	**–**	–
1 year to less than 2 years past due	**59,840**	34,344	**–**	–
2 years to less than 3 years past due	**14,841**	1,140	**–**	–
3 years and over past due	**860**	73	**–**	–
	317,789	205,725	**–**	–

Substantially all customers of road and bridge construction are PRC government-related corporations which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 2 years) after completion of the contract.

Note (ii):

For sale of fuel oil and asphalt and logistic services, the credit terms granted to individual customers vary on a customer by customer basis which is determined by management with reference to the creditability of respective customers. Normally the general credit period is ranging from 0 to 90 days.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 91 days past due	**432,461**	368,134	**203,055**	164,189
91 days to 1 year past due	**57,376**	58,654	**3,438**	605
Over 1 year past due	**9,268**	37,384	**1,069**	5,861
	499,105	464,172	**207,562**	170,655

The amounts that were past due but not impaired relate to a number of independent customers which have no recent history of default. The credit quality of trade receivables has been assessed by reference to historical information about the counterparty default rates.

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24. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments and deposits

Included in prepayments and deposits was a guaranteed deposit to customer in the road and bridge construction segment in the amount of RMB48,650,000 (2011: RMB84,864,000). Pursuant to relevant agreement, such amount is receivable within 1 to 5 years and bears interest of 12.9% per annum. The amount of RMB44,175,000 (2011: RMB65,391,000) which is receivable over 1 year is classified as non-current asset in the consolidated statement of financial position. The interest income deriving from the above was RMB6,782,000 for the year ended 31 December 2012 (2011: RMB10,183,000).

(c) Other receivables

The balance includes consideration receivable of RMB10,306,000 (2011: Nil) on the disposal of a subsidiary as set out in note 33. According to the disposal agreement, the amount is fully recoverable within 1 year.

(d) Amounts due from associates/subsidiaries

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

(e) Impairment losses

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
At 1 January	**78,678**	61,743	**5,157**	6,272
Impairment loss recognised	**18,547**	27,021	**934**	5,157
Recovery of impairment loss previously recognised	**(577)**	(10,086)	**–**	(6,272)
At 31 December	**96,648**	78,678	**6,091**	5,157

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

	Group	
	2012	2011
	RMB'000	RMB'000
Contracts in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses	**3,172,209**	2,560,842
Less: progress billings	**(3,210,299)**	(2,545,031)
Contract work-in-progress at the end of reporting period	**(38,090)**	15,811
Represented by:		
Amounts due from customers for contract work included in current assets	**10,813**	33,738
Amounts due to customers for contract work included in current liabilities	**(48,903)**	(17,927)
	(38,090)	15,811

26. RESTRICTED BANK DEPOSITS

The Group's and the Company's restricted bank deposits were denominated in RMB, United States Dollars ("USD") and Hong Kong Dollars ("HK$"), and as collateral for issuance of commercial notes, performance bonds and bid bonds and bank borrowings. The effective interest rates on restricted bank deposits were 3.0% per annum as at 31 December 2012 (2011: 2.25% per annum).

27. ASSETS CLASSIFIED AS HELD FOR SALE

On 25 September 2011, Nantong Road and Bridge entered into the Relocation Compensation Agreement with the Nantong Project Conversion Construction Unit (which acts on behalf of the People's Government of Chong Chuan District of Nantong City, Jiangsu Province, the PRC), pursuant to which Nantong Road and Bridge will receive an aggregate of RMB64,580,000 from the People's Government of Chong Chuan District as relocation compensation for the offices that are currently occupied by Nantong Road and Bridge. Please refer to the Company's announcement dated 26 September 2011 for details.

Since the completion date is expected to be in 2012, the Group reclassifies the related property, plant and equipment, which is included in road and bridge construction segment, with carrying amount of RMB10,466,000 to non-current assets held for sale, as the transaction is expected to be completed within one year from 31 December 2011. As at 31 December 2011, a deposits of RMB25,000,000 has been received from Nantong Project Conversion Construction Unit and the amount is included in "other payables" (note 28).

During the year ended 31 December 2012, the Group disposed the non-current assets held for sale of RMB10,466,000, together with a property, plant and equipment of RMB3,515,000 which has located on the piece of land being relocated, and received the remaining balance of relocation compensation of RMB39,580,000. The gain on the disposal of RMB50,599,000 is recognised as "other income" in the consolidated statement of comprehensive income (note 7).

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28. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**367,927**	300,472	**276**	276
Notes payable	**373,728**	204,887	**80,000**	55,000
	741,655	505,359	**80,276**	55,276
Amount due to an associate *(note)*	**1,777**	2,449	**–**	2,449
Amounts due to subsidiaries *(note)*	**–**	–	**15,605**	25,770
Deposits received	**26,526**	110,030	**9,582**	15,920
Other payables	**62,620**	83,400	**6,593**	2,456
Accruals	**10,481**	11,219	**9,331**	9,066
	843,059	712,457	**121,387**	110,937

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

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction:				
Less than 6 months	**432,120**	324,917	**–**	–
6 months to less than 1 year	**10,549**	8,325	**–**	–
1 year to less than 2 years	**22,544**	26,312	**–**	–
2 years to less than 3 years	**7,698**	19,198	**–**	–
3 years and over	**24,683**	6,971	**–**	–
	497,594	385,723	**–**	–
Sale of fuel oil and asphalt and logistic services:				
Less than 31 days	**6,736**	3,073	**–**	–
31 to 60 days	**132,541**	40,000	**50,000**	40,000
61 to 90 days	**54,137**	65,255	**30,000**	5,000
91 days to less than 1 year	**49,405**	10,539	**–**	10,000
1 year to less than 2 years	**18**	693	**–**	200
2 years to less than 3 years	**1,010**	–	**200**	–
3 years and over	**214**	76	**76**	76
	244,061	119,636	**80,276**	55,276
	741,655	505,359	**80,276**	55,276

Notes to the Financial Statements

For the year ended 31 December 2012

29. BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured – interest-bearing loans *(note (a) and note (b))*	**100,000**	107,980	**50,000**	50,000
Unsecured – interest-bearing loans *(note (b))*	**1,135,000**	892,500	**200,000**	173,000
	1,235,000	1,000,480	**250,000**	223,000

At the end of the reporting period, total borrowings of the Group were repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**1,235,000**	1,000,480	**250,000**	223,000

Notes:

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

(a) The borrowings are secured by:

	2012	2011
	RMB'000	RMB'000
Property, plant and equipment *(note 17)*	**13,144**	24,947
Trade receivables *(note 24(a))*	**58,000**	50,000
Restricted bank deposits *(note 26)*	**195,097**	89,570

(b) The secured and unsecured borrowings of the Group to the extent of RMB1,165,000,000 (2011: RMB930,480,000) were guaranteed by certain independent third parties and certain directors of the Company and its subsidiaries. Out of the guarantee amounts, RMB210,000,000 (2011: RMB830,480,000) was guaranteed by the directors of the Company.

As at 31 December 2012, one (2011: one) of the banking facilities of the Group is subject to the fulfilment of covenants relating to certain of the Company's financial ratios. If the Group was to breach the covenants, the drawn down facilities of RMB50,000,000 as at 31 December 2012 (2011: RMB50,000,000) would become repayable on demand.

The Company regularly monitors its compliance with these covenants. As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: none).

Notes to the Financial Statements

For the year ended 31 December 2012

30. DEFERRED TAX

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

Deferred tax assets – Group

	Impairment loss on trade and other receivables RMB'000
At 1 January 2011	11,266
Credited to profit or loss	6,577
At 31 December 2011 and 1 January 2012	17,843
Credited to profit or loss	8,940
At 31 December 2012	26,783

Deferred tax liabilities – Group

	Fair value surplus in respect of business combination RMB'000	Capitalisation of borrowing costs RMB'000	Total RMB'000
At 1 January 2011	34,981	793	35,774
(Credited)/charged to profit or loss	(194)	543	349
At 31 December 2011 and 1 January 2012	34,787	1,336	36,123
Credited to profit or loss	(1,032)	(844)	(1,876)
At 31 December 2012	33,755	492	34,247

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of RMB10,701,000 (2011: RMB9,669,000) can be carried forward indefinitely and the tax losses of RMB38,327,000 (2011: RMB22,761,000) will expire in five years' time.

Notes to the Financial Statements

For the year ended 31 December 2012

30. DEFERRED TAX *(continued)*

Deferred tax assets – Company

	Impairment loss on trade and other receivables RMB'000
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	2,229

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Deferred tax assets	**3,847**	3,847	**2,229**	2,229
Deferred tax liabilities	**(11,311)**	(22,127)	**–**	–
	(7,464)	(18,280)	**2,229**	2,229

31. SHARE CAPITAL

(a) Authorised and issued share capital

	Company	
	Number of shares	Amount RMB'000
Ordinary shares of RMB0.1 each		
Authorised, issued and fully paid:		
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	936,190,000	93,619

On 10 October 2012, the Company proposed to implement the share consolidation of every ten ordinary shares of RMB0.10 each in the share capital of the Company into one consolidated share of RMB1.00 each. Pursuant to the special resolution at the extraordinary general meeting held on 27 December 2012, the proposal was approved, but it is subject to the approval by the relevant regulatory authorities in the PRC. The directors expect that the share consolidation will be completed in 2013.

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For the year ended 31 December 2012

31. SHARE CAPITAL *(continued)*

(b) Capital management policy

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

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

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings divided by total capital. The Group regards its equity attributable to the Company's owners as its capital.

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Total borrowings	**1,235,000**	1,000,480	**250,000**	223,000
Equity attributable to the Company's owners	**684,306**	598,588	**543,635**	504,049
Debt-to-equity ratio	**180.5%**	167.1%	**46.0%**	44.2%

The Group is also subject to externally imposed requirements in relation to certain bank covenants. Please refer to note 29 for details.

Notes to the Financial Statements

For the year ended 31 December 2012

32. RESERVES

Company	Capital reserve *(note (a))* RMB'000	Statutory reserve fund *(note (b))* RMB'000	Retained earnings *(note (e))* RMB'000	Total RMB'000
At 1 January 2011	221,766	35,636	142,039	399,441
Profit for the year	–	–	31,585	31,585
2010 final dividends paid	–	–	(20,596)	(20,596)
Transfer to statutory reserve fund	–	3,159	(3,159)	–
At 31 December 2011 and 1 January 2012	221,766	38,795	149,869	410,430
Profit for the year	–	–	54,565	54,565
2012 interim dividends paid *(note 15)*	–	–	(14,979)	(14,979)
Transfer to statutory reserve fund	–	5,853	(5,853)	–
At 31 December 2012	221,766	44,648	183,602	450,016

Notes:

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

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

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

(c) The Group's other reserve represents its share of revaluation surplus recognised as a result of fair value change in identifiable asset and liabilities when the Group acquired an additional equity interests of certain subsidiaries in 2008.

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

33. DISPOSAL OF A SUBSIDIARY

On 26 December 2012, the Group disposed all of its 78.61% equity interests of its subsidiary, Suzhong Shipping, which was engaged in logistic services in the PRC. The net assets at the date of disposal are as follows:

	Carrying amount RMB'000
Property, plant and equipment	12,813
Trade and other receivables	9,756
Cash and cash equivalents	366
Trade and other payables	(2,752)
Non-controlling interests	(4,294)
Net assets disposed	15,889
Total consideration	(12,882)
Loss on disposal of a subsidiary	3,007

Satisfied by:

	RMB'000
Cash consideration received	2,576
Cash consideration receivable	10,306
Total consideration	12,882

Net cash inflow arising on disposal:

	RMB'000
Cash and cash equivalents disposed of	(366)
Cash consideration received	2,576
	2,210

Suzhong Shipping contributed RMB13,259,000 to the Group's turnover and a loss of RMB324,000 for the period from 1 January 2012 to the date of disposal.

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For the year ended 31 December 2012

34. FINANCIAL GUARANTEE CONTRACTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fair value of outstanding financial guarantees	**–**	705	**552**	784

Group

The Group acted as a guarantor for one external borrowing made by an independent third party entity amounting to approximately RMB10,000,000 as at 31 December 2012 (2011: RMB10,000,000).

	Total guarantee		Expiry date	
	2012	2011	**2012**	2011
	RMB'000	RMB'000		
通州市金江交通投資有限公司	**10,000**	10,000	**20 March 2013**	20 March 2013

The guarantee was provided by the Group at no charge. The directors of the Group are of the opinion that such guarantee will not result in any outflow of resources of, nor will any loss be incurred by, the Group. Management of the Group estimated the fair value of this financial guarantee contract on the basis described in note 4(i)(vi). At inception of this contract, a liability was recorded in the statement of financial position using the estimated fair value, and expense of the same amount was recorded in the profit or loss.

Company

The Company has provided guarantees to banks for the borrowings of RMB885,000,000 (2011: RMB679,500,000) granted to its subsidiaries.

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For the year ended 31 December 2012

35. OPERATING LEASE COMMITMENTS

Operating leases – lessee

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Not later than one year	**5,634**	8,399	**–**	–
Later than one year and not later than five years	**8,048**	16,459	**–**	–
Later than five years	**5,483**	9,095	**–**	–
	19,165	33,953	**–**	–

The leases typically run for an initial period of 1 to 15 years without extension option. None of these leases includes contingent rentals.

Operating leases – lessor

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Not later than one year	**–**	10,275	**–**	–

None of these leases includes contingent rentals.

36. CONTINGENT LIABILITIES

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Guarantees in respect of performance bonds and bid bonds issued by banks	**85,832**	186,424	**–**	–

The guarantees in respect of performance bonds and bid bonds issued by banks, which are fully secured by restricted bank deposits, are arising from the construction projects of the Group's non-wholly owned subsidiary, Nantong Road and Bridge.

Notes to the Financial Statements

For the year ended 31 December 2012

37. RELATED PARTY TRANSACTIONS

(a) During the year, apart from the related party transactions disclosed in note 20(c), 20(d) and 29(b) the Group, entered into the following transactions with related parties:

(i) Sale of fuel oil to

	2012 RMB'000	2011 RMB'000
Pudong Road and Bridge, an associate	1,459	1,227

(ii) Sale of asphalt to

	2012 RMB'000	2011 RMB'000
Pudong Road and Bridge, an associate	4,340	3,179

(iii) Provision of services to

	2012 RMB'000	2011 RMB'000
Pudong Road and Bridge, an associate	160	721

(b) Key management compensation

	2012 RMB'000	2011 RMB'000
Directors' fees, basic salaries and allowances	3,036	3,315
Discretionary bonus	3,757	1,724
Retirement scheme contributions	204	213
	6,997	5,252

Management considers the directors and supervisors of the Company are also the key management personnel and senior management of the Group, the compensation paid to them is disclosed in note 11.

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38. CAPITAL COMMITMENT

	Group		Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Commitments for building office premises :				
– authorised but not contracted for	**51,512**	–	**–**	–
– contracted for but not provided	**1,541**	–	**–**	–
	53,053	–	**–**	–

39. FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE

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

Risk management

(a) Foreign currency risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognised assets and liabilities are denominated in RMB. In the opinion of the directors, the Groups' exposure to the foreign currency risk is minimal.

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and guaranteed deposits described in note 24(b) and its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk.

The following tables detail the interest rate profile of the Group and the Company at the end of reporting period:

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For the year ended 31 December 2012

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

Risk management *(continued)*

(b) *Interest rate risk (continued)*

	Group			
	2012		2011	
	Effective interest rate per annum	**RMB'000**	Effective interest rate per annum	RMB'000
Fixed rate guaranteed deposits	**12.9%**	**48,650**	12.9%	84,864
Fixed rate bank deposits	**3.0%**	**280,150**	3.1%	95,878
Floating rate bank deposits	**0.4%**	**416,783**	0.5%	211,890
		745,583		392,632
Fixed rate borrowings	**7.0%**	**640,000**	7.5%	375,980
Floating rate borrowings	**6.7%**	**595,000**	6.8%	624,500
		1,235,000		1,000,480

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately RMB1,334,000 (2011: RMB3,106,000) for the year ended 31 December 2012.

	Company			
	2012		2011	
	Effective interest rate per annum	**RMB'000**	Effective interest rate per annum	RMB'000
Fixed rate bank deposits	**3.0%**	**91,000**	3.1%	17,611
Floating rate bank deposits	**0.4%**	**31,527**	0.5%	37,164
		122,527		54,775
Fixed rate borrowings	**–**	**–**	7.9%	48,000
Floating rate borrowings	**6.0%**	**250,000**	6.3%	175,000
		250,000		223,000

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's profit after income tax expense would decrease/increase by approximately RMB1,639,000 (2011: RMB1,048,000) for the year ended 31 December 2012.

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For the year ended 31 December 2012

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

Risk management *(continued)*

(c) Credit risk

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

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

(d) Liquidity risk

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

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

The Group also has policy to regularly monitor its liquidity requirements and its compliance with lending covenants, so as to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and long terms.

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

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

Risk management *(continued)*

(d) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2012				
Borrowings	1,261,816	–	–	1,261,816
Trade and other payables	843,059	–	–	843,059
Financial guarantees issued – maximum amount guaranteed	10,000	–	–	10,000
At 31 December 2011				
Borrowings	1,027,132	–	–	1,027,132
Trade and other payables	712,457	–	–	712,457
Financial guarantees issued – maximum amount guaranteed	10,000	–	–	10,000
Company				
At 31 December 2012				
Borrowings	257,429	–	–	257,429
Trade and other payables	121,387	–	–	121,387
Financial guarantees issued – maximum amount guaranteed	885,000	–	–	885,000
At 31 December 2011				
Borrowings	227,832	–	–	227,832
Trade and other payables	110,937	–	–	110,937
Financial guarantees issued – maximum amount guaranteed	679,500	–	–	679,500

Fair value estimation

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

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

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

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

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the financial instruments as at the end of each reporting period are categorised as follows:

Group

	2012 **RMB'000**	2011 RMB'000
Financial assets		
Loans and receivables	**2,475,112**	1,921,269
Available-for-sale financial asset	**800**	800
	2,475,912	1,922,069
Financial liabilities		
Financial liabilities measured at amortised cost	**2,007,693**	1,563,993

Company

	2012 **RMB'000**	2011 RMB'000
Financial assets		
Loans and receivables	**397,246**	342,284
Available-for-sale financial asset	**800**	800
	398,046	343,084
Financial liabilities		
Financial liabilities measured at amortised cost	**356,308**	316,437

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41. SIGNIFICANT NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2012, the Group disposed a subsidiary, Suzhong Shipping, for a total consideration of RMB12,882,000. As at 31 December 2012, cash of RMB10,306,000 was outstanding and included in "other receivables" (see note 24 (c)).

(b) During the year ended 31 December 2012, amount of RMB2,449,000 of interests in associate and other payables are offset upon the liquidation of an associate.

(c) During the year ended 31 December 2011, deposits of RMB25,000,000 for the relocation compensation is received and the amount is included in "other payables" (see note 27).

42. COMPARATIVE FIGURES

The cash flow movement of restricted bank deposits in 2012 is reclassified from cash flows from operating activities to cash flows from investing activities. As a result of better presentation, comparative figures of consolidated statement of cash flows have been adjusted to conform to the changes in disclosure in this year.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2013.