2013 ANNUAL REPORT

SHANGHAI TONVA Petrochemical Co., Ltd.*

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

*For identification purposes only

Stock Code: 1103

Contents

Summary of Financial Information

RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**5,885,633**	4,422,014	3,220,685	2,475,024	1,581,550
Profit before income tax expense	**232,181**	161,287	92,982	102,221	34,232
Profit attributable to owners of the Company	**138,959**	101,278	71,722	66,972	2,268
Net profit margin	**2.36%**	2.29%	2.23%	2.71%	0.14%
Earnings per share (RMB)	**0.148**	0.108	0.077	0.072	0.002

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**834,583**	739,733	623,991	618,494	659,681
Current assets	**2,619,620**	2,225,504	1,839,851	1,330,998	1,269,584
Non-current liabilities	**(14,280)**	(11,311)	(22,127)	(69,981)	(135,182)
Current liabilities	**(2,533,633)**	(2,151,974)	(1,750,503)	(1,223,438)	(1,212,596)
Non-controlling interests	**(141,073)**	(117,646)	(92,624)	(108,280)	(89,131)
Capital and reserves attributable to owners of the Company	**765,217**	684,306	598,588	547,793	492,356

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Qian Wenhua *(Chairman)*
Mo Luojiang *(Chief Executive Officer)*
Li Hongyuan

Non-Executive Director

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 703, 7/F
New Victory House
No. 93-103 Wing Lok Street
Sheung Wan
Hong Kong

COMPANY WEBSITE

www.tonva.com

COMPLIANCE OFFICER

Li Hongyuan

COMPANY SECRETARY

Lo Suet Fan

AUTHORISED REPRESENTATIVES

Li Hongyuan
Lo Suet Fan

MEMBERS OF THE AUDIT COMMITTEE

Chung Cheuk Ming *(Chairman)*
Chan Cheuk Wing Andy
Pan Min
Zhou Jianhao

MEMBERS OF THE REMUNERATION AND ASSESSMENT COMMITTEE

Zhou Jianhao *(Chairman)*
Chung Cheuk Ming
Pan Min

MEMBERS OF THE NOMINATION COMMITTEE

Qian Wenhua *(Chairman)*
Chung Cheuk Ming
Pan Min
Zhou Jianhao

HONG KONG H 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

STOCK CODE

1103

Chairman's Statement

In 2013, the domestic economy in China went through a transition period of adjustment smoothly and the convening of the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party further defined the development strategy for the economic transformation period. Benefited from the public policy, the promotion of "urbanization" will be accelerated again. The Group captured the opportunities arising from market growth and continued to maintain rapid expansion of the overall business. During the period under review, the Group focused on the development of core businesses, optimizing internal business structure and resource allocation to further enhance the overall profitability.

Under the market environment with opportunities as well as challenges, the Group strictly controlled the risks while capturing the market opportunities and adjusted the development strategies in due course based on the changes in market environment. Through in-depth analysis of market demand, the Group integrated the existing four separate business segments such as road and bridge construction business, fuel oil trading business, asphalt trading business and logistics business into two major segments namely road and bridge construction business and fuel oil and asphalt trading business, so that the Group can organize its high quality resources to focus on the promotion and development of advantageous businesses.

During the period under review, the Group, through in-depth analysis on the changes in market demand, successfully captured the growth opportunities when the market was beginning to pick up which laid a solid foundation for further growth of the Group in the future. Contributed by the significant growth in the road and bridge construction business and the fuel oil and asphalt trading business, the Group's total revenue and profit achieved a significant growth during the period under review.

RESULTS OF THE YEAR

During the year, turnover of the Group was approximately RMB5,885,633,000 (2012: approximately RMB4,422,014,000), representing a significant increase of 33.1%. The overall growth of the Group's revenue was mainly attributable to the strong performance of road and bridge construction business and fuel oil and asphalt trading business during the period. Among them, the performance of fuel oil and asphalt trading business was particularly prominent, contributing to 82.9% of the Group's overall revenue; whereas road and bridge construction business contributed to 17.1% of the Group's overall revenue. Facing the volatile external environment of the market, the Group strictly controlled the risks and further enhanced the profitability. During the period, overall gross profit of the Group was approximately RMB399,689,000 (2012: approximately RMB247,428,000), representing a significant increase of 61.5% compared to the last year. The rapid growth in the performance did not only reflect the strong growth momentum and the steady pace of development of various businesses of the Group in 2013, but also provided strong support for further growth of the Group in the future. The Board resolved and decided to propose a final dividend of RMB0.044 per share to the Shareholders for their great support to the Group.

BUSINESS OVERVIEW AND MAJOR FACTORS AFFECTING THE PROFIT

Despite a deficiency in the growth momentum of the national road and bridge construction market during the year, the Group obtained a number of construction contracts during the year by leveraging on a wealth of experience accumulated in road and bridge construction and its good market layout, which made a significant contribution to the overall income of the Group. Meanwhile, with the gradual implementation of the "urbanization" strategy by the 18th Central Committee of the Chinese Communist Party and the new growth of the road and bridge construction market, the Group embraced the market growth, and actively expanded the road and bridge construction markets in Zhejiang, Xinjiang and other places while consolidating the mature markets in Jiangsu, Anhui and other places, to gradually form a more advanced and scientific business layout structure in the national market. For the progress of the existing projects, the Group has achieved the desired objective of excellent project completion by strictly controlling the quality of construction, overcoming multiple external difficulties and accurately promoting progress of projects. During the period under review, turnover of the Group's road and bridge construction business was RMB1,005,190,000, representing a significant year-on-year increase of 17.0%, contributing to 17.1% of the Group's total turnover. Gross profit of this business was RMB152,759,000, representing a significant increase of approximately 86.2% compared to 2012.

For the fuel oil and asphalt trading business, the Group captured the ever-changing market demand through the integration of internal resource structure and optimization of market network, striving to improve the overall profit of the Group. Under the volatile external environment and the increasing trading risks, the Group, relying on its ample market resources, actively explored the growth points of existing quality customers demand and fully responded to changes in market demand together with our diversified products. Meanwhile, the Group had successfully cultivated a number of product varieties which had promising market prospects and steady demands and had established a stable customer base in the market. As the market position of the Group continued to consolidate, the customer base of its products was further expanded, fostering the significantly improved performance of the Group's fuel oil and asphalt trading business. During the year, turnover of the Group's fuel oil and asphalt trading business was RMB4,880,443,000, representing a year-on-year growth of 37.0%. Gross profit of this business was RMB246,930,000, representing a significant increase of approximately 49.3% compared to 2012.

FUTURE PROSPECTS

Looking forward to 2014, the impact of global economic recovery will be more profound and domestic economy will develop in a stable pace with the gradually defined policies under the economic reconstructing in China. Following the progress of "urbanization" strategy in China, "urban-rural integration" will be realized in more regions in the future and the market demand will see a significant increase with the upgrades of urban functions. Meanwhile, the strengthening financial policy reform in China further revitalized the market capital, which helps promote the development of private enterprises. Under the promotion of the national policy and the promising industry prospects, the Group will attach importance to strengthening the development of advantageous business, consolidating and optimizing the existing projects and distribution network and fully realizing the synergistic effect of various business segments in order to support a new round of growth of the Group's overall business.

For the road and bridge construction business, under the promising industry environment, the Group will seize the opportunities of the increase in market demand arising from the acceleration of the "urbanization" strategy and strengthen its outstanding advantages in the road and bridge construction business, strengthen the existing markets while focusing on the expansion in new markets, laying a solid foundation for a new round of profitable growth.

For the fuel oil and asphalt trading business, the Group will continue to see the market demand as the key to improve and optimize the existing business structure, fully realizing the synergistic effect of various business segments of the Group. With the rapid changes in market demand, the Group will continue to strengthen the development strategies of diversified fuel oil and asphalt products in order to meet the market demand, which further enhances the Group's overall comprehensive competitive strength in the fuel oil and asphalt market. Meanwhile, the Group will continue to strengthen the improving construction of the marketing network, focus on consolidating the long-term cooperative relationship with quality customers and further expand our customer base so as to expand market share and improve profit margins.

Looking ahead, due to the recovering international economy and the ongoing reconstructing of domestic economy, the Company will adapt to the national policies and market development trend, actively carry out the optimal allocation of internal resources, seize the opportunities arising from the changes in market demand and further enhance the competitiveness of the Group to meet the market demand. Meanwhile, the Group will continue to optimize and integrate various business segments in order to maximize the synergistic effect of the business segments and to reward the shareholders for their long-standing support by further increasing the profit.

Qian Wenhua
Chairman

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

In the year of 2013, the global economic environment was still in a fluctuating stage and major international economies showed significant signs of bottoming out. The market expectation on U.S. economic outlook was improved, with overall economy taking a choppy path upward; and benefiting from the continued loose monetary policy, the European market sentiment was significantly boosted. In the course of global economic adjustment and recovery, the domestic economy in China was intertwined by upward momentum and downward pressure, the pace of structural adjustment was significantly accelerated, the economic growth momentum was gradually driven by consumption instead of investment, and the overall performance was smooth and stable. With the convening of the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party, the development path for the economic transformation period was gradually clarified, the economy witness a stable growth and promising prospect. As far as industry environment of road and bridge construction and petrochemical products, with the further promotion of the "urbanization" policy, the market expectation for the industry's future development was significantly enhanced, and the overall industry growth gradually emerged.

By optimizing internal business structure and resource allocation, focusing on the development of the Group's main business, scientifically balancing and enhancing the synergy between the Group's business segments, the Group achieved significantly improved performance and formed a more streamlined and efficient business structure through integration in 2013. In view of the change to the internal business structure and to better and more clearly interpret the business of the Company for the investors, the Group integrated the existing four separate business segments on the financial report such as road and bridge construction business, fuel oil trading business, asphalt trading business and logistics business into two major segments namely road and bridge construction business and fuel oil and asphalt trading business (hereinafter referred to as the "trading business) for disclosure.

During the period under review, turnover and gross profit of the Group were approximately RMB5,885,633,000 and RMB399,689,000 respectively, representing a substantial increase of approximately 33.1% and 61.5% compared to last year. The significant improvement of the Group's overall performance was attributable to the strong performance of road and bridge construction business and fuel oil and asphalt trading business. Turnover of road and bridge construction business for the period was approximately RMB1,005,190,000, representing a growth of approximately 17.0% compared to last year, and gross profit was approximately RMB152,759,000, representing a substantial increase of approximately 86.2%; and turnover of fuel oil and asphalt trading business was approximately RMB4,880,443,000, representing an increase of approximately 37.0% compared to last year, and gross profit was approximately RMB246,930,000, representing a significant increase of approximately 49.3%.

BUSINESS OPERATIONS

The Group's main business includes road and bridge construction business and fuel oil and asphalt trading business. Among them, road and bridge construction mainly comprises the construction and maintenance of highways and bridges, with projects covering Jiangsu, Hunan, Anhui, Sichuan and other provinces. Leveraging on rich experience accumulated after years of project operation and leading technical advantage, the Group not only strengthened its position in mature markets such as Jiangsu and Anhui, but also actively expanded road and bridge construction markets in Zhejiang, Xinjiang and other provinces, to bring strong growth momentum for the Group. For fuel oil and asphalt trading business, through scientific planning in nation-wide markets and the accurate grasp of market demand, the Group has gradually formed its unique business advantage, and recorded dramatic improvement in business performance for the review period. By enhancing the synergy between the business segments, the Group has formed a close scientific synergy model, and achieved good results in overall performance.

ROAD AND BRIDGE CONSTRUCTION BUSINESS

Thanks to the fact that the Chinese government continued to promote the "urbanization" strategy and the urban road and bridge facilities gradually entered into replacement cycle, the Group achieved good momentum in road and bridge construction business in 2013 by leveraging on the optimization and integration of internal resources of the Group as well as its technical expertise and experience. With the changes in market demand among different cities, the Group accordingly adjusted the market focus of contracting business, achieved another breakthrough in expressways construction within Jiangsu province, consolidated Wuhu market in Anhui, developed Bengbu market in Anhui, and increased the market shares in national and provincial roads and public infrastructure works within Nantong region. The Group also leveraged the policy of "urbanization" promotion and expanded the markets in Zhejiang and Xinjiang on a trial basis, to lay a good foundation for the future development of the Group.

When undertaking road and bridge construction projects, the Group strictly controlled the risks, made comprehensive consideration of profitability and counter party's payment risk and priorities project bidding and construction in South Jiangsu, East China and other financially strong regions, to ensure control of project risks and margin improvement. In 2013, the Group kept a strict control on construction quality and overcame the impact from the severe weather, thereby ensuring high quality of the completed projects and punctual delivery of project. In addition, the Group also strengthened internal control, innovated the staff remuneration system, encouraged technological innovation while focusing on the recovery of accounts receivable and achieved a notable result for the yearly clearing and collection of the receivable.

During the period, turnover for the Group's road and bridge construction business was approximately RMB1,005,190,000 (2012: approximately RMB859,076,000), accounting for approximately 17.1% of the Group's total turnover, and gross profit was approximately RMB152,759,000 (2012: approximately RMB82,027,000), representing a substantial year-on-year growth of approximately 86.2%, whereas gross margin significantly rose from approximately 9.5% in the same period of last year to approximately 15.2% in the reporting period. As of 31 December 2013, the backlog of bid-winning construction contracts not yet recognized as revenue amounted to approximately RMB1,400,000,000, most of which will be completed within the next four to eighteen months, which will bring stable cash inflows to the Group.

Fuel oil and asphalt trading business

Relying on extensive product range and stable market network, the Group's fuel oil and asphalt trading business was oriented to market demand and provided customers with a wide selection of high-quality fuel oil and asphalt products, and achieved significant improvement in business performance. With the diversified development trend of the market demand, the Group fully mobilized market resources and actively developed new products while optimizing the existing mature fuel oil products, to meet the escalating market demand. In addition, the Group deeply explored the existing customer resources, increased the trade volume with quality customers, and captured the new demand of the existing customers through upgrades of fuel oil and asphalt product categories, to bring a steady upward development momentum for the Group.

With a good planning of fuel oil and asphalt trading business in the nation-wide market, the Group has extensive quality market resources in Jiangsu, Jiangxi, Anhui, Zhejiang, Hubei, Henan and other places. Accompanied by acceleration of the government's "urbanization" strategy, more and more areas will see significantly increased demand for asphalt products, which will bring more business opportunities for the Group.

For the year ended 31 December 2013, turnover of fuel oil and asphalt trading business was approximately RMB4,880,443,000 (2012: approximately RMB3,562,938,000), accounting for approximately 82.9% of the Group's total turnover. Gross profit was approximately RMB246,930,000 (2012: approximately RMB165,401,000), representing a year-on-year growth of approximately 49.3%, whereas gross margin significantly rose from approximately 4.6% in the same period of last year to approximately 5.1% during the reporting period.

PROFIT FOR THE YEAR

For the year ended 31 December 2013, the Group recorded profit attributable to owners of the Company for the year of approximately RMB138,959,000 (2012: approximately RMB101,278,000), representing a significant increase of approximately 37.2% over last year.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2013, the Group's administrative expenses were approximately RMB103,406,000 (2012: approximately RMB100,749,000). Basically, the administrative expenses approximated to those in last year. The slightly increase was mainly due to the investment in talents by the Group as a result of growth of road and bridge businesses.

DISTRIBUTION COSTS

For the year ended 31 December 2013, the Group's distribution costs were approximately RMB13,505,000 (2012: approximately RMB12,044,000), representing an increase of approximately 12.1%, which was mainly due to the increase in distribution cost as a result of substantial increase of fuel oil product trading.

FINANCE COSTS

The finance costs for the year were approximately RMB99,784,000, representing an increase of approximately 71.8% compared to RMB58,071,000 in last year. The significant increase of finance costs was mainly due to the rapid growth of fuel oil trading and substantial increase in the Group's demand for liquidity. Under the current limited financing channels, the capital demands rely mainly on the bank borrowings, together with increased average finance cost in 2013 thereby causing substantial increase in the overall finance costs.

OTHER INCOME AND GAINS

For the year ended 31 December 2013, the Group's other gains were approximately RMB52,389,000 (2012: approximately RMB85,041,000). The decrease in other income and gains was mainly due to the one-off relocation compensation income received by a subsidiary company in 2012 as a result of requisition of the land which originally used as its office. The amount of RMB50,599,000 was recognized as "other income" in the Group's consolidated statement of comprehensive income. There is no compensation with similar nature recorded in 2013.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Net current assets value

As of 31 December 2013, the Group had current assets of approximately RMB2,619,620,000 (2012: approximately RMB2,225,504,000). The current assets mainly comprised cash and cash equivalents amounting to approximately RMB279,780,000 (2012: approximately RMB502,215,000), restricted bank deposits of approximately RMB238,345,000 (2012: approximately RMB195,097,000), trade and other receivables of approximately RMB1,960,114,000 (2012: approximately RMB1,464,807,000), amounts due from customers for contract work of approximately RMB115,042,000 (2012: approximately RMB10,813,000) and inventories of approximately RMB26,339,000 (2012: approximately RMB52,572,000). The Group had current liabilities of approximately RMB2,533,633,000 (2012: approximately RMB2,151,974,000). The current liabilities mainly comprised borrowings of approximately RMB1,388,611,000 (2012: approximately RMB1,235,000,000), trade and other payables of approximately RMB1,067,394,000 (2012: approximately RMB843,059,000), amounts due to customers for contract work of approximately RMB40,052,000 (2012: approximately RMB48,903,000) and current income tax liabilities of approximately RMB37,576,000 (2012: approximately RMB25,012,000). As of 31 December 2013, the net current asset value was RMB85,987,000 (2012: approximately RMB73,530,000).

Working capital

As of 31 December 2013, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB518,125,000 (2012: approximately RMB697,312,000). The decrease in cash and cash equivalents was mainly attributable to the increase in amount receivable as a result of growth of fuel oil trading, and the additional capital investment in trading business.

Borrowings

As of 31 December 2013, the Group did not have any long-term borrowings (2012: Nil) and had short-term borrowings of approximately RMB1,388,611,000 (2012: approximately RMB1,235,000,000). Most of the Group's borrowings were denominated in RMB.

Pledge of assets

As of 31 December 2013, property, plant and equipment with a net book value of approximately RMB17,796,000 (2012: approximately RMB13,144,000) were pledged as security for the Group's borrowings. As of 31 December 2013, trade receivables of approximately RMB30,581,000 (2012: approximately RMB58,000,000) were pledged as security for the Group's borrowings. As of 31 December 2013, the Group had restricted bank deposits of approximately RMB238,345,000 (2012: RMB195,097,000) 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 of 31 December 2013 was approximately 73.8% (2012:approximately 73.0%), which was calculated as total liabilities divided by total assets.

Foreign exchange risk

The Group operates mainly in the PRC, and most of the Group's commercial transactions, recognized assets and liabilities are denominated in RMB. In the opinion of the directors, the Group's exposure to the foreign exchange risk is minimal, but the Group will closely monitor the fluctuations in exchange rate of foreign currency against RMB.

Biographical Details of Directors, Supervisors and Senior Management

BOARD OF DIRECTORS

Executive directors

Mr. Qian Wenhua (錢文華), aged 57, is the chairman of the Company and was appointed as an executive director of the Company since 1997. Mr. Qian is also the chairman of the Nomination Committee and a director of certain subsidiaries of the Group. Mr. Qian 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).

Mr. Mo Luojiang (莫羅江), aged 35, was appointed as a chief executive officer and executive director of the Company in May 2013 and June 2013, respectively. He is also a director of certain subsidiaries of the Group. Mr. Mo 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 the Secretary of the Board from 2003 to May 2013. He was appointed as a vice general manager of the Company in May 2006. In March 2007, he has been appointed as an executive vice general manager and responsible for corporate governance and capital market finance and the asphalt business in Henan & Hubei of the Group. He was appointed as an executive director of the Company from May 2007 to June 2012. In 2008, Mr. Mo was awarded "The Excellence in Achievement of World Chinese Youth Entrepreneurs".

Mr. Li Hongyuan (李鴻源), aged 57,was appointed as an executive director of the Company in December 2003. He is the vice president of the Company as well as a director of a subsidiary of the Group. He joined the Company in 2001 and was appointed as vice general manager of the Company from December 2003 to August 2007. Mr. Li 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 20 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. Mr. Li was appointed as vice general manager of the Company from December 2003 to August 2007. He is responsible for the Group's fuel oil trading business currently.

Non-Executive director

Mr. Chan Cheuk Wing Andy (陳焯榮), aged 38, was appointed as a non-executive director of the Company in December 2009 and is a member of the Audit Committee of the Company. Mr. Chan 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 51, was appointed as an independent non-executive director of the Company in June 2012 and is the chairman of the Audit Committee and a member of the Remuneration and Assessment Committee and Nomination Committee. Mr. Chung is a Practising Certified Public Accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Society of Chinese Accountants and Auditors, and the Hong Kong Institute of Bankers. 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.

Mr. Zhou Jianhao (周建浩), aged 52, was appointed as an independent non-executive director of the Company in December 2012 and is the chairman of the Remuneration and Assessment Committee and a member of the Audit Committee and Nomination Committee. Mr. Zhou 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, was appointed as an independent non-executive director of the Company in December 2012 and is a member of the Audit Committee, Remuneration and Assessment Committee and Nomination Committee. Ms. Pan 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 holds a Bachelor's degree in Accounting from 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.* (上海白礫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.

Biographical Details of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Xu Jianwei (許建偉), aged 60. Mr. Xu possesses more than 30 years of experience in logistics industry. He was the head of delivery department in Shanghai Yichuan Shopping Group (上海宜川購物集團公司) between 1992 to 2002, responsible for the deployment of vehicles. He joined the Company in August 2005 and was responsible for establishing Shanghai Shenhua Logistic Company Limited, a subsidiary of the Company. He is the vice President of the Company, and responsible for the Group's management and operation of land and inland water transport.

Mr. Jin Xiaohua (金曉華), aged 43, 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.

Ms. Cheng Du (程渡), aged 35, 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.

Ms. Lo Suet Fan (盧雪芬), aged 48, joined the Company in April 2013. She was appointed as the company secretary and authorized representative of the Company in May 2013. Ms. Lo is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. She holds a Postgraduate Diploma in Finance and Law from The University of Hong Kong School of Professional and Continuing Education. Ms. Lo has extensive experience in finance, accounting and company secretarial fields.

Corporate Governance Report

The board of directors (the "Board") of the Company and the Company are always committed to maintaining high standards of corporate governance and business ethics since the Board believes that sound and effective corporate governance practices are essential for maintaining and promoting investors' confidence and maximizing shareholders' wealth. The Board, from time to time, reviews its corporate governance practices in order to meet the rising expectations of shareholders, to 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The manner in which the code provisions in the CG Code are applied and implemented during the year ended 31 December 2013 is explained in this Corporate Governance Report.

The roles of chairman and chief executive officer ("CEO") of the Company have been performed by Mr. Qian Wenhua for the period from 1 January 2013 to 7 May 2013 (when Mr. Mo Luojiang was appointed as CEO), save and except for the above deviation from CG Code provision 2.1, throughout the year ended 31 December 2013, the Company has complied with the CG Code.

BOARD OF DIRECTORS AND BOARD MEETING

The Board, 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 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.

The biographical details of the Directors are set out in the "Biographical Details of Directors, Supervisors and Senior Management" section on pages 10 to 12 of this 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.

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

All the executive Directors, non-executive Director and independent non-executive Directors are appointed for a specific term of 3 years subject to 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 continuous professional development to develop and refresh their knowledge and skills.

Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on directors' continuous professional development. During the year, the continuous professional development taken by respective Directors are as follows:

Name	**Training Received** *(Note)*
Executive Directors	
Qian Wenhua	A, B
Mo Luojiang	A, B
Li Hongyuan	A, B
Non-executive Director	
Chan Cheuk Wing Andy	A, B
Independent non-executive Directors	
Chung Cheuk Ming	A, B
Pan Min	A, B
Zhou Jianhao	A, B

Note:

A: reading materials relevant to the Company's business or to the directors' duties and responsibilities

B: attending seminars/workshops/webinar or training course

Attendance of individual Directors at Board meetings for 2013:

Number of meetings	16	
Executive Directors:		
Qian Wenhua	16/16	100%
Lu Yong[1]	3/3	100%
Li Hongyuan	16/16	100%
Mo Luojiang[2]	8/8	100%
Non-executive Director:		
Chan Cheuk Wing Andy	16/16	100%
Independent Non-executive Directors:		
Chung Cheuk Ming	16/16	100%
Pan Min	16/16	100%
Zhou Jianhao	16/16	100%

Average attendance rate 100%

Notes:

1. Mr. Lu Yong passed away on 26 March 2013.
2. Mr. Mo Luojiang was appointed as executive Director on 6 June 2013.

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. The chairman of the committee is Mr. Zhou Jianhao and other committee members included 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.

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

Number of meetings	3	
Independent Non-executive Directors:		
Zhou Jianhao	3/3	100%
Chung Cheuk Ming	3/3	100%
Pan Min	3/3	100%

Average attendance rate 100%

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 and the terms of reference of Nomination Committee are aligned with the CG Code. The majority of committee members are independent non-executive Directors and the chairman of the committee 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, make recommendations on any proposed change to the Board to complement the Company's corporate strategies and assess the independence of independent non-executive Directors. 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.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional experience and skills. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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	2/2	100%
Pan Min	2/2	100%
Zhou Jianhao	2/2	100%

Average attendance rate 100%

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 Audit Committee was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of the audit committee are to review and monitor 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 four meetings during the year.

Details of the attendance of the audit committee:

Number of meetings	4	
Non-executive Director:		
Chan Cheuk Wing Andy	4/4	100%
Independent Non-executive Directors:		
Chung Cheuk Ming	4/4	100%
Pan Min	4/4	100%
Zhou Jianhao	4/4	100%

Average attendance rate 100%

The Group's unaudited interim results and audited annual results for the year ended 31 December 2013 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 conservation functions; and
- To hold meeting with the management so as to discuss the audit results and make recommendations.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

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.

COMPANY SECRETARY

Ms. Lo Suet Fan ("Ms. Lo") was appointed as the company secretary of the Company on 15 May 2013. She is responsible to the Board for advising the Board on corporate governance matters. Ms. Lo has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013 in compliance with the requirements of Rule 3.29 of the Listing Rules.

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 unauthorized 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 2013. 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 recognizes 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 endeavors to maintain an on-going dialogue with its shareholders, in particular, through annual general meetings ("AGM(s)") 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 25 June 2014. 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

AGM shall be convened once every year and within 6 months after the end of the preceding financial year. The Board shall convene an extraordinary general meeting within two months if the shareholder(s) holding in aggregate 10% or more of the Company's issued shares carrying voting rights request in writing. In the case of AGM, shareholders holding in aggregate 5% or more of the Company's shares carrying voting rights are entitled to put forward new proposals in writing to the Company, and the Company shall place such proposals in the agenda for the said AGM to the extent that it falls within the powers of the general meeting.

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 2013, 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 2013, 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

Zhang Liangjun
Chairman of the Supervisory Committee

Shanghai, PRC, 26 March 2014

Report of the Board of Directors

The Board of directors (the "Board") of Shanghai Tonva Petrochemical Co., Ltd. (the "Company") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is trading of petrochemical products. The principal activities of the Group 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.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 29.

The state of affairs of the Group and of the Company as at 31 December 2013 are set out in the consolidated and company statement of financial position, respectively, on pages 30 to 31.

The Board declared and paid an interim dividend of RMB0.025 (2012: RMB0.016) per share, totaling approximately RMB23,405,000 (2012: approximately RMB14,979,000) during the year.

The Board recommended the payment of a final dividend RMB0.044 (2012: RMB0.036) per share, totaling approximately RMB41,192,000 (2012: approximately RMB33,703,000) for the year ended 31 December 2013. Together with the interim dividend, the total dividend for the year ended 31 December 2013 will be RMB0.069 (2012: RMB 0.052) per share, totaling approximately RMB64,597,000 (2012: approximately RMB48,682,000).

The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

BONUS ISSUE OF SHARES

The Board recommended a bonus issue of shares to all the shareholders of the Company on the basis of five new shares (the "Bonus Share(s)") for every ten existing shares of the Company held by the member on the register of members of the Company (the "Bonus Issue") (i.e. five bonus H shares and five bonus domestic shares to be issued in respect of every ten H shares and ten domestic shares held by the shareholders, respectively).

The Bonus Issue is subject to the approval of shareholders at the forthcoming annual general meeting and the approval of relevant regulatory authorities.

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

There was no movement in the share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out under the consolidated statements of changes in equity and note 31 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2013, calculated in accordance with the provisions of the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB204,897,000 (2012: RMB183,602,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or 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

A summary of the results and of the assets and liabilities 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. Mo Luojiang (appointed on 6 June 2013)
Mr. Li Hongyuan
Mr. Lu Yong (passed away on 26 March 2013)

Non-executive Director

Mr. Chan Cheuk Wing Andy

Independent Non-executive Directors

Mr. Chung Cheuk Ming
Ms. Pan Min
Mr. Zhou Jianhao

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that all independent non-executive Directors to be independent.

In accordance with Article 94 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 10 to 12.

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 AND UNDERLYING SHARES

As at 31 December 2013, the interests or short positions 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 be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified 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 Listing Rules were 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 ("Mr. Qian") *(Executive Director)*	Beneficial owner	260,706,000 (domestic shares)	854,000 *(Note)* (domestic Shares)	261,560,000	54.49	27.94
Li Hongyuan *(Executive Director)*	Beneficial owner	50,254,000 (domestic shares)	–	50,254,000	10.47	5.37

Note: The 854,000 shares are held by Ms. Liu Huiping, the wife of Mr. Qian, and such shares are deemed to be family interests held by Mr. Qian pursuant to the SFO.

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

As at 31 December 2013, the persons or companies (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which 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 were listed as follows:

Name of persons	Capacity	Number of shares Personal interest	Family interest	Total long position	Total short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
Liu Huiping ("Ms. Liu") *(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
Huang Yan	Beneficial owner	31,309,000 (domestic shares)	–	31,309,000	–	6.52	3.34
Lu Jiabin	Beneficial owner	31,309,000 (domestic shares)	–	31,309,000	–	6.52	3.34
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
CITIC Securities Company Limited	Interest in controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
CITIC Securities International Company Limited	Interest in controlled corporation	175,000,000 (H shares)	–	175,000,000 *(Note 2)*	–	38.36	18.69
CLSA B.V.	Interest in 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 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
Aria Investment Partners III, L.P. ("Aria III")	Interest in 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 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. Ms. Liu, being the wife of Mr. Qian, is deemed to be interested in the 260,706,000 shares held by Mr. Qian pursuant to the SFO.

2. Mumiya Limited and Babylon Limited hold 35,000,000 and 140,000,000 H shares of the Company respectively. As Aria II owns 100% 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 owns 100% 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. CITIC Securities Company Limited owns 100% of CITIC Securities International Company Limited, which in turn owns 100% of CLSA B.V., which in turn owns 100% of CLSA Capital Partners Limited, which in turn owns 100% of CLSA Private Equity Management Ltd. Therefore, CITIC Securities Company Limited, CITIC Securities International Company Limited, 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	23%
– five largest customers combined	57%
Purchases	
– the largest supplier	22%
– five largest suppliers combined	59%

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) had any interest in the Group's five largest customers or suppliers.

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 such right during the year ended 31 December 2013.

AUDIT COMMITTEE

An audit committee ("Audit Committee") was formed in 2005 and the terms of reference of Audit Committee are aligned with the CG Code. The primary duties of Audit Committee are to review and monitor the financial reporting process and internal controls of the Company. The Audit Committee consists of three independent non-executive Directors, Mr. Chung Cheuk Ming, Ms. Pan Man and Mr. Zhou Jianhao and one non-executive Director, Mr. Chan Cheuk Wing Andy. Mr. Chung Cheuk Ming is the chairman of the Audit Committee.

The audit committee has reviewed the Group's consolidated results for the year ended 31 December 2013 and had the opinion that the preparation of the results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

RELATED PARTIES TRANSACTIONS

A summary of related party transactions entered into by the Group during the year ended 31 December 2013, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in note 37 to the financial statements.

STAFF AND REMUNERATION POLICY

The Group staff functions were analyzed as follows:

	Number of staff	
	2013	2012
Functions:		
Management	**93**	91
Sales and marketing	**18**	18
Accounting and finance	**45**	45
Administration and human resources	**13**	13
Legal	**3**	3
Information system	**4**	4
Technical and quality control	**31**	31
Shipping and transportation	**51**	51
Storage centre	**50**	50
Engineer	**104**	88
Construction workers	**63**	63
Total	**475**	457

As at 31 December 2013, the Group had 475 staff (2012: 457 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 RMB65,367,000 (2012: RMB66,046,000).

All staffs are 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 a sufficient public float as required under the Listing Rules as of the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2013 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

The financial statements for the year ended 31 December 2013 have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution to re-appoint BDO Limited and to authorize the Directors to fix their remuneration will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Qian Wenhua
Chairman

Shanghai, PRC, 26 March 2014

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 29 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

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 2013 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, 26 March 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	*6*	**5,885,633**	4,422,014
Cost of sales		**(5,485,944)**	(4,174,586)
Gross profit		**399,689**	247,428
Other income and gains	*7*	**52,389**	85,041
Distribution costs		**(13,505)**	(12,044)
Administrative expenses		**(103,406)**	(100,749)
Share of losses of associates	*21*	**(3,202)**	(318)
Finance costs	*8*	**(99,784)**	(58,071)
Profit before income tax expense	*9*	**232,181**	161,287
Income tax expense	*12*	**(58,068)**	(30,693)
Profit for the year		**174,113**	130,594
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(935)**	(581)
Total comprehensive income for the year		**173,178**	130,013
Profit for the year attributable to:			
– Owners of the Company		**138,959**	101,278
– Non-controlling interests		**35,154**	29,316
		174,113	130,594
Total comprehensive income for the year attributable to:			
– Owners of the Company		**138,024**	100,697
– Non-controlling interests		**35,154**	29,316
		173,178	130,013
Earnings per share (expressed in RMB per share)			
– Basic	*14*	**0.148**	0.108
– Diluted	*14*	**0.148**	0.108

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Payments for leasehold land held for own use under operating leases	*16*	**17,211**	17,587
Property, plant and equipment	*17*	**75,232**	107,254
Construction in progress	*18*	**15,954**	2,656
Intangible assets	*19*	**148,338**	148,405
Interests in associates	*21*	**32,468**	38,609
Available-for-sale financial asset	*22*	**800**	800
Trade and other receivables	*24*	**539,781**	420,575
Deferred tax assets	*29*	**4,799**	3,847
Total non-current assets		**834,583**	739,733
Current assets			
Inventories	*23*	**26,339**	52,572
Trade and other receivables	*24*	**1,960,114**	1,464,807
Amounts due from customers for contract work	*25*	**115,042**	10,813
Restricted bank deposits	*26*	**238,345**	195,097
Cash and cash equivalents		**279,780**	502,215
Total current assets		**2,619,620**	2,225,504
Total assets		**3,454,203**	2,965,237
Liabilities			
Current liabilities			
Trade and other payables	*27*	**1,067,394**	843,059
Amounts due to customers for contract work	*25*	**40,052**	48,903
Borrowings	*28*	**1,388,611**	1,235,000
Current tax liabilities		**37,576**	25,012
Total current liabilities		**2,533,633**	2,151,974
Net current assets		**85,987**	73,530
Total assets less current liabilities		**920,570**	813,263

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deferred tax liabilities	*29*	**14,280**	11,311
Total liabilities		**2,547,913**	2,163,285
NET ASSETS		**906,290**	801,952
Capital and reserves attributable to owners of the Company			
Share capital	*30*	**93,619**	93,619
Reserves		**671,598**	590,687
Equity attributable to owners of the Company		**765,217**	684,306
Non-controlling interests	*20*	**141,073**	117,646
TOTAL EQUITY		**906,290**	801,952

On behalf of the Board

Qian Wenhua
Director

Mo Luojiang
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**22,478**	23,511
Intangible assets	*19*	**–**	37
Investment in subsidiaries	*20*	**431,311**	429,311
Investment in associates	*21*	**17,594**	18,190
Available-for-sale financial asset	*22*	**800**	800
Deferred tax assets	*29*	**1,716**	2,229
Total non-current assets		**473,899**	474,078
Current assets			
Inventories	*23*	**2**	7,415
Trade and other receivables	*24*	**544,840**	312,740
Restricted bank deposits	*26*	**39,844**	11,000
Cash and cash equivalents		**69,587**	111,535
Total current assets		**654,273**	442,690
Total assets		**1,128,172**	916,768
Liabilities			
Current liabilities			
Trade and other payables	*27*	**183,398**	121,387
Borrowings	*28*	**368,000**	250,000
Current tax liabilities		**3,132**	1,746
Total current liabilities		**554,530**	373,133
Net current assets		**99,743**	69,557
NET ASSETS		**573,642**	543,635
Capital and reserves			
Share capital	*30*	**93,619**	93,619
Reserves	*31*	**480,023**	450,016
TOTAL EQUITY		**573,642**	543,635

On behalf of the Board

Qian Wenhua
Director

Mo Luojiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital RMB'000	Capital reserve *(note 31(a))* RMB'000	Statutory reserve fund *(note 31(b))* RMB'000	Other reserve *(note 31(c))* RMB'000	Currency translation reserve *(note 31(d))* RMB'000	Retained earnings *(note 31(e))* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests *(note 20)* RMB'000	Total RMB'000
Balance at 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 for the year	–	–	–	–	(581)	101,278	100,697	29,316	130,013
Transfer to statutory reserve fund	–	–	18,289	–	–	(18,289)	–	–	–
2012 interim dividends paid *(note 15)*	–	–	–	–	–	(14,979)	(14,979)	–	(14,979)
Disposal of a non-wholly owned subsidiary *(note 32)*	–	–	–	–	–	–	–	(4,294)	(4,294)
Balance at 31 December 2012 and 1 January 2013	93,619	221,766	77,206	17,912	(7,037)	280,840	684,306	117,646	801,952
Profit for the year	**–**	**–**	**–**	**–**	**–**	**138,959**	**138,959**	**35,154**	**174,113**
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**(935)**	**–**	**(935)**	**–**	**(935)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(935)**	**138,959**	**138,024**	**35,154**	**173,178**
2012 final dividends paid *(note 15)*	**–**	**–**	**–**	**–**	**–**	**(33,703)**	**(33,703)**	**–**	**(33,703)**
2013 interim dividends paid *(note 15)*	**–**	**–**	**–**	**–**	**–**	**(23,405)**	**(23,405)**	**–**	**(23,405)**
Transfer to statutory reserve fund	**–**	**–**	**23,037**	**–**	**–**	**(23,037)**	**–**	**–**	**–**
Acquisition of additional equity interests in a subsidiary *(note 20)*	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**	**(1,995)**	**(2,000)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,732)**	**(9,732)**
Balance at 31 December 2013	**93,619**	**221,766**	**100,243**	**17,912**	**(7,972)**	**339,649**	**765,217**	**141,073**	**906,290**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before income tax expense		**232,181**	161,287
Adjustments for:			
Dividend income		**(6,000)**	(4,000)
Interest income		**(11,739)**	(12,464)
Finance costs		**99,784**	58,071
Amortisation of intangible assets		**67**	72
Amortisation of payments for leasehold land held for own use under operating leases		**376**	324
Depreciation of property, plant and equipment		**14,267**	17,646
Impairment loss on property, plant and equipment		**19,362**	–
Loss on disposal of property, plant and equipment and construction in progress		**939**	10,705
Gain on disposal of assets classified as held for sale		**–**	(50,599)
Share of losses of associates		**3,202**	318
Loss on disposal of an associate		**–**	801
Loss on disposal of a subsidiary		**–**	3,007
(Reversal of impairment loss)/impairment loss on trade and other receivables, net		**(19,270)**	17,970
Operating profit before working capital changes		**333,169**	203,138
Decrease in inventories		**26,233**	13,917
Increase in trade and other receivables		**(595,243)**	(214,020)
Increase in trade and other payables		**224,335**	160,803
(Increase)/decrease in amounts due from/(to) customers for contract work		**(68,962)**	91,913
Cash generated (used in)/from operations		**(80,468)**	255,751
Interest paid		**(143,902)**	(96,083)
Income taxes paid		**(43,487)**	(34,402)
Net cash (used in)/from operating activities		**(267,857)**	125,266
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		**(18,031)**	(10,271)
Purchase of intangible assets		**–**	(37)
Purchase of payments for leasehold land held for own use under operating leases		**–**	(8,870)
Proceeds from disposal of property, plant and equipment		**2,187**	5,895
Increase in restricted bank deposits		**(43,248)**	(105,527)
Interest received		**11,739**	12,464
Proceeds from sale of assets classified as held for sale		**–**	39,580
Dividends received from an associate		**2,939**	–
Disposal of a subsidiary, net of cash received		**–**	2,210
Dividends received from available-for-sale financial asset		**6,000**	4,000
Net cash used in investing activities		**(38,414)**	(60,556)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
New borrowings		**1,782,526**	1,410,000
Repayment of borrowings		**(1,628,915)**	(1,175,480)
Acquisition of non-controlling interests		**(2,000)**	–
Dividends paid to owners of the Company		**(57,108)**	(14,979)
Dividends paid to non-controlling interests		**(9,732)**	–
Net cash from financing activities		**84,771**	219,541
Net (decrease)/increase in cash and cash equivalents		**(221,500)**	284,251
Cash and cash equivalents at beginning of year		**502,215**	218,545
Effect of exchange rate changes on cash and cash equivalents		**(935)**	(581)
Cash and cash equivalents at end of year		**279,780**	502,215

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 also 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 ended 31 December 2012, 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 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 1	Government loans
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine

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

(a) Adoption of amendments to HKFRSs – effective 1 January 2013 *(continued)*

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest. The adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

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

(a) Adoption of amendments to HKFRSs – effective 1 January 2013 *(continued)*

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. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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 is applied prospectively. HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

(b) New/revised HKFRSs that have been issued and early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The adoption of the amendments allows the Group to disclose the recoverable amount of goodwill and intangible asset with an indefinite useful life allocated to a CGU only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU).

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

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

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

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle [3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [1]
HKFRS 9	Financial Instruments

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

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

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.

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.

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.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("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 of Hong Kong Limited.

The Group also prepares consolidated financial statements in accordance with the generally accepted accounting principles in the People's Republic of China (the "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, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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 arrangement. 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. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

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. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leasing *(continued)*

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.

Loans and receivables

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

Available-for-sale financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

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

For available-for-sale financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(iii) Financial liabilities

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

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

(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.

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 contract 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 recongised losses exceed progress billings, the surplus is treated as "amounts due from customers for contract work".

(n) Government grants

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

(o) Revenue recognition

Revenue from 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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 on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related parties *(continued)*

(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.

(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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, 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.

(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.

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

(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 judgements 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. During the year ended 31 December 2012, the Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies and the four reportable segments are road and bridge construction, sale of fuel oil, sale of asphalt and provision of logistic services.

During the year ended 31 December 2013, there is a change on the structure of its internal organisation in a manner that causes the composition of its reportable segments to change. The chief operating decision maker, after considering the nature of the products and services, the type or class of customers for the products and services and the methods used to distribute the products or provide the services, regards the sale of fuel oil, sale of asphalt and provision of logistic services have similar economic characteristics. Accordingly, these three operating segments are aggregated into a single operating segment, sale of fuel oil and asphalt, starting from 1 January 2013. Corresponding items of segment information for the year ended 31 December 2012 have been restated.

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

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The operating segments for the year ended 31 December 2013 are as follows:

	Road and bridge construction RMB'000	Sale of fuel oil and asphalt RMB'000	Group RMB'000
Total segment revenue *(note (i) & (ii))*	1,005,190	4,881,360	5,886,550
Inter segment revenue	–	(917)	(917)
Reportable segment revenue from external customers	1,005,190	4,880,443	5,885,633
Reportable segment profit	112,843	61,270	174,113
Interest income	9,193	2,546	11,739
Finance costs	7,367	92,417	99,784
Capital expenditures *(note (iii))*	16,856	1,175	18,031
Amortisation of intangible assets	29	38	67
Amortisation of payments for leasehold land held for own use under operating leases	209	167	376
Depreciation of property, plant and equipment	4,959	9,308	14,267
Impairment loss on property, plant and equipment	–	19,362	19,362
(Gain)/loss on disposal of property, plant and equipment and construction in progress	(391)	1,330	939
Share of losses of associates	–	3,202	3,202
Reversal of impairment loss on trade and other receivables, net	18,800	470	19,270
Income tax expense	37,388	20,680	58,068
Interests in associates	–	32,468	32,468
Reportable segment assets	2,040,445	1,413,758	3,454,203
Reportable segment liabilities	1,589,034	958,879	2,547,913

6. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

The operating segments for the year ended 31 December 2012 are as follows:

	Road and bridge construction RMB'000	Sale of fuel oil and asphalt (restated) RMB'000	Group RMB'000
Total segment revenue *(note (i) & (ii))*	859,076	3,564,150	4,423,226
Inter segment revenue	–	(1,212)	(1,212)
Reportable segment revenue from external customers	859,076	3,562,938	4,422,014
Reportable segment profit	93,508	37,086	130,594
Interest income	11,150	1,314	12,464
Finance costs	10,086	47,985	58,071
Capital expenditures *(note (iii))*	4,150	6,121	10,271
Amortisation of intangible assets	15	57	72
Amortisation of payments for leasehold land held for own use under operating leases	157	167	324
Depreciation of property, plant and equipment	7,004	10,642	17,646
Loss on disposal of property, plant and equipment and construction in progress	853	9,852	10,705
Gain on disposal of assets classified as held for sale	50,599	–	50,599
Share of losses of associates	–	(318)	(318)
Loss on disposal of an associate	–	801	801
Loss on disposal of a subsidiary	–	3,007	3,007
Impairment loss on trade and other receivables, net	6,560	11,410	17,970
Income tax expense	13,327	17,366	30,693
Interests in associates	–	38,609	38,609
Reportable segment assets	1,792,812	1,172,425	2,965,237
Reportable segment liabilities	1,422,985	740,300	2,163,285

Notes:

(i) The revenue from road and bridge construction segment included contract revenue and construction consulting services income of RMB989,098,000 (2012: RMB805,572,000) and RMB16,092,000 (2012: RMB53,504,000) respectively.

(ii) The revenue from sale of fuel oil and asphalt segment included agency services income of RMB10,139,000 (2012: RMB98,000).

(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.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

There were three customers (2012: two) contributed to 10% or more revenue to the Group's revenue for the year ended 31 December 2013.

	Year ended 31 December 2013 Sale of fuel oil and asphalt RMB'000	Year ended 31 December 2012 Sale of fuel oil and asphalt *RMB'000*
Customer A	**1,344,745**	771,219
Customer B	**927,027**	–
Customer C	**704,747**	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	
	2013 RMB'000	2012 RMB'000
Reversal of impairment loss on trade and other receivables, net *(note 24(e))*	**19,270**	–
Gain on disposal of assets classified as held for sale *(note 33)*	**–**	50,599
Dividend income from available-for-sale financial asset	**6,000**	4,000
Interest income *(note 24(b))*	**11,739**	12,464
Government grants	**1,402**	2,299
Others	**13,978**	15,679
	52,389	85,041

8. FINANCE COSTS

	Group	
	2013	2012
	RMB'000	RMB'000
Interest expense on borrowings wholly repayable within five years	**106,760**	75,606
Interest expense on discounted commercial notes	**34,392**	17,593
Others	**2,750**	2,884
Total finance costs	**143,902**	96,083
Less: amount capitalised *(note)*	**(44,118)**	(38,012)
	99,784	58,071

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 6.1% per annum (2012: 6.3% 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	
	2013	2012
	RMB'000	RMB'000
Amortisation of intangible assets	**67**	72
Amortisation of payments for leasehold land held for own use under operating leases	**376**	324
Auditor's remuneration	**2,338**	2,338
Cost of inventories recognised as expenses	**4,617,098**	3,712,221
Depreciation of property, plant and equipment	**14,267**	17,646
Impairment loss on property, plant and equipment	**19,362**	–
Loss on disposal of property, plant and equipment and construction in progress	**939**	10,705
Operating lease rental expenses in respect of:		
– Land and buildings	**2,261**	2,678
– Transportation facilities	**–**	276
– Machinery and others	**11,332**	7,017
Loss on disposal of an associate	**–**	801
Loss on disposal of a subsidiary	**–**	3,007
(Reversal of impairment loss)/impairment loss on trade and other receivables, net	**(19,270)**	17,970

10. STAFF COSTS

	Group 2013 RMB'000	Group 2012 RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**58,960**	60,138
Social security costs	**2,718**	2,594
Contributions on defined contribution retirement plans	**3,689**	3,314
	65,367	66,046

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 2013

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	–	910	910	35	1,855
Mr. Mo Luojiang *(note (a))*	–	670	490	35	1,195
Mr. Lu Yong *(note (b))*	–	75	140	9	224
Mr. Li Hongyuan	–	520	480	35	1,035
Non-executive directors					
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Chung Cheuk Ming *(note (c))*	66	–	–	–	66
Ms. Pan Min *(note (d))*	50	–	–	–	50
Mr. Zhou Jianhao *(note (d))*	50	–	–	–	50
Supervisors					
Mr. Bian Ji *(note (d))*	36	58	15	12	121
Mr. Zhang Liangjun *(note (d))*	50	–	–	–	50
Ms. Ye Mingzhu *(note (e))*	50	–	–	–	50
	422	2,233	2,035	126	4,816

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

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 *(note (b))*	–	300	300	33	633
Mr. Jin Xiaohua *(note (f))*	–	230	600	15	845
Mr. Mo Luojiang *(note (a))*	–	180	350	15	545
Mr. Zhang Jinhua *(note (g))*	–	420	800	29	1,249
Mr. Li Hongyuan	–	480	600	33	1,113
Non-executive directors					
Mr. Li Li *(note (f))*	14	–	–	–	14
Mr. Zhu Shengfu *(note (g))*	14	–	–	–	14
Ms. Ye Mingzhu *(note (e))*	30	–	–	–	30
Mr. Chan Cheuk Wing, Andy	120	–	–	–	120
Mr. Hsu Chunmin *(note (f))*	55	–	–	–	55
Mr. Chung Cheuk Ming *(note (c))*	31	–	–	–	31
Ms. Pan Min *(note (d))*	1	–	–	–	1
Mr. Zhou Jianhao *(note (d))*	1	–	–	–	1
Supervisors					
Mr. Cai Ying *(note (g))*	–	144	62	33	239
Mr. Ge Jiaqi *(note (g))*	–	120	70	–	190
Ms. Zhu Yinghua *(note (g))*	–	54	15	13	82
Mr. Bian Ji *(note (d))*	1	1	–	–	2
Mr. Zhang Liangjun *(note (d))*	–	–	–	–	–
Ms. Ye Mingzhu *(note (e))*	–	–	–	–	–
	267	2,769	3,757	204	6,997

Notes:

(a) Resigned in June 2012 and reappointed in April 2013
(b) Passed away in March 2013
(c) Appointed in June 2012
(d) Appointed in December 2012
(e) Redesignated from independent non-executive director to supervisor in December 2012
(f) Resigned in June 2012
(g) Resigned 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.

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

None of the directors waived emoluments during the years ended 31 December 2013 and 2012.

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2012: five) were directors of the Company whose emoluments are disclosed in above. The emoluments of the remaining two (2012: nil) individuals in 2013 were as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	**983**	–
Discretionary bonus	**660**	–
Retirement scheme contributions	**70**	–
	1,713	–

The emoluments of the two (2012: nil) non-director individuals in 2013 with the highest emoluments were within the following band:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
	2	–

During the years ended 31 December 2013 and 2012, 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	
	2013	2012
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax		
– tax for the year	**56,284**	42,155
– Over provision in respect of prior years, net	**(233)**	(646)
Hong Kong profits tax		
– tax for the year	**–**	–
Deferred tax	**2,017**	(10,816)
	58,068	30,693

Profits of subsidiaries established in the PRC are subject to EIT at 25% (2012: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (2012: 16.5%).

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

	Group	
	2013	2012
	RMB'000	RMB'000
Profit before income tax expense	**232,181**	161,287
Tax calculated at tax rate of 25% (2012: 25%)	**58,045**	40,322
Effect of different tax rates for certain subsidiaries	**(787)**	551
Income and expense items that are not subject to tax, net	**1,043**	(16,618)
Tax losses not recognised	**–**	7,084
Over provision in respect of prior years, net	**(233)**	(646)
Income tax expense	**58,068**	30,693

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 RMB44,589,000 (2012: RMB26,065,000).

14. EARNINGS PER SHARE

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

	Group	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**138,959**	101,278
Weighted average number of ordinary shares in issue (thousands)	**936,190**	936,190
Basic earnings per share (RMB per share)	**0.148**	0.108

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 2013 and 2012.

15. DIVIDENDS

	Company	
	2013	2012
	RMB'000	RMB'000
Interim, declared and paid – RMB0.025 per share (2012: RMB0.016)	**23,405**	14,979
Final, proposed – RMB0.044 per share (2012: RMB0.036)	**41,192**	33,703
	64,597	48,682

The final dividend for 2013 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 2013.

The Board also proposed to make a bonus issue to all the shareholders of the Company on the basis of five new shares (the "Bonus Share(s)") for every ten existing shares of the Company held by the member on the register of members of the Company (the "Bonus Issue"). The proposed Bonus Shares will rank pari passu in all respects with the existing shares of the Company. The Bonus Issue is subject to the approval of shareholders and relevant regulatory authorities.

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
2013	
Cost	
At 1 January 2013 and 31 December 2013	**18,881**
Accumulated amortisation	
At 1 January 2013	**1,294**
Provided for the year	**376**
At 31 December 2013	**1,670**
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
Net book values	
At 31 December 2013	**17,211**
At 31 December 2012	17,587

At 31 December 2013, payments for leasehold land held for own use under operating leases with a net book value of RMB8,610,000 (2012: nil) were pledged as security for the Group's borrowings (note 28(a)).

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery RMB'000	Storage facilities RMB'000	Furniture, fixtures and testing equipment RMB'000	Transportation Facilities RMB'000	Total RMB'000
2013						
Cost						
At 1 January 2013	**29,129**	**41,533**	**64,912**	**21,150**	**18,028**	**174,752**
Additions	**–**	**1,043**	**–**	**2,522**	**1,168**	**4,733**
Disposals	**–**	**(2,411)**	**(3,364)**	**(1,169)**	**(10,887)**	**(17,831)**
At 31 December 2013	**29,129**	**40,165**	**61,548**	**22,503**	**8,309**	**161,654**
Accumulated depreciation and impairment loss						
At 1 January 2013	**5,710**	**17,443**	**25,213**	**9,334**	**9,798**	**67,498**
Provided for the year	**1,451**	**3,622**	**5,347**	**2,351**	**1,496**	**14,267**
Impairment loss	**1,022**	**2,895**	**15,445**	**–**	**–**	**19,362**
Eliminated on disposals	**–**	**(2,030)**	**(1,940)**	**(496)**	**(10,239)**	**(14,705)**
At 31 December 2013	**8,183**	**21,930**	**44,065**	**11,189**	**1,055**	**86,422**
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 32)*	–	–	–	–	(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 32)*	–	–	–	–	(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
Net book values						
At 31 December 2013	**20,946**	**18,235**	**17,483**	**11,314**	**7,254**	**75,232**
At 31 December 2012	23,419	24,090	39,699	11,816	8,230	107,254

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
2013					
Cost					
At 1 January 2013	**19,124**	**7,096**	**1,965**	**5,721**	**33,906**
Additions	**–**	**–**	**–**	**1,168**	**1,168**
Disposals	**–**	**–**	**(25)**	**(1,469)**	**(1,494)**
At 31 December 2013	**19,124**	**7,096**	**1,940**	**5,420**	**33,580**
Accumulated depreciation					
At 1 January 2013	**5,980**	**2,022**	**561**	**1,832**	**10,395**
Provided for the year	**908**	**337**	**188**	**694**	**2,127**
Eliminated on disposals	**–**	**–**	**(24)**	**(1,396)**	**(1,420)**
At 31 December 2013	**6,888**	**2,359**	**725**	**1,130**	**11,102**
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
Net book values					
At 31 December 2013	**12,236**	**4,737**	**1,215**	**4,290**	**22,478**
At 31 December 2012	13,144	5,074	1,404	3,889	23,511

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

At 31 December 2013 and 2012, the following property, plant and equipment of the Group and the Company were pledged as security for the Group's borrowings (note 28(a)):

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Buildings	**17,796**	13,144	**12,235**	13,144

Due to the low usage of two of the storage facilities of the Group, management would like to terminate the rental agreement of a piece of land on which one of the storage facilities is located with the landlord during the year ending 31 December 2014. According to the rental agreement, the ownership of any assets on the land will be transferred to the landlord if the lessee terminates the agreement. The Group hence fully impaired those assets with net book value of RMB4,050,000 on that piece of land during the year ended 31 December 2013. Management estimated the recoverable amount of the other storage facilities and its related office building and machinery to be negligible and accordingly the Group fully impaired these assets with a net book value of RMB15,312,000 during the year ended 31 December 2013.

18. CONSTRUCTION IN PROGRESS

Group	**RMB'000**
At 1 January 2012	–
Additions	2,656
At 31 December 2012 and 1 January 2013	**2,656**
Additions	**13,298**
At 31 December 2013	**15,954**

The construction in progress relating to the Group's new office in Nantong City, which is currently under construction. It will be depreciated once the property is complete and available for use. The estimated cost to completion of the property, and to which the Group is contractually committed is RMB 28,944,000.

19. INTANGIBLE ASSETS

Group	Goodwill RMB'000	Construction licence *(note)* RMB'000	Computer software RMB'000	Customer contracts RMB'000	Total RMB'000
2013					
Cost					
At 1 January 2013	**16,930**	**131,266**	**819**	**18,558**	**167,573**
Written off	**–**	**–**	**–**	**(18,558)**	**(18,558)**
At 31 December 2013	**16,930**	**131,266**	**819**	**–**	**149,015**
Accumulated amortisation					
At 1 January 2013	**–**	**–**	**610**	**18,558**	**19,168**
Provided for the year	**–**	**–**	**67**	**–**	**67**
Eliminated on written off	**–**	**–**	**–**	**(18,558)**	**(18,558)**
At 31 December 2013	**–**	**–**	**677**	**–**	**677**
2012					
Cost					
At 1 January 2012	16,930	131,266	782	18,558	167,536
Additions	–	–	37	–	37
At 31 December 2012	16,930	131,266	819	18,558	167,573
Accumulated amortisation					
At 1 January 2012	–	–	538	18,558	19,096
Provided for the year	–	–	72	–	72
At 31 December 2012	–	–	610	18,558	19,168
Net book values					
At 31 December 2013	**16,930**	**131,266**	**142**	**–**	**148,338**
At 31 December 2012	16,930	131,266	209	–	148,405

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 units ("CGUs"), 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 3% (2012: 3%).

19. INTANGIBLE ASSETS *(continued)*

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

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

	2014	2015	2016	2017	2018
Weighted average gross margin	11.9%	11.3%	11.0%	12.3%	11.8%
Weighted average growth rate	6.0%	6.0%	6.0%	6.0%	6.0%
Percentage of working capital over revenue	73.0%	73.0%	73.0%	73.0%	73.0%
Discount rate	11.2%	11.2%	11.2%	11.2%	11.2%

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
2013	
Cost	
At 1 January 2013 and 31 December 2013	**565**
Accumulated amortisation	
At 1 January 2013	**528**
Provided for the year	**37**
At 31 December 2013	**565**
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
Net book values	
At 31 December 2013	**–**
At 31 December 2012	37

20. INVESTMENT IN SUBSIDIARIES

	2013 RMB'000	2012 RMB'000
Unlisted equity investments, at cost	**431,311**	429,311

The following are the details of the Group's principal subsidiaries at 31 December 2013:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held Directly	Equity interests held Indirectly
南通路橋工程有限公司 Nantong Road and Bridge Engineering Co., Ltd. ("Nantong Road and Bridge") *(note a)*	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB200,080,000	68.87%	–
江蘇九州市政工程有限公司 Jiangsu Jiuzhou Municipal Engineering Co., Ltd. ("Jiuzhou Municipal") *(note b)*	PRC, limited liability company	Construction of roads and bridges in the PRC	RMB50,000,000	–	68.87%
棟華(香港)有限公司 Donghua (Hong Kong) Limited	Hong Kong, limited liability company	Asphalt and fuel oil trading and logistic service in Hong Kong	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%	–
上海棟華瀝青有限公司 Shanghai Tonva Asphalt Company Limited ("Tonva Asphalt")	PRC, limited liability company	Asphalt trading in the PRC	RMB80,000,000	100%	–

20. INVESTMENT IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share capital/ registered capital	Equity interests held Directly	Equity interests held Indirectly
鄭州華盛石油制品有限公司 Zhengzhou Huasheng Petroleum Products Co. Ltd. ("Zhengzhou Huasheng") *(note c)*	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%	–
上海神華物流東台有限公司 Shanghai Shenhua Logistics (Dongtai) Company Limited	PRC, limited liability company	Fuel oil trading and provision of land transportation service in the PRC	RMB1,000,000	–	100%
上海神華物流有限公司 Shanghai Shenhua Logistics Company Limited	PRC, limited liability company	Fuel oil trading and provision of land transportation service in the PRC	RMB108,000,000	100%	–
棟華貿易(香港)有限公司 Tonva Trading (Hong Kong) Limited	Hong Kong, limited liability company	Fuel oil trading and provision of waterway transportation service in the PRC	HK$100,000 of 100,000 ordinary shares of HK$1 each	–	100%

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) Nantong Road and Bridge raised additional registered capital of RMB75,000,000 in 2013.

(b) Jiuzhou Municipal raised additional registered capital of RMB30,000,000 in 2013.

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

(d) During the year ended 31 December 2013, the Group liquidated a wholly owned subsidiary, 武漢神隆物流有限公司 (Wuhan Shenlong Logistics Company Limited).

(e) During the year ended 31 December 2012, the Group liquidated two wholly owned subsidiaries, 上海華揚船舶技術服務限公司 (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).

20. INVESTMENT IN SUBSIDIARIES *(continued)*

Nantong Road and Bridge, a 68.87% owned subsidiary of the Company, has material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Nantong Road and Bridge, before intra-group eliminations, is presented below:

	2013 RMB'000	2012 RMB'000
For the year ended 31 December		
Revenue	**1,005,190**	859,076
Profit	**112,843**	93,508
Total comprehensive income	**112,843**	93,508
Profit allocated to NCI	**35,154**	29,385
Dividends paid to NCI	**9,732**	–
For the year ended 31 December		
Cash flows (used in)/from operating activities	**(72,882)**	28,428
Cash flows used in investing activities	**(25,336)**	(17,626)
Cash flows (used in)/from financing activities	**(51,758)**	152,520
Net cash (outflows)/inflows	**(149,976)**	163,322
As at 31 December		
Current assets	**1,310,419**	1,192,600
Non-current assets	**730,026**	600,212
Current liabilities	**(1,574,754)**	(1,411,674)
Non-current liabilities	**(14,280)**	(11,311)
Net assets	**451,411**	369,827
Accumulated non-controlling interests	**141,073**	117,646

20. INVESTMENT IN SUBSIDIARIES *(continued)*

On 10 April 2013, the Group acquired additional 0.53% equity interests in Nantong Road and Bridge from its non-controlling interests. Following the acquisition, the Group had 68.87% equity interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2013 RMB'000
Consideration paid for 0.53% equity interests	**2,000**
Net assets attributable to 0.53% equity interests	**(1,995)**
Increase in equity attributable to owners of the Company (included in retained earnings)	**5**

21. INTERESTS IN ASSOCIATES

	Group		**Company**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Unlisted equity investments, at cost	**–**	–	**17,594**	18,190
Share of net assets	**32,468**	38,609	**–**	–
	32,468	38,609	**17,594**	18,190

The details of the Group's associates at 31 December 2013 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%

21. INTERESTS IN ASSOCIATES *(continued)*

In the opinion of the directors, the above associates are not material to the Group and the summarised financial information is set out below:

	2013 RMB'000	2012 RMB'000
Losses from continuing operations	**(14,049)**	(2,100)
Other comprehensive income	**–**	–
Total comprehensive income	**(14,049)**	(2,100)

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2013 RMB'000	2012 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.

23. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Asphalt for resale	**8,156**	20,255	**2**	7,415
Fuel oil for resale	**2,812**	1,795	**–**	–
Asphalt for construction	**4,266**	3,669	**–**	–
Other construction materials	**11,105**	26,853	**–**	–
	26,339	52,572	**2**	7,415

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	**1,918,729**	1,257,178	**475,605**	193,054
Commercial notes receivable	**134,746**	89,225	**3,600**	20,600
Retention sum for construction contracts	**307,455**	328,559	**–**	–
Total trade and notes receivables *(note (a))*	**2,360,930**	1,674,962	**479,205**	213,654
Prepayments and deposits *(note (b))*	**145,443**	213,943	**71**	38,029
Other receivables *(note (c))*	**50,690**	87,257	**635**	3,176
Amounts due from associates *(note (d))*	**20,210**	5,868	**–**	–
Amounts due from subsidiaries *(note (d))*	**–**	–	**71,568**	63,972
	2,577,273	1,982,030	**551,479**	318,831
Less: Impairment losses *(note (e))*	**(77,378)**	(96,648)	**(6,639)**	(6,091)
	2,499,895	1,885,382	**544,840**	312,740
Classified as:				
Non-current assets	**539,781**	420,575	**–**	–
Current assets	**1,960,114**	1,464,807	**544,840**	312,740
	2,499,895	1,885,382	**544,840**	312,740

24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and notes receivables

As at 31 December 2013, trade receivables of RMB30,581,000 (2012: RMB58,000,000) were pledged as security for the Group's borrowings.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction *(note (i))*:				
Less than 6 months	**1,057,670**	664,129	**–**	–
6 months to less than 1 year	**74,604**	96,235	**–**	–
1 year to less than 2 years	**125,893**	134,822	**–**	–
2 years to less than 3 years	**29,743**	136,766	**–**	–
3 years and over	**28,966**	13,392	**–**	–
	1,316,876	1,045,344	**–**	–
Sale of fuel oil and asphalt *(note (ii))*:				
Less than 31 days	**645,838**	362,529	**272,096**	133,214
31 to 60 days	**163,657**	100,386	**85,870**	50,845
61 to 90 days	**98,940**	78,260	**74,154**	20,840
91 days to less than 1 year	**120,519**	58,952	**47,085**	3,619
1 year to less than 2 years	**7,159**	6,399	**–**	–
2 years to less than 3 years	**2,027**	17,457	**–**	2,139
3 years and over	**5,914**	5,635	**–**	2,997
	1,044,054	629,618	**479,205**	213,654
	2,360,930	1,674,962	**479,205**	213,654

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 6 months past due	**185,816**	199,909	**–**	–
6 months to less than 1 year past due	**80,905**	42,339	**–**	–
1 year to less than 2 years past due	**25,553**	59,840	**–**	–
2 years to less than 3 years past due	**12,385**	14,841	**–**	–
3 years and over past due	**5,976**	860	**–**	–
	310,635	317,789	**–**	–

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.

24. TRADE AND OTHER RECEIVABLES *(continued)*

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

Note (ii):

For sale of fuel oil and asphalt, 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 day to 90 days.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 91 days past due	**767,367**	432,461	**428,520**	203,055
91 days to 1 year past due	**103,402**	57,376	**40,446**	3,438
Over 1 year past due	**–**	9,268	**–**	1,069
	870,769	499,105	**468,966**	207,562

The amounts that were neither past due nor 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.

(b) Prepayments and deposits

Included in prepayments and deposits was a guaranteed deposit to a customer in the road and bridge construction segment in the amount of RMB30,650,000 (2012: RMB48,650,000). Pursuant to relevant agreement, such amount is receivable within 1 to 5 years and bears interest of 12.9% per annum. The amount of RMB22,459,000 (2012: RMB44,175,000) 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 RMB5,554,000 for the year ended 31 December 2013 (2012: RMB6,782,000).

(c) Other receivables

As at 31 December 2012, the balance includes consideration receivable of RMB10,306,000 on the disposal of a subsidiary. The amount has been fully received as at the date of this announcement.

(d) Amounts due from associates

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

24. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Impairment losses

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**96,648**	78,678	**6,091**	5,157
Impairment loss recognised	**14,392**	18,547	**548**	934
Recovery of impairment loss previously recognised	**(33,662)**	(577)	**–**	–
At 31 December	**77,378**	96,648	**6,639**	6,091

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

	Group	
	2013	2012
	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	**3,695,077**	3,172,209
Less: progress billings	**(3,620,087)**	(3,210,299)
Contract work-in-progress at the end of reporting period	**74,990**	(38,090)
Represented by:		
Amounts due from customers for contract work included in current assets	**115,042**	10,813
Amounts due to customers for contract work included in current liabilities	**(40,052)**	(48,903)
	74,990	(38,090)

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 the issuance of performance bonds, bid bonds and bank borrowings. The effective interest rates on restricted bank deposits were ranging from 2.9% per annum as at 31 December 2013 (2012: 3.0% per annum).

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**516,846**	367,927	**15,237**	276
Notes payable	**418,700**	373,728	**100,000**	80,000
	935,546	741,655	**115,237**	80,276
Amount due to an associate *(note)*	**4,171**	1,777	**–**	–
Amounts due to subsidiaries *(note)*	**–**	–	**48,164**	15,605
Deposits received	**51,184**	26,526	**840**	9,582
Other payables	**55,939**	62,620	**3,436**	6,593
Accruals	**20,554**	10,481	**15,721**	9,331
	1,067,394	843,059	**183,398**	121,387

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Road and bridge construction:				
Less than 6 months	**601,846**	432,120	**–**	–
6 months to less than 1 year	**38,282**	10,549	**–**	–
1 year to less than 2 years	**25,188**	22,544	**–**	–
2 years to less than 3 years	**714**	7,698	**–**	–
3 years and over	**10,572**	24,683	**–**	–
	676,602	497,594	**–**	–
Sale of fuel oil and asphalt:				
Less than 31 days	**120,795**	6,736	**64,961**	–
31 to 60 days	**75,336**	132,541	**50,000**	50,000
61 to 90 days	**30,000**	54,137	**–**	30,000
91 days to less than 1 year	**31,812**	49,405	**–**	–
1 year to less than 2 years	**–**	18	**–**	–
2 years to less than 3 years	**631**	1,010	**–**	200
3 years and over	**370**	214	**276**	76
	258,944	244,061	**115,237**	80,276
	935,546	741,655	**115,237**	80,276

28. BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured – interest-bearing loans *(note (a) and (b))*	**375,300**	100,000	**158,000**	50,000
Unsecured – interest-bearing loans *(note (b))*	**1,013,311**	1,135,000	**210,000**	200,000
	1,388,611	1,235,000	**368,000**	250,000

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**1,388,611**	1,235,000	**368,000**	250,000

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:

	2013	2012
	RMB'000	RMB'000
Payments for leasehold land held for own use under operating leases *(note 16)*	**8,610**	–
Property, plant and equipment *(note 17)*	**17,796**	13,144
Trade receivables *(note 24(a))*	**30,581**	58,000
Restricted bank deposits *(note 26)*	**238,345**	195,097

(b) The secured and unsecured borrowings of the Group to the extent of RMB1,367,500,000 (2012: RMB1,165,000,000) were guaranteed by certain independent third parties and certain directors of the Company and its subsidiaries. Out of the guarantee amounts, RMB30,000,000 (2012: RMB210,000,000) was guaranteed by the directors of the Company.

As at 31 December 2013, one (2012: 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 2013 (2012: RMB50,000,000) would become repayable on demand.

The Company regularly monitors its compliance with these covenants. As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached (2012: none).

29. 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 and discounting on trade and other receivables RMB'000
At 1 January 2012	17,843
Credited to profit or loss	8,940
At 31 December 2012 and 1 January 2013	26,783
Charged to profit or loss	(2,006)
At 31 December 2013	24,777

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 2012	34,787	1,336	36,123
Credited to profit or loss	(1,032)	(844)	(1,876)
At 31 December 2012 and 1 January 2013	33,755	492	34,247
Charged to profit or loss	–	11	11
At 31 December 2013	33,755	503	34,258

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 (2012: RMB10,701,000) can be carried forward indefinitely and the tax losses of RMB21,874,000 (2012: RMB38,327,000) will expire in five years' time.

29. DEFERRED TAX *(continued)*

Deferred tax assets – Company

	Impairment loss and discounting on trade and other receivables RMB'000
At 1 January 2012, 31 December 2012, 1 January 2013	2,229
Charged to profit or loss	(513)
As 31 December 2013	1,716

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	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Deferred tax assets	**4,799**	3,847	**1,716**	2,229
Deferred tax liabilities	**(14,280)**	(11,311)	**–**	–
	(9,481)	(7,464)	**1,716**	2,229

30. 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 2012, 31 December 2012, 1 January 2013 and 31 December 2013	**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. On 16 December 2013, the Company announced that the share consolidation proposal will not be implemented.

(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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total borrowings	**1,388,611**	1,235,000	**368,000**	250,000
Equity attributable to the Company's owners	**765,217**	684,306	**573,642**	543,635
Debt-to-equity ratio	**181.5%**	180.5%	**64.2%**	46.0%

The Group is also subject to externally imposed requirements in relation to certain bank covenants. Please refer to note 28 for details.

31. 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 2012	221,766	38,795	149,869	410,430
Profit for the year	–	–	54,565	54,565
Transfer to statutory reserve fund	–	5,853	(5,853)	–
2012 interim dividends paid *(note 15)*	–	–	(14,979)	(14,979)
At 31 December 2012 and 1 January 2013	221,766	44,648	183,602	450,016
Profit for the year	–	–	87,115	87,115
Transfer to statutory reserve fund	–	8,712	(8,712)	–
2012 final dividends paid *(note 15)*	–	–	(33,703)	(33,703)
2013 interim dividends paid *(note 15)*	–	–	(23,405)	(23,405)
At 31 December 2013	221,766	53,360	204,897	480,023

Notes:

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

(b) Pursuant to the relevant PRC regulations and the Articles of Association of the PRC companies within the Group, each of the PRC companies within the Group is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory 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.

32. DISPOSAL OF A SUBSIDIARY

On 26 December 2012, the Group disposed all of its 78.61% equity interests of its subsidiary, 江蘇蘇中油運有限公司 (Jiangsu Suzhong Oil Shipping Company Limited ("Suzhong Shipping")), which was engaged in logistic services in the PRC, to an independent third party. 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.

33. 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.

33. ASSETS CLASSIFIED AS HELD FOR SALE *(continued)*

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 27).

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).

34. FINANCIAL GUARANTEE CONTRACTS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fair value of outstanding financial guarantees	**–**	–	**552**	552

Group

As at 31 December 2012, the Group acted as a guarantor for one external borrowing made by an independent third party amounting to approximately RMB10,000,000. The guarantee was expired on 20 March 2013.

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

Company

The Company has provided guarantees to banks for the borrowings of RMB995,500,000 (2012: RMB885,000,000) granted to its subsidiaries.

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**4,138**	5,634	–	–
Later than one year and not later than five years	**9,885**	8,048	–	–
Later than five years	**3,433**	5,483	–	–
	17,456	19,165	–	–

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

36. CONTINGENT LIABILITIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of performance bonds and advance payment bonds issued by banks	**182,143**	85,832	–	–

The guarantees in respect of performance bonds and advance payment 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.

37. RELATED PARTY TRANSACTIONS

(a) During the year, apart from the related party transactions disclosed in notes 20 and 28(b), the Group entered into the following transactions with related parties:

(i) Sale of fuel oil to

	2013 RMB'000	2012 RMB'000
Pudong Road and Bridge, an associate	**1,412**	1,459

(ii) Sale of asphalt to

	2013 RMB'000	2012 RMB'000
Pudong Road and Bridge, an associate	**25,639**	4,340

(iii) Provision of services to

	2013 RMB'000	2012 RMB'000
Pudong Road and Bridge, an associate	**173**	160

(b) Key management compensation

	2013 RMB'000	2012 RMB'000
Directors' fees, basic salaries and allowances	**4,028**	3,036
Discretionary bonus	**2,845**	3,757
Retirement scheme contributions	**196**	204
	7,069	6,997

Remuneration for key management personnel of the Group includes amounts paid to the directors, supervisors and three senior management personnel of the Company. The remuneration of the directors, supervisors and two senior management personnel are disclosed in note 11. The emolument paid to the remaining one (2012: nil) senior management personnel was within the following band:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**1**	–

38. CAPITAL COMMITMENT

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Commitments for building office premises:				
– authorised but not contracted for	**–**	51,512	**–**	–
– contracted for but not provided	**28,944**	1,541	**–**	–
	28,944	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 Group's 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 bank deposits, 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:

	Group			
	2013		2012	
	Effective interest rate Per annum	**RMB'000**	Effective interest rate Per annum	RMB'000
Fixed-rate guaranteed deposits	**12.9%**	**30,650**	12.9%	48,650
Fixed-rate bank deposits	**2.9%**	**238,345**	3.0%	280,150
Floating-rate bank deposits	**0.4%**	**279,347**	0.4%	416,783
		548,342		745,583
Fixed-rate borrowings	**6.4%**	**755,111**	7.0%	640,000
Floating-rate borrowings	**6.6%**	**633,500**	6.7%	595,000
		1,388,611		1,235,000

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

(b) Interest rate risk (continued)

At the respective end of reporting period, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after income tax expense would decrease/increase by approximately RMB2,656,000 (2012: RMB1,334,000) for the year ended 31 December 2013.

	Company			
	2013		2012	
	Effective interest rate Per annum	RMB'000	Effective interest rate Per annum	RMB'000
Fixed-rate bank deposits	**2.9%**	**39,844**	3.0%	91,000
Floating-rate bank deposits	**0.4%**	**69,556**	0.4%	31,527
		109,400		122,527
Fixed-rate borrowings	**6.4%**	**180,000**	–	–
Floating-rate borrowings	**6.0%**	**188,000**	6.0%	250,000
		368,000		250,000

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 RMB888,000 (2012: RMB1,639,000) for the year ended 31 December 2013.

(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.

While the Group's trade receivables relate to a number of customers, there is concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2013 represented 42% (2012: 31%) of total trade receivables, while 19% (2012: 11%) of the total receivables were due from the largest debtor. 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.

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
Group				
At 31 December 2013				
Borrowings	1,423,220	–	–	1,423,220
Trade and other payables	1,067,394	–	–	1,067,394
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
Company				
At 31 December 2013				
Borrowings	377,680	–	–	377,680
Trade and other payables	183,398	–	–	183,398
Financial guarantees issued – maximum amount guaranteed	995,500	–	–	995,500
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

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

Fair value estimation

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

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

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables	**2,935,990**	2,475,112
Available-for-sale financial asset	**800**	800
	2,936,790	2,475,912
Financial liabilities		
Financial liabilities measured at amortised cost	**2,364,266**	2,007,693

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables	**654,200**	397,246
Available-for-sale financial asset	**800**	800
	655,000	398,046
Financial liabilities		
Financial liabilities measured at amortised cost	**548,197**	356,308

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.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.