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**上海棟華石油化工股份有限公司**  
**SHANGHAI TONVA PETROCHEMICAL CO., LTD.\***

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

**(Stock code: 1103)**

**PRELIMINARY ANNOUNCEMENT OF RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014  
AND  
APPOINTMENT OF GROUP FINANCIAL CONTROLLER**

**HIGHLIGHTS**

1. The turnover of the Group increased by approximately 9.3% from approximately RMB2,818,878,000 to approximately RMB3,080,787,000 as compared to the same period last year.
2. Gross profit of the Group increased by approximately 15.6% from approximately RMB160,715,000 to approximately RMB185,791,000.
3. Turnover and gross profit of road and bridge construction business substantially increased by 81.4% and 31.6%, to RMB566,200,000 and RMB81,126,000, respectively.
4. Profit attributable to the owners of the Company increased from approximately RMB53,629,000 to approximately RMB99,109,000.

\* For identification purposes only

The board of Directors (the “Board”) of Shanghai Tonva Petrochemical Co., Ltd. (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2014 together with comparative unaudited figures for the corresponding periods in 2013.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

|  | <i>Note</i> | For the six months ended 30 June |                              |
|--|-------------|----------------------------------|------------------------------|
|  |             | 2014<br>Unaudited<br>RMB'000     | 2013<br>Unaudited<br>RMB'000 |
| Turnover   | 3           | 3,080,787                        | 2,818,878                    |
| Cost of sales  |             | <u>(2,894,996)</u>               | <u>(2,658,163)</u>           |
| Gross profit   |             | 185,791                          | 160,715                      |
| Other income and gains   | 3           | 80,436                           | 10,915                       |
| Distribution costs   |             | (5,725)                          | (5,853)                      |
| Administrative expenses  |             | (70,726)                         | (21,582)                     |
| Share of profit of associates  |             | 920                              | 95                           |
| Finance costs  | 5           | <u>(35,538)</u>                  | <u>(49,748)</u>              |
| Profit before income tax expense   | 6           | 155,158                          | 94,542                       |
| Income tax expense   | 7           | <u>(41,740)</u>                  | <u>(30,081)</u>              |
| Profit for the period  |             | <u>113,418</u>                   | <u>64,461</u>                |
| Other comprehensive income   |             |                                  |                              |
| Items that may be reclassified to profit or loss:  |             |                                  |                              |
| – Exchange differences on translating foreign operations   |             | <u>333</u>                       | <u>(488)</u>                 |
| Total comprehensive income for the period  |             | <u>113,751</u>                   | <u>63,973</u>                |
| Profit for the period attributable to:   |             |                                  |                              |
| – Owners of the Company  |             | 99,109                           | 53,629                       |
| – Non-controlling interests  |             | <u>14,309</u>                    | <u>10,832</u>                |
|  |             | <u>113,418</u>                   | <u>64,461</u>                |
| Total comprehensive income for the period attributable to:   |             |                                  |                              |
| – Owners of the Company  |             | 99,442                           | 53,141                       |
| – Non-controlling interests  |             | <u>14,309</u>                    | <u>10,832</u>                |
|  |             | <u>113,751</u>                   | <u>63,973</u>                |
| Basic and diluted earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share) | 8           | <u>0.106</u>                     | <u>0.057</u>                 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |    | As at<br>30 June<br>2014<br>Unaudited<br>RMB'000 | As at<br>31 December<br>2013<br>Audited<br>RMB'000 |
|--|----|--|--|
| <b>ASSETS</b>  |    |  |  |
| <b>Non-current assets</b>  |    |  |  |
| Payments for leasehold land held for<br>own use under operating leases |    | 10,040   | 17,211   |
| Property, plant and equipment  |    | 40,557   | 75,232   |
| Construction in progress   |    | 6,485  | 15,954   |
| Intangible assets  |    | 148,219  | 148,338  |
| Interests in associates  |    | 33,700   | 32,468   |
| Available-for-sale financial assets                                    |    | 800  | 800  |
| Trade and other receivables  | 11 | 499,739  | 539,781  |
| Deferred tax assets  |    | 11,089   | 4,799  |
|  |    | 750,629  | 834,583  |
| <b>Current assets</b>  |    |  |  |
| Inventories  | 10 | 29,765   | 26,339   |
| Trade and other receivables  | 11 | 2,442,373  | 1,960,114  |
| Amounts due from customers for contract work                           |    | 194,630  | 115,042  |
| Restricted bank deposits   |    | 298,800  | 238,345  |
| Cash and cash equivalents  |    | 196,848  | 279,780  |
|  |    | 3,162,416  | 2,619,620  |
| Asset classified as held for sale                                      | 15 | 11,457   | –  |
|  |    | 3,173,873  | 2,619,620  |
| Total current assets   |    | 3,173,873  | 2,619,620  |
| Total assets   |    | 3,924,502  | 3,454,203  |

|   |             | As at<br>30 June<br>2014<br>Unaudited<br>RMB'000 | As at<br>31 December<br>2013<br>Audited<br>RMB'000 |
|---|-------------|--|--|
|   | <i>Note</i> |  |  |
| <b>LIABILITIES</b>  |             |  |  |
| <b>Current liabilities</b>  |             |  |  |
| Trade and other payables  | 12          | 1,615,880  | 1,067,394  |
| Amounts due to customers for contract work                        |             | 25,685   | 40,052   |
| Borrowings  | 13          | 1,253,484  | 1,388,611  |
| Current tax liabilities   |             | 32,521   | 37,576   |
|   |             | <hr/>  | <hr/>  |
| Total current liabilities   |             | 2,927,570  | 2,533,633  |
|   |             | <hr/>  | <hr/>  |
| Net current assets  |             | 246,303  | 85,987   |
|   |             | <hr/>  | <hr/>  |
| Total assets less current liabilities                             |             | 996,932  | 920,570  |
|   |             | <hr/>  | <hr/>  |
| <b>Non-current liabilities</b>                                    |             |  |  |
| Borrowings  | 13          | 70,000   | –  |
| Deferred tax liabilities  |             | 23,982   | 14,280   |
|   |             | <hr/>  | <hr/>  |
| Total non-current liabilities                                     |             | 93,982   | 14,280   |
|   |             | <hr/>  | <hr/>  |
| Total liabilities   |             | 3,021,552  | 2,547,913  |
|   |             | <hr/>  | <hr/>  |
| <b>NET ASSETS</b>   |             | <b>902,950</b>                                   | <b>906,290</b>                                     |
|   |             | <hr/>  | <hr/>  |
| <b>Capital and reserves attributable to owners of the Company</b> |             |  |  |
| Share capital   |             | 93,619   | 93,619   |
| Reserves  |             | 677,541  | 671,598  |
|   |             | <hr/>  | <hr/>  |
| Equity attributable to owners of the Company                      |             | 771,160  | 765,217  |
| Non-controlling interests   |             | 131,790  | 141,073  |
|   |             | <hr/>  | <hr/>  |
| <b>TOTAL EQUITY</b>   |             | <b>902,950</b>                                   | <b>906,290</b>                                     |
|   |             | <hr/>  | <hr/>  |

## NOTES:

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted in preparing the interim financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2013, except for those accounting policy changes that are expected to be reflected in the 2014 annual financial statements as described in note 2.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The following new or revised HKFRSs are first effective for the current accounting period of the Group.

|  |  |
|--|--|
| Amendments to HKAS 32                            | Offsetting Financial Assets and Financial Liabilities                  |
| Amendments to HKFRS 10,<br>HKFRS 12, and HKAS 27 | Investment entities  |
| Amendments to HKAS 39<br>HKFRIC 21               | Novation of derivatives and continuation of hedge accounting<br>Levies |

The Group has adopted, for the first time, certain new HKFRSs issued by the HKICPA that are mandatorily effective for the current period. The application of these standards has no significant impact on the Group’s financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that they are not yet in a position to quantify the effects on the Group’s financial statements.

### 3. TURNOVER AND OTHER INCOME AND GAINS

Turnover represents the income from road and bridge construction, sale of petrochemical products net of taxes, discounts, returns and allowances, where applicable and after eliminating sales within the Group.

|   | <b>For the six months<br/>ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2014</b>                                 | 2013               |
|   | <b>RMB'000</b>                              | RMB'000            |
|   |   | <i>(restated)</i>  |
|   |   | <i>(note 4(a))</i> |
| Turnover:   |   |                    |
| Road and bridge construction                      | <b>566,200</b>                              | 312,162            |
| Sale of petrochemical products                    | <b>2,514,587</b>                            | 2,506,716          |
|   | <b>3,080,787</b>                            | 2,818,878          |
| Other income and gains:                           |   |                    |
| Gain on disposal of a subsidiary <i>(note 14)</i> | <b>71,534</b>                               | –                  |
| Government grants                                 | <b>766</b>                                  | 1,022              |
| Interest income                                   | <b>3,397</b>                                | 3,619              |
| Others  | <b>4,739</b>                                | 6,274              |
|   | <b>80,436</b>                               | 10,915             |

### 4. SEGMENT INFORMATION

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

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) that are used to make strategic decisions.

During the year ended 31 December 2013, there was a modification on the structure of its internal organisation which adjusted the composition of its reportable segments. 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, the chief operating decision maker decided to aggregate the sale of fuel oil, sale of asphalt and provision of logistic services into a single business segment starting from 1 January 2013 as they have similar economic characteristics. Corresponding items of segment information for the six months ended 30 June 2013 have been restated.

During the six months ended 30 June 2014, the chief decision maker decided to rename the operating segment of sale of fuel oil and asphalt to sale of petrochemical products, starting from 1 January 2014, so as to conform with the Group's strategy.

#### 4. SEGMENT INFORMATION (Continued)

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

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

The segment results for the six months ended 30 June 2014 are as follows:

|   | <b>Road and<br/>bridge<br/>construction<br/>RMB'000</b> | <b>Sale of<br/>petrochemical<br/>products<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|---|---|--------------------------|
| Total segment revenue   | 566,200   | 2,550,006   | 3,116,206                |
| Inter-segment revenue   | –   | (35,419)  | (35,419)                 |
| <b>Reportable segment revenue<br/>from external customers</b> | <b>566,200</b>  | <b>2,514,587</b>  | <b>3,080,787</b>         |
| Reportable segment profit                                     | 75,956  | 113,820   | 189,776                  |
| Finance costs   | (218)   | (35,320)  | (35,538)                 |
| Share of profit of associates                                 | –   | 920   | 920                      |
| <b>Profit before income tax expense</b>                       |   |   | <b>155,158</b>           |
| Income tax expense  |   |   | (41,740)                 |
| <b>Profit for the period</b>                                  |   |   | <b>113,418</b>           |

The segment results for the six months ended 30 June 2013 are as follows:

|   | Road and<br>bridge<br>construction<br>RMB'000 | Sale of<br>petrochemical<br>products<br>RMB'000<br>(restated) | Total<br>RMB'000 |
|---|---|---|------------------|
| Total segment revenue   | 312,162                                       | 2,506,816   | 2,818,978        |
| Inter-segment revenue   | –   | (100)   | (100)            |
| <b>Reportable segment revenue<br/>from external customers</b> | <b>312,162</b>                                | <b>2,506,716</b>  | <b>2,818,878</b> |
| Reportable segment profit                                     | 75,392  | 68,803  | 144,195          |
| Finance costs   | (17,510)                                      | (32,238)  | (49,748)         |
| Share of profit of associates                                 | –   | 95  | 95               |
| <b>Profit before income tax expense</b>                       |   |   | <b>94,542</b>    |
| Income tax expense  |   |   | (30,081)         |
| <b>Profit for the period</b>                                  |   |   | <b>64,461</b>    |

#### 4. SEGMENT INFORMATION (Continued)

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

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

|                                  | Six months ended 30 June 2014                 |   |                   | Six months ended 30 June 2013                 |   |                   |
|----------------------------------|---|---|-------------------|---|---|-------------------|
|                                  | Road and<br>bridge<br>construction<br>RMB'000 | Sale of<br>petrochemical<br>products<br>RMB'000 | Total<br>RMB'000  | Road and<br>bridge<br>construction<br>RMB'000 | Sale of<br>petrochemical<br>products<br>RMB'000 | Total<br>RMB'000  |
| Depreciation                     | 1,032   | 2,457   | 3,489             | 1,446   | 4,678   | 6,124             |
| Amortisation                     | 119   | 83  | 202               | 119   | 28  | 147               |
| Gain on disposal of a subsidiary | –   | 71,534  | 71,534            | –   | –   | –                 |
|                                  | <u>          </u>                             | <u>          </u>                               | <u>          </u> | <u>          </u>                             | <u>          </u>                               | <u>          </u> |

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

The reportable segment assets and liabilities at 30 June 2014 are as follows:

|                                | Road and<br>bridge<br>construction<br>RMB'000 | Sale of<br>petrochemical<br>products<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|---|---|------------------|
| Reportable segment assets      | <u>2,076,299</u>                              | <u>1,848,203</u>                                | <u>3,924,502</u> |
| Reportable segment liabilities | <u>1,580,861</u>                              | <u>1,440,691</u>                                | <u>3,021,552</u> |

The reportable segment assets and liabilities at 31 December 2013 are as follows:

|                                | Road and<br>bridge<br>construction<br>RMB'000 | Sale of<br>petrochemical<br>products<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|---|---|------------------|
| Reportable segment assets      | <u>2,040,445</u>                              | <u>1,413,758</u>                                | <u>3,454,203</u> |
| Reportable segment liabilities | <u>1,589,034</u>                              | <u>958,879</u>                                  | <u>2,547,913</u> |

##### (b) Secondary reporting format – geographical segments

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



## 5. FINANCE COSTS

|  | For the six months<br>ended 30 June |                      |
|--|-------------------------------------|----------------------|
|  | 2014<br>RMB'000                     | 2013<br>RMB'000      |
| Interest expense on borrowing wholly repayable within five years and discounted commercial notes | <u>57,670</u>                       | <u>49,748</u>        |
| Less: amount capitalised ( <i>note</i> )   | <u>(22,132)</u>                     | <u>–</u>             |
|  | <u><b>35,538</b></u>                | <u><b>49,748</b></u> |

*Note:* Borrowing costs capitalised during the period arose on the general borrowings and were calculated by applying a capitalisation rate of approximately 6.3% per annum to expenditure on qualifying assets.

## 6. PROFIT BEFORE INCOME TAX EXPENSE

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

|  | For the six months<br>ended 30 June |                 |
|--|-------------------------------------|-----------------|
|  | 2014<br>RMB'000                     | 2013<br>RMB'000 |
| Depreciation of property, plant and equipment                                | 3,489                               | 6,124           |
| Staff costs  | 16,759                              | 16,377          |
| Cost of inventories recognised as expenses                                   | 2,407,004                           | 2,398,229       |
| Operating lease rental expenses in respect of<br>– Land and buildings        | 2,266                               | 3,331           |
| Impairment/(reversal of impairment loss) on trade and other receivables, net | <u>30,900</u>                       | <u>(13,492)</u> |

## 7. INCOME TAX EXPENSE

|                           | For the six months<br>ended 30 June |                      |
|---------------------------|-------------------------------------|----------------------|
|                           | 2014<br>RMB'000                     | 2013<br>RMB'000      |
| Current income tax        |                                     |                      |
| PRC enterprise income tax | 41,740                              | 30,081               |
| Hong Kong profits tax     | <u>–</u>                            | <u>–</u>             |
|                           | <u><b>41,740</b></u>                | <u><b>30,081</b></u> |

Profits of subsidiaries established in the PRC are subject to enterprise income tax at 25% (six months ended 30 June 2013: 25%). Profits of subsidiaries established in Hong Kong are subject to Hong Kong profits tax of 16.5% (six months ended 30 June 2013: 16.5%).

## 8. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB99,109,000 (six months ended 30 June 2013: RMB53,629,000) by the weighted average number of ordinary shares in issue throughout the period of 936,190,000 shares (six months ended 30 June 2013: 936,190,000 shares).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2014 and 2013.

## 9. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014. An interim dividend of RMB0.025 per ordinary share was paid in respect of the six months ended 30 June 2013.

Pursuant to the special resolution passed at the annual general meeting and respective class meetings of the Company on 25 June 2014, it was approved to issue bonus shares to all the shareholders of the Company on the basis of five new shares (the “Bonus Shares”) for every ten existing shares of the Company held by the members on the register of members of the Company on 9 July 2014. The Bonus Shares will rank pari passu in all respects with the existing shares of the Company and to be issued on or before 31 December 2014. The Bonus Issue is subject to the approval of relevant regulatory authorities.

## 10. INVENTORIES

|                                   | <b>As at<br/>30 June<br/>2014<br/>RMB'000</b> | As at<br>31 December<br>2013<br>RMB'000<br>(restated) |
|-----------------------------------|---|---|
| Petrochemical products for resale | <b>8,864</b>                                  | 10,968  |
| Asphalt for construction          | <b>968</b>                                    | 4,266   |
| Other construction materials      | <b>19,933</b>                                 | 11,105  |
|                                   | <b>29,765</b>                                 | 26,339  |

## 11. TRADE AND OTHER RECEIVABLES

|  | As at<br>30 June<br>2014<br><i>RMB'000</i> | As at<br>31 December<br>2013<br><i>RMB'000</i> |
|--|--|--|
| Trade receivables                        | 2,448,997                                  | 1,918,729                                      |
| Commercial notes receivable              | 41,805                                     | 134,746  |
| Retention sum for construction contracts | 311,234                                    | 307,455  |
|  | <u>2,802,036</u>                           | <u>2,360,930</u>                               |
| Prepayments and deposits                 | 161,488                                    | 145,443  |
| Other receivables                        | 86,866                                     | 50,690   |
| Amounts due from associates              | –  | 20,210   |
| Less: Impairment losses                  | (108,278)                                  | (77,378)                                       |
| Total                                    | <u>2,942,112</u>                           | <u>2,499,895</u>                               |
| Classified as:                           |  |  |
| Non-current assets                       | 499,739                                    | 539,781  |
| Current assets                           | 2,442,373                                  | 1,960,114                                      |
|  | <u>2,942,112</u>                           | <u>2,499,895</u>                               |

## 11. TRADE AND OTHER RECEIVABLES (Continued)

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

|  | As at<br>30 June<br>2014<br>RMB'000 | As at<br>31 December<br>2013<br>RMB'000 |
|--|-------------------------------------|---|
| Road and bridge construction ( <i>note (a)</i> )   |                                     |   |
| Less than 6 months                                 | 1,121,960                           | 1,057,670                               |
| 6 months to less than 1 year                       | 58,455                              | 74,604                                  |
| 1 year to less than 2 years                        | 46,998                              | 125,893                                 |
| 2 years to less than 3 years                       | 4,557                               | 29,743                                  |
| Over 3 years                                       | 19,169                              | 28,966                                  |
|  | <u>1,251,139</u>                    | <u>1,316,876</u>                        |
| Sale of petrochemical products ( <i>note (b)</i> ) |                                     |   |
| Less than 31 days                                  | 491,066                             | 645,838                                 |
| 31 to 60 days                                      | 677,028                             | 163,657                                 |
| 61 to 90 days                                      | 250,364                             | 98,940                                  |
| 91 days to less than 1 year                        | 111,251                             | 120,519                                 |
| 1 year to less than 2 years                        | 15,447                              | 7,159                                   |
| 2 years to less than 3 years                       | 1,960                               | 2,027                                   |
| Over 3 years                                       | 3,781                               | 5,914                                   |
|  | <u>1,550,897</u>                    | <u>1,044,054</u>                        |
| Total  | <u><u>2,802,036</u></u>             | <u><u>2,360,930</u></u>                 |

Notes:

- (a) In respect of road and bridge construction business, average credit period is negotiated on an individual basis in accordance with contract terms. Normally the general credit period is ranging from 0 to 3 years. Substantially all customers of road and bridge construction business are PRC government-related corporations which have no recent history of default. The credit quality of trade receivables has been assessed by referencing to the counterparty's historical default rates and background. Terms of some construction contracts stipulate that some customers would withhold a portion of total contract amount (usually 5%) until a specified period (usually 2 years) after completion of the contract.
- (b) For sale of petrochemical products business, credit terms granted to individual customer vary on a customer by customer basis which is determined by management with reference to the creditability of respective customer. Normally, the general credit period is ranging from 0 to 90 days.

## 12. TRADE AND OTHER PAYABLES

|                            | As at<br>30 June<br>2014<br><i>RMB'000</i> | As at<br>31 December<br>2013<br><i>RMB'000</i> |
|----------------------------|--|--|
| Trade payables             | 813,059                                    | 516,846  |
| Notes payable              | 467,375                                    | 418,700  |
|                            | <u>1,280,434</u>                           | <u>935,546</u>                                 |
| Amount due to an associate | 719  | 4,171  |
| Deposits received          | 158,393                                    | 51,184   |
| Other payables             | 159,925                                    | 55,939   |
| Accruals                   | 16,409                                     | 20,554   |
|                            | <u>335,446</u>                             | <u>131,848</u>                                 |
| Total                      | <u><u>1,615,880</u></u>                    | <u><u>1,067,394</u></u>                        |

The ageing analysis of trade payables is as follows:

|                                | As at<br>30 June<br>2014<br><i>RMB'000</i> | As at<br>31 December<br>2013<br><i>RMB'000</i> |
|--------------------------------|--|--|
| Road and bridge construction   |  |  |
| Less than 6 months             | 515,544                                    | 601,846  |
| 6 months to less than 1 year   | 64,417                                     | 38,282   |
| 1 year to less than 2 years    | 1,028                                      | 25,188   |
| 2 years to less than 3 years   | 22,532                                     | 714  |
| Over 3 years                   | 10,107                                     | 10,572   |
|                                | <u>613,628</u>                             | <u>676,602</u>                                 |
| Sale of petrochemical products |  |  |
| Less than 31 days              | 413,142                                    | 120,795  |
| 31 to 60 days                  | 242,656                                    | 75,336   |
| 61 to 90 days                  | 20   | 30,000   |
| 91 days to less than 1 year    | 10,000                                     | 31,812   |
| 1 year to less than 2 years    | -  | -  |
| 2 years to less than 3 years   | -  | 631  |
| Over 3 years                   | 988  | 370  |
|                                | <u>666,806</u>                             | <u>258,944</u>                                 |
| Total                          | <u><u>1,280,434</u></u>                    | <u><u>935,546</u></u>                          |

### 13. BORROWINGS

|                                    | As at<br>30 June<br>2014<br><i>RMB'000</i> | As at<br>31 December<br>2013<br><i>RMB'000</i> |
|------------------------------------|--|--|
| Secured – interest bearing loans   | 627,984                                    | 375,300  |
| Unsecured – interest bearing loans | 695,500                                    | 1,013,311                                      |
|                                    | <u>1,323,484</u>                           | <u>1,388,611</u>                               |

At 30 June 2014 and 31 December 2013, total borrowings of the Group were repayable as follows:

|   | As at<br>30 June<br>2014<br><i>RMB'000</i> | As at<br>31 December<br>2013<br><i>RMB'000</i> |
|---|--|--|
| On demand or within one year                      | 1,253,484                                  | 1,388,611                                      |
| More than two years, but not exceeding five years | 70,000                                     | –  |
|   | <u>1,323,484</u>                           | <u>1,388,611</u>                               |

### 14. DISPOSAL OF A SUBSIDIARY

On 9 May 2014, the Group disposed of its 100% equity interests in the subsidiary 鄭州華盛石油製品有限公司 (Zhengzhou Huasheng Petroleum Products Co. Ltd.) (“Zhengzhou Huasheng”), which is engaged in the fuel oil trading in the PRC, to an independent third party. Net assets of Zhengzhou Huasheng at the date of disposal were as follows:

|   | Carrying amount<br><i>RMB'000</i> |
|---|-----------------------------------|
| Payments for leasehold land held for own use under operating leases | 7,115                             |
| Property, plant and equipment                                       | 14,657                            |
| Inventory   | 1,694                             |
| Cash and cash equivalents   | 69                                |
| Current tax liabilities   | (69)                              |
|   | <u>23,466</u>                     |
| Net assets disposed   | <u>23,466</u>                     |
| Total consideration   | <u>(95,000)</u>                   |
| Gain on disposal of a subsidiary ( <i>note 3</i> )                  | <u>71,534</u>                     |

#### 14. DISPOSAL OF A SUBSIDIARY (Continued)

RMB'000

Satisfied by:

|                                      |        |
|--------------------------------------|--------|
| Cash consideration received          | 95,000 |
| <hr/>                                |        |
| Net cash inflow arising on disposal: |        |
| Cash and cash equivalents disposed   | (69)   |
| Cash consideration received          | 95,000 |
| <hr/>                                |        |
|                                      | 94,931 |
| <hr/> <hr/>                          |        |

Zhengzhou Huasheng contributed a turnover of RMB36,990,000 and net profit of RMB1,350,000 to the Group for the period from 1 January 2014 to the date of disposal.

#### 15. ASSET CLASSIFIED AS HELD FOR SALE

In 2014, the Group actively sought a potential buyer for a storage facility in the PRC. The Group therefore classified such asset as asset held for sale, as the transaction is expected to be completed within twelve months from the end of the reporting period.

#### 16. EVENT AFTER THE REPORTING PERIOD

On 25 July 2014, the Group entered into a disposal agreement with the purchaser, an independent third party, whereby the purchaser has agreed to purchase and the Company has agreed to sell the accounts receivable of RMB516,797,000 at the consideration of RMB490,957,000, which the disposal agreement became effective on the same date. Please refer to the Company's announcement dated 25 July 2014 for details. For this event, the Group made a specific one-time impairment loss of RMB25,840,000 during the six months ended 30 June 2014 on the accounts receivable which was subsequent disposed in July 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial and Business Review

In the first half of 2014, the signs of economic recovery were gradually profound with the accelerated adjustment in global financial markets. The pace of global economic adjustment was significantly hastened and the dynamics of economic recovery was increasingly enhanced. The Chinese economy continued to maintain its momentum under the deepening reform on the back of the global economic recovery. The development goal of “Stabilize the economic growth and optimize the economic structure” during the economic restructuring of China was bound to deliver results. Further, the implementation of various economic stimulus policies facilitated the stable growth of Chinese economy. The continuous promotion of the development strategies and economic restructuring proposed by the 12th Five-Year Plan expedited the development of “urbanization”, bringing new upward momentum to the market and brighter business prospect to the industry.

The Group has achieved a significant growth in the result for the first half of 2014 through strengthening the corporate governance, optimizing the resource allocation, enhancing the management efficiency, reducing the operating cost, integrating the business structure and developing new markets. In addition to the improvement of the overall business, the Group strived to maintain the competitiveness and market position of the core businesses, further laying a solid foundation for our future results. In response to the continuous adjustment of the market environment, the Group pursued the philosophy of cautious development, strictly controlled the risks, accelerated the internal resource integration and consolidated the advantageous businesses. It also enhanced the concentration and cash flow position of various businesses of the Group through adjusting its business segments.

During the period under review, turnover and gross profit of the Group were approximately RMB3,080,787,000 and RMB185,791,000 respectively, representing a stable increase of approximately 9.3% and 15.6% compared to the same period of last year. The improvement of the Group’s overall performance was attributable to the strong performance of road and bridge construction business. Turnover of road and bridge construction business for the period was approximately RMB566,200,000, representing a substantial growth of approximately 81.4% compared to the same period of last year, and gross profit was approximately RMB81,126,000, representing a substantial increase of 31.6% compared to last year; and turnover of petrochemical products trading business was approximately RMB2,514,587,000, and gross profit was approximately RMB104,665,000, which levelled off with the performance of last year.

During the period under review, the profit before income tax expense amounted to approximately RMB155,158,000, which included two major non-recurring items relating to the gain on disposal of a subsidiary and specific one-time impairment loss on accounts receivable that was subsequently disposed in July 2014. Operating profit before income tax expense but excluding non-recurring items amounted to approximately RMB109,464,000, an improvement of RMB14,922,000 compared with the same period of last year.



## **Business Operations**

The Group's main business includes road and bridge construction business and petrochemical products trading business. Among them, road and bridge construction business mainly comprises the construction and maintenance of highways and bridges. The Company has class-one construction contractor qualification and class-one municipal utility contract qualification, with the businesses covering Jiangsu, Hunan, Anhui, Sichuan and other provinces. Leveraging on rich experience accumulated after years of project operation and effective internal management, the Group not only strengthened its position in Jiangsu and other peripheral markets, but also accommodate with the changes in the government policies, actively adjusted its development strategies and continuously explored new markets so as to bring a stable momentum to optimize the projects and customer resources of the Group to the greatest extent. For petrochemical products trading business which mainly represents the sale of petrochemical products and chemical fuel, such as fuel oil, coal tar and asphalt products, through optimizing product portfolio and with a mature operating model, the Company has accumulated a stable client base, and the business performance and market share have remained stable.

### **Road and bridge construction business**

With the accelerated promotion of the concept of "new urbanization" the demand for road construction and maintenance has geared up into a new phase of growth, which has provided sufficient opportunities for the continuous growth of the Group's road and bridge construction business. Meanwhile, the Group has enhanced its core business capacity, and improved its comprehensive strength in road and bridge construction business through increasing its shareholding in the core subsidiaries of its road and bridge business, so as to lay a solid foundation for further expansion of road and bridge construction business in the future on the core platforms.

Benefited from the continuous expedition of the national "new urbanization" layout and the Group's professional qualification and operating experience for years in the field of road and bridge construction, the Group has further consolidated its existing mature markets in the period, as well as enjoyed more distinct advantages in road and bridge construction business by implementing efficient cost control through a strengthened internal control. While undertaking large projects, the Group would carefully consider the comprehensive profitability of customers and the credibility of working parties and strictly control any risks involved to procure a steady growth in business and profits of the Group. Currently, the road and bridge construction market within the country has gradually become mature with strengthened competitiveness, the threshold requirements for the construction qualification has been raised, and the highway and bridge construction system has further optimized. The above all contributed to the growth opportunities of the Group in the future.

For the six months ended 30 June 2014, turnover for the Group's road and bridge construction business was approximately RMB566,200,000 (six months ended 30 June 2013: approximately RMB312,162,000), accounting for approximately 18.4% of the Group's total turnover, and gross profit was approximately RMB81,126,000 (six months ended 30 June 2013: approximately RMB61,639,000), representing a substantial year-on-year growth of approximately 31.6%, whereas gross margin decreased from approximately 19.7% in the same period of last year to approximately 14.3% in the reporting period due to the project structure and progress of the construction. However, the gross margin remained at an average level over the years and was above average among the peers. As of 30 June 2014, the backlog of bid-winning construction contracts not yet recognized as revenue amounted to approximately RMB1,348,000,000, most of which will be completed within the next 6 to 24 months, which will bring stable cash inflows to the Group for future operations.

### **Petrochemical products trading business**

In the first half of 2014, petrochemical products trading market of China was still in adjustment phase. The Group strictly controlled the trading risks, steadily proceeded the adjustment of petrochemical products trading business layout, carried out an in-depth analysis on the changes of market demands, and realized the optimization and allocation of business sectors and resources through improved internal resources, which further developed the core businesses. Therefore, the performance of petrochemical products trading business remained broadly flat over the last year. Although the market of petrochemical products was in adjustment phase in the first half of the year with the constant signs of trading risks, the Group, leveraging on the our operating experience for years and solid market network in respect of petrochemical products trading business, has retained core product portfolio that satisfied market demand and stable client resources. Also, the Group maintained its share in mature markets through continuously exploring the core product portfolios and demands of quality customers and optimizing the allocation of resources, resulting in a stable performance in the Group's petrochemical products trading business.

Currently, with good planning of petrochemical products trading business in the nation-wide market, the Group gained extensive and quality market resources in Shanghai, Jiangsu Province, Jiangxi Province, Zhejiang Province, Hubei Province, Fujian Province and other places. Accompanied with the strategic restructuring of the Group and the acceleration of the national "urbanization" strategy, the Group will further consolidate its market foundation and consistently capture new development opportunities from a new round of economic growth.

For the six months ended 30 June 2014, turnover of petrochemical products trading business was approximately RMB2,514,587,000 (six months ended 30 June 2013: approximately RMB2,506,716,000), accounting for approximately 81.6% of the Group's total turnover. Gross profit was approximately RMB104,665,000 (six months ended 30 June 2013: approximately RMB99,076,000), representing a year-on-year growth of approximately 5.6%, whereas gross margin achieved slight growth with a rise from approximately 4.0% in the same period of last year to approximately 4.2% during the reporting period. The stable performance of turnover and gross profit was mainly attributable to the strengthening of petrochemical products trading core business as a result of the Group's optimization of internal resources during the period and the revenue of the business arising from the stable market resources maintained by the Group in long term.

### **Other Income and Gains**

For the six months ended 30 June 2014, the Group's other income and gains were approximately RMB80,436,000 (six months ended 30 June 2013: approximately RMB10,915,000). The substantial increase of other income and gains was mainly due to the gain of approximately RMB71,534,000 from the disposal of a subsidiary during the period.

### **Distribution Costs**

For the six months ended 30 June 2014, the Group's distribution costs were approximately RMB5,725,000 (six months ended 30 June 2013: approximately RMB5,853,000), representing a slight decrease of 2.2% compared with the corresponding period of last year.

### **Administrative Expenses**

For the six months ended 30 June 2014, administrative expenses of the Group were approximately RMB70,726,000 (six months ended 30 June 2013: approximately RMB21,582,000). The significant increase in administrative expenses of the Group during the period was mainly due to the provision of net impairment loss of approximately RMB30,900,000 (six months ended 30 June 2013: reversal of net impairment loss of approximately RMB13,492,000) after taking into account the low collectibility of certain trade receivables.

### **Profit Attributable to Owners of the Company**

For the six months ended 30 June 2014, the profit attributable to owners of the Company was approximately RMB99,109,000 (six months ended 30 June 2013: approximately RMB53,629,000), representing an increase of approximately 84.8% as compared with the corresponding period of last year. The basic and diluted earnings per share attributable to owners of the Company during the period were approximately RMB0.106 (six months ended 30 June 2013: approximately RMB0.057), representing an increase of approximately 86.0% as compared with the corresponding period of last year.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital Structure**

As at 30 June 2014, the Group had total assets less current liabilities of approximately RMB996,932,000 (31 December 2013: approximately RMB920,570,000), including non-current assets of approximately RMB750,629,000 (31 December 2013: approximately RMB834,583,000) and net current assets approximately RMB246,303,000 (31 December 2013: approximately RMB85,987,000).

### **Liquidity and Financial Resources**

As of 30 June 2014 and 31 December 2013, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB495,648,000 and RMB518,125,000 respectively.

Total bank borrowings as of 30 June 2014 and 31 December 2013 were approximately RMB1,323,484,000 and RMB1,388,611,000 respectively.

Debt to asset ratio as of 30 June 2014 and 31 December 2013 were approximately 77.0% and 73.8%. Debt to asset ratio was calculated as the percentage of total liabilities divided by total assets.

### **Foreign exchange risk**

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

### **Pledge of assets**

As of 30 June 2014, property, plant and equipment with a net book value of approximately RMB17,229,000 (31 December 2013: approximately RMB17,796,000) were pledged as security for the Group's bank borrowings. As of 30 June 2014, payments for leasehold land held for own use under operating leases of approximately RMB8,485,000 (31 December 2013: approximately RMB8,610,000) were pledged as security for the Group's bank borrowings. As of 30 June 2014, the Group had restricted bank deposits of approximately RMB298,800,000 (31 December 2013: approximately RMB238,345,000) as collateral for the bank borrowings and the issuance of commercial notes, performance bonds and bid bonds to customers.

## **Material Acquisitions and Disposals**

Save for the transactions described elsewhere in this announcement, there was no other material acquisitions or disposals during the period under review.

## **Employee Information**

As at 30 June 2014, the Group had 453 employees. During the period under review, total employee remuneration (including directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB16,759,000 (six months ended 30 June 2013: approximately RMB16,377,000). Employees' remuneration is determined by reference to industry practice as well as the performance and qualifications of the staff.

## **PROSPECT**

Looking forward to the second half of the year, the overall Chinese economy will remain in the structural adjustment phase and the fundamentals of the economic development will stay unchanged. Benefited from the profound effect of a series of the government's mini-stimulus, the upward trend will provide impetus for a new round of growth. Coupled with the promotion of "new model of urbanization" at the national strategic level, the ongoing robust market demand will bring opportunities of new uptrend in the road and bridge construction area and petrochemical product. On the back of macro economic adjustment and implementation of policies in China, the Group will keep abreast of changes in market demands and accordingly optimize and adjust its own businesses. Meanwhile, the Group will also strive to develop advantageous businesses through strict control on risks and quality, strengthening its integrated competitiveness.

For our specific businesses, in order to achieve positive and long-term development, the Group will make strategic adjustment in the following areas:

For our road and bridge construction business, the Group, leveraging on its various professional qualification, will increase the investment on the road and bridge construction sector and seize the opportunities of the uptrend market for vigorous development in such business. The Group will also expand its market share and strengthen the branding effect by integrating resources for the development of mature markets including Jiangsu, Anhui and Sichuan. Meanwhile, the pace of our internal adjustment and optimization will be accelerated so as to manage the projects effectively and lower the operating costs, which will enhance our competitiveness in road and bridge construction business.

For the petrochemical products, the Group will continue to keep abreast of the changes in market demands and provide diversified products to the markets. Moreover, the Group will strengthen the cooperation with quality customers and emphasize the control of trading risks so as to maintain strong business performance. Meanwhile, leveraging on the extensive experience and optimized market network in the petrochemical product business, the Group will further develop various product types and focus on the expansion of product mix, such as chemical fertilizer and etc., in order to achieve an overall growth of petrochemical product business.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance and business ethics. The Company recognizes that sound and effective corporate governance practices are essential for maintaining and promoting investors' confidence and maximizing shareholders' wealth.

Throughout the six months ended 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except the following:

Under code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Mo Luojiang ("Mr. Mo") assumed the roles of both the chairman and CEO of the Company from 23 April 2014 to 29 June 2014 as a result of the resignation of former chairman. Following the appointment of Mr. Lan Huasheng ("Mr. Lan") as the chairman of the Board on 30 June 2014, the role of chairman and CEO vest on Mr. Lan and Mr. Mo, respectively and the Company is in full compliance with the required code provision A.2.1 of the CG Code.

## **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 required standard as set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE**

The Audit Committee was formed in 2005 and the terms of reference of Audit Committee are aligned with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. 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, namely, Mr. Chung Cheuk Ming, Ms. Pan Man and Mr. Zhou Jianhao and one non-executive Director, Mr. Chan Cheuk Wing Andy. The chairman of the audit committee is Mr. Chung Cheuk Ming.

The Audit Committee, together with the management of the Company, has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 and had the opinion that the preparation of the interim report is in compliance with the applicable accounting standards and requirements.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB0.025 per share).

## **APPRECIATION**

On behalf of the Board, I wish to express my sincere gratitude to the Board members, the management and the staff of the Group for their industrious performance and dedication during the past half year, and to the shareholders and business partners for their continuous support for the Group.

## **APPOINTMENT OF GROUP FINANCIAL CONTROLLER**

The Board announces that Mr. Qian Di (“**Mr. Qian**”) was appointed as the Group Financial Controller with effect from 27 August 2014. Mr. Qian has over 10 years of experience in accounting and auditing. Prior to joining the Company, Mr. Qian was an audit manager of KPMG Shanghai. Mr. Qian holds a Bachelor of Science in Management Degree from Fudan University. He is both a member of Chinese Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants.

The Board would like to take this opportunity to welcome Mr. Qian on his appointment.

By Order of the Board  
**Shanghai Tonva Petrochemical Co., Ltd.**  
**Lan Huasheng**  
*Chairman*

Shanghai, PRC, 27 August 2014

*As at the date of this announcement, the Board comprises 3 executive directors: Mr. Lan Huasheng, Mr. Mo Luojiang and Mr. Wang Liguo; 1 non-executive director: Mr. Chan Cheuk Wing Andy; and 3 independent non-executive directors: Mr. Chung Cheuk Ming, Ms. Pan Min and Mr. Zhou Jianhao.*