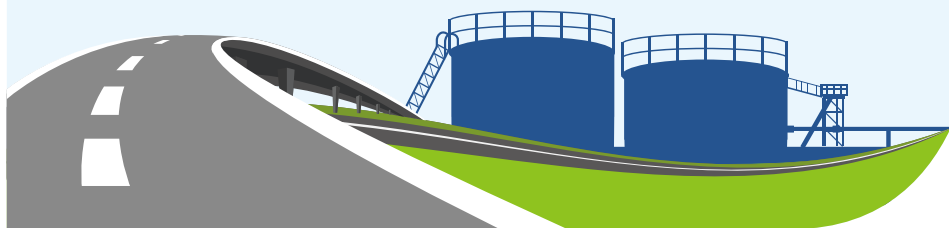




2014 INTERIM REPORT  
**SHANGHAI TONVA**  
Petrochemical Co., Ltd.\*

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



\*For identification purposes only

Stock Code: 1103

## 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.

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



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Lan Huasheng – Chairman  
Mo Luojiang – Chief Executive Officer  
Wang Liguo

### NON-EXECUTIVE DIRECTOR

Chan Cheuk Wing Andy

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Cheuk Ming  
Pan Min  
Zhou Jianhao

### SUPERVISORS

Lu Tingfu  
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

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No. 218 Wu Song Road  
Shanghai PRC  
Postal code: 200080

### PLACE OF BUSINESS IN HONG KONG

Room 703, 7/F,  
OfficePlus@Sheung Wan  
No. 93-103 Wing Lok Street,  
Sheung Wan,  
Hong Kong

### COMPANY WEBSITE

[www.tonva.com](http://www.tonva.com)

### COMPLIANCE OFFICER

Mo Luojiang

### COMPANY SECRETARY

Lo Suet Fan

### AUTHORISED REPRESENTATIVES

Mo Luojiang  
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 NOMINATION COMMITTEE

Mo Luojiang (*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 Communications  
China PingAn Bank  
SPD Bank  
China CITIC Bank

### STOCK CODE

1103



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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Payments for leasehold land held for 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
<b>Total non-current assets</b>		<b>750,629</b>	<b>834,583</b>
<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
		<b>3,162,416</b>	<b>2,619,620</b>
Asset classified as held for sale	15	11,457	-
<b>Total current assets</b>		<b>3,173,873</b>	<b>2,619,620</b>
<b>Total assets</b>		<b>3,924,502</b>	<b>3,454,203</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
<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
<b>Total current liabilities</b>		<b>2,927,570</b>	<b>2,533,633</b>
<b>Net current assets</b>		<b>246,303</b>	<b>85,987</b>
<b>Total assets less current liabilities</b>		<b>996,932</b>	<b>920,570</b>
<b>Non-current liabilities</b>			
Borrowings	13	70,000	–
Deferred tax liabilities		23,982	14,280
<b>Total non-current liabilities</b>		<b>93,982</b>	<b>14,280</b>
<b>Total liabilities</b>		<b>3,021,552</b>	<b>2,547,913</b>
<b>NET ASSETS</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		93,619	93,619
Reserves		677,541	671,598
<b>Equity attributable to owners of the Company</b>		<b>771,160</b>	<b>765,217</b>
<b>Non-controlling interests</b>		<b>131,790</b>	<b>141,073</b>
<b>TOTAL EQUITY</b>		<b>902,950</b>	<b>906,290</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Currency translation reserve RMB'000	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013 (audited)	93,619	221,766	77,206	17,912	(7,037)	280,840	684,306	117,646	801,952
Profit for the period	-	-	-	-	-	53,629	53,629	10,832	64,461
Exchange differences on translating foreign operations	-	-	-	-	(488)	-	(488)	-	(488)
Total comprehensive income for the period	-	-	-	-	(488)	53,629	53,141	10,832	63,973
2012 final dividend declared	-	-	-	-	-	(33,703)	(33,703)	-	(33,703)
Acquisition of additional equity interests in a subsidiary*	-	-	-	-	-	(788)	(788)	(1,213)	(2,001)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5,837)	(5,837)
Balance at 30 June 2013 (unaudited)	93,619	221,766	77,206	17,912	(7,525)	299,978	702,956	121,428	824,384
Balance at 1 January 2014 (audited)	93,619	221,766	100,243	17,912	(7,972)	339,649	765,217	141,073	906,290
Profit for the period	-	-	-	-	-	99,109	99,109	14,309	113,418
Exchange differences on translating foreign operations	-	-	-	-	333	-	333	-	333
Total comprehensive income for the period	-	-	-	-	333	99,109	99,442	14,309	113,751
Acquisition of additional equity interests in a subsidiary*	-	-	-	-	-	(5,497)	(5,497)	(23,592)	(29,089)
2013 final dividend declared**	-	(46,810)	-	-	-	(41,192)	(88,002)	-	(88,002)
Transfer to statutory reserve fund	-	-	4,428	-	-	(4,428)	-	-	-
Balance at 30 June 2014 (unaudited)	93,619	174,956	104,671	17,912	(7,639)	387,641	771,160	131,790	902,950

\* During the six months ended 30 June 2014, the Group acquired additional 6% (six months ended 30 June 2013: 0.53%) equity interests in a subsidiary, Nantong Road and Bridge Engineering Co., Ltd., from its non-controlling shareholder.

\*\* The payment of final dividend for 2013 was approved by the shareholders in the annual general meeting held on 25 June 2014 and is payable on or before 31 December 2014. The declared dividend is therefore recognised as a dividend payable in the financial statements for the six months ended 30 June 2014.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

	For the six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Net cash used in operating activities	<b>(41,130)</b>	(125,406)
Net cash from investing activities	<b>52,414</b>	75,443
Net cash used in financing activities	<b>(94,216)</b>	(281,043)
Net decrease in cash and cash equivalents	<b>(82,932)</b>	(331,006)
Cash and cash equivalents at beginning of the period	<b>279,780</b>	502,215
Cash and cash equivalents at end of the period	<b>196,848</b>	171,209



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, HKFRS 12, and HKAS 27	Investment entities
Amendments to HKAS 39 HKFRIC 21	Novation of derivatives and continuation of hedge accounting 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.

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

### 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.

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

#### 4. SEGMENT INFORMATION *(Continued)*

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

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

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000	Total RMB'000
Total segment revenue	566,200	2,550,006	3,116,206
Inter-segment revenue	–	(35,419)	(35,419)
<b>Reportable segment revenue 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 bridge construction RMB'000	Sale of petrochemical products RMB'000 (restated)	Total RMB'000
Total segment revenue	312,162	2,506,816	2,818,978
Inter-segment revenue	–	(100)	(100)
<b>Reportable segment revenue 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 bridge construction RMB'000	Sale of petrochemical products RMB'000	Total RMB'000	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000 (restated)	Total 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	-	-	-

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 bridge construction RMB'000	Sale of petrochemical products RMB'000	Total RMB'000
Reportable segment assets	2,076,299	1,848,203	3,924,502
Reportable segment liabilities	1,580,861	1,440,691	3,021,552

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

	Road and bridge construction RMB'000	Sale of petrochemical products RMB'000 (restated)	Total RMB'000
Reportable segment assets	2,040,445	1,413,758	3,454,203
Reportable segment liabilities	1,589,034	958,879	2,547,913

##### (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 ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest expense on borrowing wholly repayable within five years and discounted commercial notes	57,670	49,748
Less: amount capitalised (note)	(22,132)	–
	35,538	49,748

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 ended 30 June	
	2014 RMB'000	2013 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		
– Land and buildings	2,266	3,331
Impairment/(reversal of impairment loss) on trade and other receivables, net	30,900	(13,492)

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax		
PRC enterprise income tax	41,740	30,081
Hong Kong profits tax	–	–
	41,740	30,081

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

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

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Trade receivables	2,448,997	1,918,729
Commercial notes receivable	41,805	134,746
Retention sum for construction contracts	311,234	307,455
	<b>2,802,036</b>	<b>2,360,930</b>
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	<b>2,942,112</b>	<b>2,499,895</b>
Classified as:		
Non-current assets	499,739	539,781
Current assets	2,442,373	1,960,114
	<b>2,942,112</b>	<b>2,499,895</b>



## 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 30 June 2014 RMB'000	As at 31 December 2013 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
	<b>1,251,139</b>	<b>1,316,876</b>
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
	<b>1,550,897</b>	<b>1,044,054</b>
<b>Total</b>	<b>2,802,036</b>	<b>2,360,930</b>

### 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 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Trade payables	813,059	516,846
Notes payable	467,375	418,700
	<b>1,280,434</b>	<b>935,546</b>
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
	<b>335,446</b>	<b>131,848</b>
<b>Total</b>	<b>1,615,880</b>	<b>1,067,394</b>

The ageing analysis of trade payables is as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
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
	<b>613,628</b>	<b>676,602</b>
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
	<b>666,806</b>	<b>258,944</b>
<b>Total</b>	<b>1,280,434</b>	<b>935,546</b>

### 13. BORROWINGS

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

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

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

### 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 RMB'000
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)
Net assets disposed	<b>23,466</b>
Total consideration	<b>(95,000)</b>
Gain on disposal of a subsidiary (note 3)	<b>71,534</b>

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

	RMB'000
<hr/>	
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/>	

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 mini-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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 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 businesses covering Jiangsu, Hunan, Anhui, Sichuan and other provinces. Leveraging on rich experience accumulated after years of project operation and effective internal management, the Company not only strengthened its position in Jiangsu and other peripheral markets, but also accommodated 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 operation 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Road and bridge construction business (Continued)

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 for road and bridge construction business 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 nationwide 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Petrochemical products trading business (Continued)

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: RMB834,583,000) and net current assets of 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.



## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES** *(Continued)*

### **Material Acquisitions and Disposals**

Save for the transactions described elsewhere in this interim report, 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 policies, 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 demands will bring opportunities of new uptrend in the road and bridge construction area and petrochemical product area. 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 business sectors 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 product portfolios to the markets. Moreover, the Group will strengthen the cooperation with quality customers by emphasizing 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 such as chemical fertilizer and etc., and focus on the adjustment of product mix, in order to achieve an overall growth of petrochemical trading business.



## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long position in the shares of the Company:

Name of Directors	Capacity	Number of shares		Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered share capital of the Company
		Personal interest	Total long position		
Mr. Lan Huasheng (Executive Director)	Interest in controlled corporation	279,542,997 (Domestic Shares) (L)	279,542,997	58.24%	29.86%
Mr. Lu Tingfu (Supervisor)	Interest in controlled corporation	279,542,997 (Domestic Shares) (L)	279,542,997	58.24%	29.86%
Mr. Wang Ligu (Executive Director)	Interest in controlled corporation	200,457,003 (Domestic Shares) (L)	200,457,003	41.76%	21.41%

L = Long position

Note 1: Shenzhen Dasheng is owned as to 70% by Mr. Lan Huasheng and 30% by Mr. Lu Tingfu through Dasheng Holdings Limited. By virtue of the SFO, Mr. Lan Huasheng and Mr. Lu Tingfu Liang are deemed to be interested in 279,542,997 shares of the Company held by Shengzhen Dasheng.

Note 2: Zhenjiang Runde Equity Investment Fund Ltd. ("Zhenjiang Runde") is wholly owned by Mr. Wang Ligu. By virtue of the SFO, Mr. Wang Ligu is deemed to be interested in 200,457,003 shares of the Company held by Zhenjiang Runde.

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

At 30 June 2014, the persons or company (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO and who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Directors	Capacity	Number of shares			Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered shares capital of the Company
		Personal interest	Total Long position	Total Short position		
Mr. Qian Wenhua ("Mr. Qian")	Beneficial owner	195,529,500 (S) (Domestic Shares)	—	195,529,500	40.74%	20.89%
Liu Huiping ("Ms. Liu") (Note 1)	Interest in spouse	195,529,000 (S) (Domestic Shares)	—	195,529,500	40.74%	20.89%
Mr. Li Hongyuan	Beneficial owner	37,690,500 (S) (Domestic Shares)	—	37,690,500	7.85%	4.03%
Shenzhen Dasheng	Beneficial owner	279,542,997 (L) (Domestic shares)	279,542,997	—	58.24%	29.86%
Zhenjiang Runde	Beneficial owner	200,457,003 (L) (Domestic shares)	200,457,003	—	41.76%	21.41%
CITIC Securities Company Limited	Interest in controlled corporation	168,704,000 (L) (H shares)	168,704,000 (Note 2)	—	36.98%	18.02%



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

Name of Directors	Capacity	Number of shares		Total Short position	Approximate percentage of shareholding in such class of shares of the Company	Approximate percentage of shareholding in the registered shares capital of the Company
		Personal interest	Total Long position			
CITIC Securities International Company Limited	Interest in controlled corporation	168,704,000 (L) (H Shares)	168,704,000 (Note 2)	—	36.98%	18.02%
CLSA B.V.	Interest in controlled corporation	168,704,000 (L) (H Shares)	168,704,000 (Note 2)	—	36.98%	18.02%
CLSA Capital Partners Limited (formerly known as CLSA Funds Limited)	Interest in controlled corporation	168,704,000 (L) (H shares)	168,704,000 (Note 2)	—	36.98%	18.02%
CLSA Private Equity Management Limited	Investment manager	168,704,000 (L) (H Shares)	168,704,000 (Note 2)	—	36.98%	18.02%
Aria Investment Partners III, L.P. ("Aria III")	Interest in controlled corporation	140,000,000 (L) (H Shares)	140,000,000 (Note 2)	—	30.69%	14.95%
Babylon Limited	Beneficial owner	140,000,000 (L) (H Shares)	140,000,000 (Note 2)	—	30.69%	14.95%
Aria Investment Partners II, L.P. ("Aria II")	Interest in controlled corporation	28,704,000 (L) (H Shares)	28,704,000 (Note 2)	—	6.29%	3.07%
Mumiya Limited	Beneficial owner	28,704,000 (L) (H Shares)	28,704,000 (Note 2)	—	6.29%	3.07%

L = Long position

S = Short position

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

Note 1: Ms. Liu, the wife of Mr. Qian, is deemed to be interested in the 195,529,500 shares held by Mr. Qian pursuant to the SFO.

Note 2: Mumiya Limited and Babylon Limited hold 28,704,000 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 28,704,000 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 168,704,000 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 168,704,000 H shares in aggregate pursuant to the SFO.

### **Directors' and Supervisors' right to acquire shares or debentures**

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the period ended 30 June 2014.

### **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 Min 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.

## DIRECTORS’ INTEREST IN A COMPETING BUSINESS

None of the Directors or the management shareholders and their respective associates had an interest in a business which competes or may compete with the business of the Group.

## 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.

## CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO 13.51(B)(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors since the date of the 2013 annual report of the Company which are required to be disclosed are set out as follows:

Mr. Mo Luojiang was appointed as the chairman of the Board from 23 April 2014 to 29 June 2014. Mr. Mo was also appointed as the compliance officer, authorized representative under Rule 3.05 of the Listing Rules and the chairman of the nomination committee of the Company with effect from 23 April 2014.

Mr. Lan Huasheng was appointed as the executive Director on 25 June 2014 and the chairman of the Board on 30 June 2014.

Mr. Wang Liguó was appointed as the executive Director on 25 June 2014. He was also appointed as a director of certain subsidiaries of the Company during the reporting period.

Saved as disclosed above, the Company is not aware of other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

## 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

Finally, 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.

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

Shanghai, the PRC, 27 August 2014