

Dragon Crown Group Holdings Limited 龍翔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00935

Global Offering



Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Dragon Crown Group Holdings Limited

龍翔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 275,000,000 (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 27,500,000 (subject to adjustment)
Number of International Placing Shares	: 247,500,000 (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$2.05 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.10 each
Stock code	: 935

Sponsor



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Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents in this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents in this prospectus.

A copy in this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents in this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 20 December 2010 and, in any event, not later than Tuesday, 21 December 2010. The Offer Price will be not more than HK\$2.05 per Offer Share and is currently expected to be not less than HK\$1.35 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.05 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$1.35.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.35 to HK\$2.05 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the Company's website at www.dragoncrown.com and the Stock Exchange's website at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further information is set forth in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares". If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Tuesday, 21 December 2010, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section entitled "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable U.S. State Securities Laws.

15 December 2010

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾ 11:45 a.m. on Monday, 20 December 2010

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and to give **electronic**

application instructions to HKSCC⁽³⁾ 12:00 noon on Monday, 20 December 2010

Application lists close⁽²⁾ 12:00 noon on Monday, 20 December 2010

Expected Price Determination Date⁽⁴⁾ Monday, 20 December 2010

Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dragoncrown.com on or before Tuesday, 28 December 2010

Results of allocations in the Hong Kong Public Offer (with successful applicants' identification documents numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for the Hong Kong Offer Shares – V. Publication of results") from Tuesday, 28 December 2010

Results of allocations in the Hong Kong Public Offer to be available at www.tricor.com.hk/ipo/result with a "search by ID" function Tuesday, 28 December 2010

Despatch of share certificates or deposit of share certificates into CCASS and refund cheques in respect of wholly or partially unsuccessful application on or before ⁽⁵⁾ ⁽⁶⁾ ⁽⁷⁾ ⁽⁸⁾ Tuesday, 28 December 2010

Dealings in Offer Shares on the Stock Exchange to commence on Wednesday, 29 December 2010

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the "Structure of the Global Offering" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 20 December 2010, the application lists will not open or close on that day. Further information is set forth in “How to Apply for the Hong Kong Offer Shares – II. Applying by using a white or yellow application form – 6. Effect of bad weather on the opening of the Application Lists” in this prospectus.
- (3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for the Hong Kong Offer Shares – III. Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (4) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 20 December 2010 and, in any event, not later than Tuesday, 21 December 2010. If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum offer price of HK\$2.05 per Share, applicants must pay the maximum offer price of HK\$2.05 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.
- (5) Share certificates for the Offer Shares are expected to be issued on Tuesday, 28 December 2010 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 29 December 2010 provided that (i) the Hong Kong Public Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, our Group will make an announcement as soon as possible.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Bank may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (7) Applicants who have applied on WHITE Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person from our Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, may do so between 9:00 a.m. to 1:00 p.m. on Tuesday, 28 December 2010. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, must be produced at the time of collection. Applicants who have applied on YELLOW Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant’s stock account or CCASS Investor Participant’s stock account, as appropriate. The procedures for collection of refund cheques for YELLOW Application Form applicants are the same as those for WHITE Application Form applicants.
- (8) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares – VI. Despatch/Collection of share certificates and refund cheques” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

You should read carefully “Underwriting”, “How to Apply for the Hong Kong Offer Shares” and “Structure of the Global Offering” in this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the dispatch of share certificates and the refund of application monies.

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This prospectus is issued by Dragon Crown Group Holdings Limited solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Sole Global Coordinator, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text in this prospectus. Since this is only a summary, it does not contain all information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

Our business model relies heavily on our relationships with the Celanese Entities. We are an integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products and our business operation is characterised by the Celanese Contracts which set forth our business relationship with Celanese. We entered into the Celanese Contracts with remaining terms of over 10 years as of the Latest Practicable Date. For each of the three years ended 31 December 2009, the Celanese Contracts contributed approximately HK\$57.6 million, HK\$143.2 million and HK\$192.0 million of revenue for our Group, which accounted for more than 90% of our revenue during each of the three years ended 31 December 2009. The Celanese Contracts provide an annual fixed contract sum which is payable by Celanese to our Group. For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively, which accounted for more than 80% of our revenue during each of the three years ended 31 December 2009. The long-term nature of the Celanese Contracts enables us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts.

We offer a comprehensive range of terminal and storage of liquid chemical services ranging from loading and discharging of liquid chemical products at our jetties and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure. Through our own terminal facilities, including storage tanks, dedicated pipelines, jetties and the related exclusive coastline use right, we are able to enhance our ability to manage our operation cost and provide flexibility for our future business expansion. As of the Latest Practicable Date, we had three terminals, namely Nanjing terminal, Tianjin terminal and Ningbo terminal. The Nanjing terminal is operated by Nanjing Dragon Crown, our subsidiary, whereas (i) the Tianjin terminal is operated by Tianjin Tianlong and Tianlong Haixiang, our Associated Entities; and (ii) the Ningbo terminal is operated by Ningbo Ningxiang and Ningbo Xinxiang, our Jointly-controlled Entities. All our terminals in Nanjing, Tianjin and Ningbo are licenced to handle hazardous chemicals, including those classified as Category A Dangerous goods in national standards in the PRC. In addition, our jetties are authorised to allow both foreign and domestic vessels to load and discharge their products.

Our terminal in Nanjing is located inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in "Industry Overview – Chemical Storage and Logistics Industry" in this prospectus.

SUMMARY

The Nanjing Chemical Industry Park occupies an area of approximately 45 km² and is located along the Yangtze River with a total coastline of 14 km. The Nanjing Chemical Industry Park is one of the major acetic acid production bases in the world, and also one of the leading production bases for ethylene, aromatics, caprolactam, raw materials for Polyurethanes, oil refining and differential mucilage glue fiber in the PRC. At present, a number of multinational chemical enterprises have established their production facilities in the Nanjing Chemical Industry Park.

As the chemical terminal service industry is capital intensive and subject to strict PRC government approvals, HSE and licensing requirements, our Directors consider that our industry is characterised by a high entry barrier. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and our jetties' designed throughput capacity of 2.6 million metric tonnes is larger than that of our counterparts. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in "Industry Overview – Our Chemical and Storage Services" in this prospectus. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is one of the major chemical enterprises in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts. Our Nanjing terminal locates approximately 15 km away from the production facilities of Celanese. We enjoy a strategic location advantage over our competitors in the Nanjing Chemical Industry Park as we are in the shortest distance to Celanese among our competitors in the Nanjing Chemical Industry Park. In addition, we have constructed dedicated pipelines connecting our terminal to our customers' production bases inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipelines can avoid product cross-contamination. Benefited from competitive advantages arising from the strategic location of our terminal and dedicated pipelines connecting with our customers' production bases in the Nanjing Chemical Industry Park, we have an advantage in serving customers inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC.

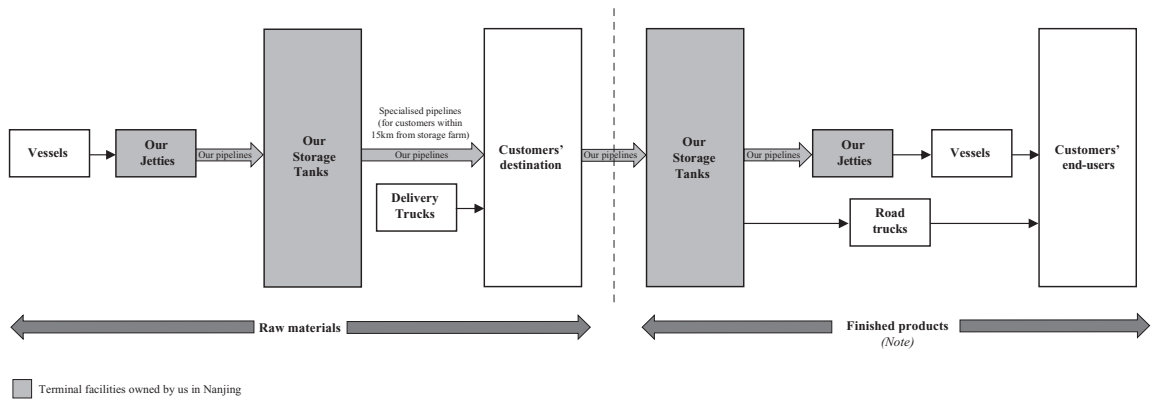
Our Nanjing terminal is the key source to our revenue and profit. We established Nanjing Dragon Crown, our non-wholly owned subsidiary, in 2004. Nanjing Dragon Crown is owned as to 88.61% and 11.39% by DC Petrochemicals and Nanjing CIPC, respectively. During the Track Record Period, profit contributed by our Nanjing terminal amounted to approximately 68.9%, 89.3%, 94.6% and 94.5% of our total profit, respectively. According to the articles of associations of Nanjing Dragon Crown, the term of Nanjing Dragon Crown is for the period from 26 April 2004 to 25 April 2054, and may be extended as agreed by the shareholders of Nanjing Dragon Crown upon the approval by competent government authorities.

SUMMARY

Apart from our operation in Nanjing, we, through our Associated Entities/ Jointly-controlled Entity, also provide terminal and storage services of liquid chemical products in Tianjin and Ningbo. Tianjin and Ningbo are major cities in the PRC having large growth potential for liquid chemical products. Our terminals located in Tianjin and Ningbo enjoy the high growth potential of these cities. The locations of our terminals in Tianjin and Ningbo are close to jetties, highway and rail tracks and are easily accessible by vessels, delivery trucks and/or railcars which allow efficient and safe transportation of the liquid chemical products to our customers' factories, production facilities or other destinations in a cost effective manner.

The following diagram illustrates the different logistics modes of our Nanjing, Tianjin and Ningbo terminals:

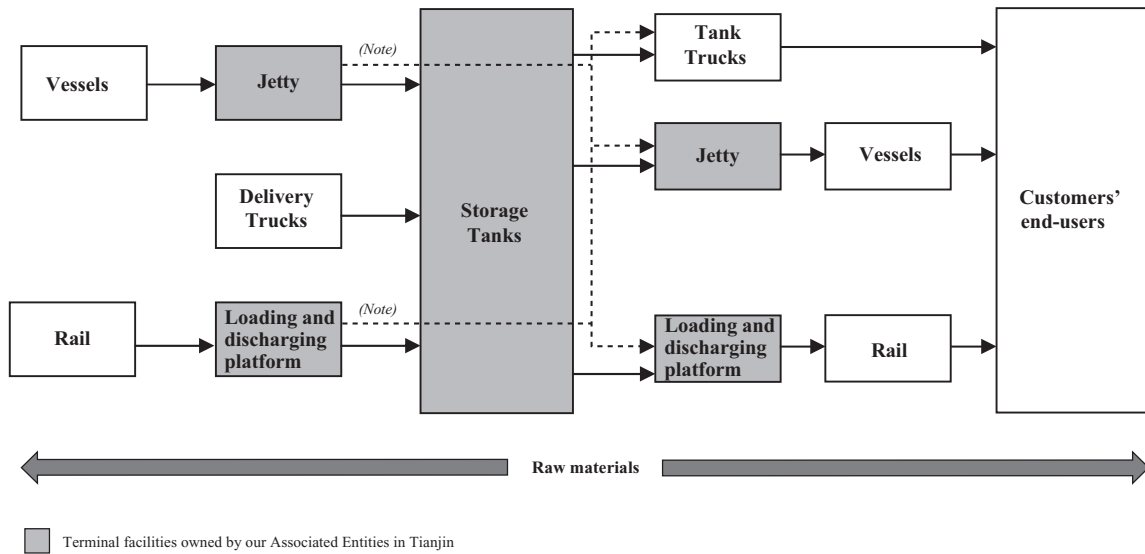
Nanjing terminal operated by our subsidiary



Note: In some cases, when liquid chemical(s) is/are delivered to our customers' factories or production facilities (as input raw material) and after processing such raw material input, our customers will further instruct us to deliver their finished products (another liquid chemical) to other destinations (their end-users). Upon receiving such instructions, the finished products (liquid chemical) will be transferred via dedicated pipelines into our storage tanks for storage and subsequently loading to road trucks and marine vessels inside our terminal for delivery to our customers' designated locations.

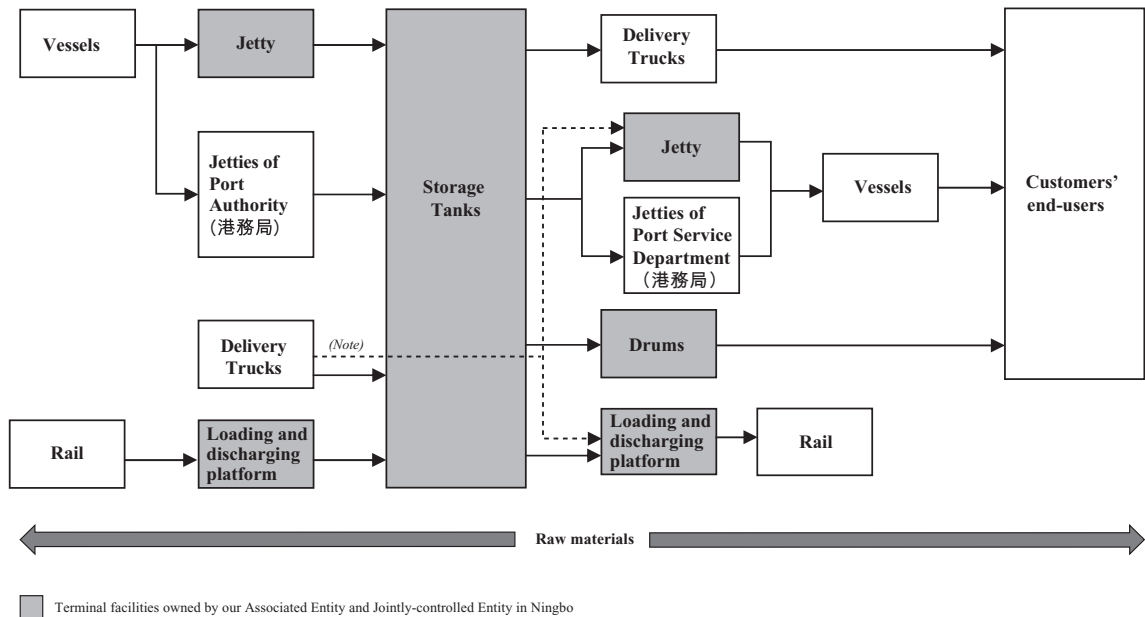
SUMMARY

Tianjin terminal operated by our Associated Entities



Note: The handling of liquid chemicals in the Tianjin terminal may be delivered directly (i) from the jetty to tank trucks, another vessel at the jetty and/or rail; and (ii) from the rail to tank trucks and/or the jetty without involving the usage of storage tanks.

Ningbo terminal operated by our Associated Entity and Jointly-controlled Entity



Note: The handling of liquid chemicals in the Ningbo terminal may be delivered directly from delivery trucks to the jetty and/or the rail without involving the usage of storage tanks.

SUMMARY

We may handle liquid chemical products through our jetties or through other delivery facilities, including pipelines, delivery trucks and/or rail. The following table provides an overview of liquid chemical products we handled through jetties or other delivery facilities in Nanjing, Tianjin and Ningbo during the Track Record Period:–

Terminals		Total actual throughput for the year ended			Total actual throughput for the six months ended 30 June 2010
		2007	31 December 2008 <i>(metric tonnes)</i>	2009	
Nanjing terminal operated by our subsidiary	Jetties	556,500	750,400	926,600	745,900
	Other delivery facilities	<u>27,000</u>	<u>100,200</u>	<u>314,800</u>	<u>166,000</u>
	Total	<u>583,500</u>	<u>850,600</u>	<u>1,241,400</u>	<u>911,900</u>
Tianjin terminal operated by our Associated Entities	Jetty	367,600	311,400	242,100	129,000
	Other delivery facilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,900</u>
	Total	<u>367,600</u>	<u>311,400</u>	<u>242,100</u>	<u>130,900</u>
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	Jetty	42,100	26,200	23,800	9,700
	Other delivery facilities <i>(Note)</i>	<u>114,100</u>	<u>167,900</u>	<u>254,900</u>	<u>152,500</u>
	Total	<u>156,200</u>	<u>194,100</u>	<u>278,700</u>	<u>162,200</u>

Note: Other delivery facilities in Ningbo include the jetty operated by Port Authority (港務局) in Ningbo.

SUMMARY

The following table provides an overview of jetties in Nanjing, Tianjin and Ningbo:–

Jetties	Number of berth	Total designed berthing capacity (Note 1) (dwt)	Total annual designed throughput capacity (metric tonnes)	Total annual actual throughput				Utilisation rate (Note 2)			For the six months ended 30 June
				For the year ended 31 December		For the six months ended 30 June	For the year ended 31 December				
				2007	2008		2009	2010	2007	2008	
Nanjing terminal operated by our subsidiary	2	25,000	2,600,000	556,500	750,400	926,600	745,900	21.4	28.9	35.6	57.4 (Note3)
Tianjin terminal operated by our Associated Entities	1	3,000	301,600 (Note 4)	297,310 (Note 5)	250,040 (Note 5)	164,100 (Note 5)	79,620 (Note 5)	98.6	82.9	54.4	52.8
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	1	3,000	100,000	42,100	26,200	23,800	9,700	42.1	26.2	23.8	19.4

Notes:

- There were no changes to the designed berthing capacities of our jetties during the Track Record Period and as of the Latest Practicable Date.
- The utilisation rate is calculated by our record of the annual actual throughput via jetties divided by (i) the total annual designed throughput capacity of jetties for the Nanjing terminal and Ningbo terminal in relation to the operating period; and (ii) the total annual adjusted designed throughput capacity of the jetty for the Tianjin terminal in relation to the operating period.
- Based on the historical growth of the utilisation rate, it is expected that the utilisation rate of jetties at our Nanjing terminal will be further increased and it is necessary for us to construct an additional jetty to cope with our future growth.
- The annual designed throughput capacity was 115,600 metric tonnes which was based on the assumption that the storage tank capacity in Tianjin was 16,000 m³ and its turnaround was 8.5 times per year. Due to the growth of the storage tank capacity in Tianjin, the storage tank capacity in Tianjin has been increased to 24,900 m³. In addition, since it is operated substantially under short-term spot rental service contracts, our Associated Entities in Tianjin could efficiently improve the turnaround of jetty facilities. As such, our Associated Entities in Tianjin have improved the annual designed throughput capacity of the jetty in Tianjin to 301,600 metric tonnes.
- The designed throughput capacity of the jetty is calculated based on the storage tank capacity when the jetty was being constructed. During the Track Record Period, in relation to the Tianjin terminal, which was operated by our Associated Entities, the handling of liquid chemicals might be delivered directly without involving the usage of storage tanks. During the Track Record Period, in addition to the actual throughput passing through our jetty set forth above, the total actual throughput passing through our jetty without involving the usage of storage tanks in the Tianjin terminal amounted to approximately 70,290 metric tonnes, 61,360 metric tonnes, 78,000 metric tonnes and 49,380 metric tonnes, respectively.

SUMMARY

The following table provides an overview of storage tanks in Nanjing, Tianjin and Ningbo:–

Storage tanks	Number of storage tanks				Total designed storage capacity				Total actual throughput				Types of liquid chemical products handled
	As of 31 December		As of 30 June		As of 31 December		As of 30 June		For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	
	<i>(m³)</i>								<i>(metric tonnes)</i>				
Nanjing terminal operated by our subsidiary	15	20	20	20	102,000	152,000	152,000	152,000	583,500	850,600	1,241,400	911,900	Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide
Tianjin terminal operated by our Associated Entities	15	15	15	15	24,900	24,900	24,900	24,900	297,300	250,000	164,100	81,600	ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	12	12	12	12	29,000	29,000	29,000	29,000	156,200	167,200	185,700	105,100	adiponitrile, methanol, phenol, Dimethylformamide and Diethanolamine

Our Nanjing terminal is operated by our subsidiary. During the Track Record Period, the handling of liquid chemicals in our Nanjing terminal would necessarily involve the usage of our storage tanks. As such, the total actual throughput of our terminal facilities in Nanjing was the same as the total actual throughput of our storage tanks in Nanjing. The Tianjin terminal is operated by our Associated Entities and the Ningbo terminal is operated by our Jointly-controlled Entities. The handling of liquid chemicals in the Tianjin terminal and the Ningbo terminal might be delivered directly without involving the usage of storage tanks. As such, the total actual throughputs of terminal facilities in Tianjin and Ningbo were more than the total actual throughputs of storage tanks in Tianjin and Ningbo.

We regard safety, occupational health and environmental protection as our top priority. Over the years, we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our policies also meet the standards imposed by our international and domestic customers. Further, to ensure that our staff are fully aware of and comply with our HSE policies, we provide regular trainings to all of our staff. We have also established relevant emergency action plans in case of any accidents in our production facilities. We are awarded the Certificate for Safety Production Standard Level II Enterprise by Jiangsu Administration of Work Safety in Nanjing on safety, occupational health and environmental matters and also awarded the Certificates of Compliance by Zhejiang Province of Work Safety on Chemical Enterprise Safety Standardisation in Ningbo for our achievement in maintaining high standard of safety measures. During the Track Record Period, since our HSE policies were in compliance with the national and industry standards as well as such standards imposed by our international

SUMMARY

and domestic customers, we had been able to maintain a high HSE standard which enables us in building our well-established reputation as a reliable and safe liquid chemical terminal service provider.

We have achieved significant growth in our revenue and net profit during the Track Record Period. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, we recorded revenue of approximately HK\$58.5 million, HK\$150.1 million, HK\$198.5 million and HK\$117.7 million, respectively. During the same periods, our net profit amounted to approximately HK\$32.5 million, HK\$72.0 million, HK\$101.9 million and HK\$66.9 million, respectively. The substantial increases in revenue and net profit during the Track Record Period were mainly attributable to (i) the growing trend of the throughput of liquid chemical products handled by us; and (ii) the commencement of operation of our phase II facilities in Nanjing. Our phase I facilities in Nanjing was completed in 2007 and the operation for the Celanese (Nanjing) Contract commenced in April 2007 (for Acetic Acid and Methanol). In 2007, the Celanese (Nanjing) Contract contributed revenue of approximately HK\$56.6 million, representing approximately 96.8% of our total revenue. Our phase II facilities in Nanjing was completed in 2008 and the operations for (i) the Celanese Acetyl Contract commenced in April 2008 (for Acetic Anhydride) and (ii) the Celanese Diversified Contract commenced in May 2008 (for VAM) and July 2008 (for Ethylene). In 2008, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract in aggregate contributed revenue of approximately HK\$143.2 million, representing approximately 95.4% of our total revenue. In 2009, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract were in full year operation and the total revenue contributed amounted to approximately HK\$192.0 million, representing approximately 96.7% of our total revenue.

Leveraging our specialised integrated terminal services, we are committed to becoming the leading provider of integrated terminal services for liquid chemical products in the PRC. We strive to capitalise on the development trend of the PRC liquid chemical market and continue to focus on the provision of terminal and storage services to leading liquid chemical manufacturers. We aim to maintain our established and long-term relationships with our customers, and strive to become the exclusive or primary liquid chemical terminal service provider for them.

SUMMARY

RELATIONSHIP WITH CELANESE

Background

Our Directors consider that it is a common industry practice for industrial terminal service providers to sign long term service agreements, which specify the pricing terms of service, with their customers, mainly chemical product manufacturers. Through long term service agreements, terminal service providers can secure their return on substantial investment on the construction of jetties, storage tanks and/or dedicated pipelines. In addition, chemical product manufacturers can mitigate the risk of significant fluctuation in terminal service fee charged by service providers and ensure stable services provided by them. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers, including our Nanjing terminal, inside the Nanjing Chemical Industry Park. To the best knowledge of our Directors, the other two independent terminal service providers inside the Nanjing Chemical Industry Park have similar long-term contracts with their customers. In addition, the number of customers is limited by the restriction of distance since it will be costly to construct dedicated pipelines to serve customers in remote areas. Based on the capital and distance barriers, the Directors consider that piped terminal service providers generally provide services to a limited number of customers. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, were our customers. In addition to our Nanjing terminal, there were two other independent terminal service providers inside the Nanjing Chemical Industry Park. These two other independent terminal service providers provided terminal services to the remaining two chemical enterprises inside the Nanjing Chemical Industry Park which required comprehensive terminal and storage services. As the Nanjing Chemical Industry Park is still expanding its business operation, it is expected that more chemical enterprises will expand their operations or establish their foundations inside the Nanjing Chemical Industry Park. Our Directors consider that such chemical enterprises will be our major potential customers for the future expansion of our Nanjing terminal.

During the Track Record Period, we entered into long-term terminal service contracts with Celanese for the provision of terminal and bulk chemical storage for various liquid chemical products.

For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, (i) revenue derived from Celanese (Nanjing) accounted for approximately 96.8%, 56.9%, 44.4% and 47.9% of our total revenue, respectively; (ii) revenue derived from Celanese Diversified accounted for approximately 1.7%, 29.2%, 42.3% and 40.7% of our total revenue, respectively; and (iii) revenue derived from Celanese Acetyl accounted for approximately nil, 9.2%, 10.0% and 8.6% of our total revenue, respectively. Since (i) Celanese (Nanjing), Celanese Diversified and Celanese Acetyl are all subsidiaries to Celanese Corporation; and (ii) our terminal services provided to them are essential to Celanese's operations in Nanjing as a whole, Celanese (Nanjing), Celanese Diversified and

SUMMARY

Celanese Acetyl, if considered as a group and in aggregate, accounted for approximately 98.5%, 95.4%, 96.7% and 97.1% of our total revenue, respectively, during the Track Record Period. In addition, apart from Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, we, excluding our Associated Entities and Jointly-controlled Entity, had a total of two, two, three and two customers during the Track Record Period whereas we, including our Associated Entities and Jointly-controlled Entity, had a total of 61, 67, 74 and 48 customers during the Track Record Period.

The Celanese Contracts comprise the Celanese (Nanjing) Contract, the Celanese Diversified Contract and the Celanese Acetyl Contract. For each of the three years ended 31 December 2009, the Celanese Contracts contributed approximately HK\$57.6 million, HK\$143.2 million and HK\$192.0 million of revenue for our Group, which accounted for more than 90% of our revenue during each of the three years ended 31 December 2009. Our Directors consider that terms under the Celanese Contracts are on normal commercial terms and in the ordinary business of our Group and which are similar to those of our Group's other independent and long-term customers.

Pursuant to each of the Celanese Contracts, we are entitled to charge Celanese a monthly fee. In effect, under each of the Celanese Contracts, we are entitled to charge each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl a monthly fixed fee, which is calculated with reference to our estimated return of our investments in constructing terminal facilities and is not adjustable. In addition to the monthly fixed fee, we are also entitled to charge each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl an operational fee, which is calculated with reference to the minimum throughput volume stated under the Celanese Contracts. If the actual throughput is in excess of the minimum throughput volume, any such volume shall be charged at an excess throughput rate. The minimum throughput volume and the actual throughput volume refer to the throughput volume of our Group's terminal facilities in Nanjing, including jetties, dedicated pipelines, storage tanks and the associated facilities. In addition, the operational fee is subject to an annual adjustment with reference to changes of consumer price index, utilities charges and wages under a pre-determined formula during the contract term, pursuant to which the adjusted operational fee can mirror the changes in such expenses. The operational fee of the Celanese Contracts is determined on a yearly basis and the adjustment terms will only adjust the operational fee. The following formula summarises the monthly contract sum under the Celanese Contracts:-

Monthly contract sum = Monthly fixed fee + Monthly operational fee

Whereas:-

Monthly operational fee = the higher of

- (i) minimum throughput volume x operational fee rate OR
- (ii) minimum throughput volume x operational fee rate + excess throughput volume x excess operational fee rate

SUMMARY

For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively, which accounted for more than 80% of our revenue during each of the three years ended 31 December 2009.

The term of each of the Celanese (Nanjing) Contract, Celanese Diversified Contract and Celanese Acetyl Contract is as follows:–

	Celanese (Nanjing) Contract	Celanese Diversified Contract	Celanese Acetyl Contract
Date of contact:	1 April 2004	1 June 2006	20 March 2007
Commencement date of commercial operation:	1 April 2007	1 July 2008 (for Ethylene) and 1 May 2008 (for VAM)	15 April 2008
Expiry date (Note):	31 March 2022	30 June 2023 (for Ethylene) and 30 April 2023 (for VAM)	14 April 2023
Chemicals handled:	Acetic Acid and Methanol	Ethylene and VAM	Acetic Anhydride

Note: The term of each of the Celanese (Nanjing) Contract, Celanese Diversified Contract and Celanese Acetyl Contract shall automatically be renewed for successive one year period upon its expiry. Either party to each of the Celanese Contracts may terminate the Celanese Contract by giving the other party at least twenty-four months written notice, of which shall be effective no earlier than the end of each of the 15 year contract period and the successive period after the 15 year contract period. Either party to each of the Celanese Contracts may also give written notice of its intent to terminate the Celanese Contract in the event of a material breach of the Celanese Contract by the other party. It was further agreed by the parties to the Celanese Diversified Contract that Celanese Diversified may terminate the Celanese Diversified Contract at any time after the tenth anniversary of the Ethylene commercial operation date by providing to us not less than twelve months prior written notice of termination and by paying us the termination fee.

During the Track Record Period, except for (i) the throughput volume of Acetic Acid for the contract period from 1 April 2007 to 31 March 2008; and (ii) the throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009, the actual throughput volume of Acetic Acid and Methanol were in excess of their minimum throughput volumes under the Celanese (Nanjing) Contract. The actual throughput volume of Acetic Acid for the contract period from 1 April 2007 to 31 March 2008 did not meet the minimum throughput volume because the operation was still at the early stage of development whereas the actual throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009 did not meet the minimum throughput volume because of the global financial crisis in the fourth quarter of 2008 and the first quarter of 2009 which led to a significant decline in the demand for Methanol during the said period.

SUMMARY

In relation to Ethylene and VAM under the Celanese Diversified Contract and Acetic Anhydride under the Celanese Acetyl Contract, we recorded increasing trends of their actual throughput volumes. However, since their operations were still at the early stage of development, their actual throughput volumes did not meet the specified minimum throughput volumes under their respective contractual years during the Track Record Period.

We charged Celanese, in addition to monthly fixed fees, operational fees based on the minimum throughput volumes for such liquid chemical products which did not meet the minimum throughput volumes during the relevant periods. Under this arrangement, we are able to achieve a sustainable and predictable earnings during the terms of the Celanese Contracts notwithstanding Celanese may not be able to meet the specified minimum throughput volumes. If the actual throughput volume is higher than the minimum throughput volume, we are able to charge additional operational fees in accordance with the excess operational fee rate as specified under the Celanese Contracts.

For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively. For the year ending 31 December 2010, it is expected that the annual fixed contract sum of the Celanese Contracts will be approximately RMB156.3 million. The annual fixed contract sum of RMB156.3 million, subject to the annual adjustments of the operational fee, represented the sum of the fixed fee and the operational fee based on the minimum throughput volume under the Celanese Contracts. Since commercial operations of our terminal and storage services for Ethylene and VAM under the Celanese Diversified Contract only commenced on 1 July 2008 and 1 May 2008, respectively, whereas the commercial operation of our terminal and storage services for Acetic Anhydride under the Celanese Acetyl Contract commenced on 15 April 2008, our aggregate revenue from the Celanese Contracts during the financial year ended 31 December 2008 was lower than the annual fixed contract sum of RMB156.3 million because contributions from Celanese Diversified Contract and Celanese Acetyl Contract for the year ended 31 December 2008 were not recorded on full year basis.

Except for (i) adjustment terms in Celanese Contracts relating to annual adjustments to be made on changes of consumer price index, utilities charges and wages during the contract term; and (ii) normal and standard adjustment terms, including parties' mutual consent and force majeure circumstances, there are no other terms in each of the Celanese Contracts to revise the monthly fixed contract sum payable by Celanese to us.

Under the Celanese Contracts, if Celanese expands the production capacity of its manufacturing facility, we may be required to construct additional storage tanks for Celanese. Such provision is to facilitate the future cooperation opportunity between Celanese and us and we have reserved adequate land use rights at our Nanjing terminal to facilitate such expansion. Details of the future cooperation, including the timing for the expansion, are to be negotiated and there are no provisions as to the legal consequence of non-compliance if we are not able to reach a final consensus. Our Directors have been in discussion with the management of Celanese on its future plan from time to time. However, as of the Latest Practicable Date, there was no confirmed indication under the expansion provision of the Celanese Contracts.

SUMMARY

Further details of the Celanese Contracts are set out in “Business – Our Business – Our business in Nanjing – Our relationship with Celanese” in this prospectus.

Factors mitigating the reliance on Celanese

Our Directors considered that our Group is capable of maintaining its revenue in the future despite our reliance on Celanese because of (i) the long-term nature and fee structure of the Celanese Contracts which enable us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts; and (ii) the reputation of Celanese Corporation as a leading and global integrated producer of chemicals and advanced materials as well as its financial strength as illustrated in its financial reports which indicate the ability of Celanese to fulfill its obligations under the Celanese Contracts. While the Directors consider that it would be difficult to predict whether the chemical industry is on a downward or upward trend, the long-term nature and fee structure of the Celanese Contracts and the reputation of Celanese could shelter our Group from the fluctuation of market.

We intend to cooperate with Nanjing CIPC for further development of terminal and storage services in Nanjing. As of the Latest Practicable Date, we were negotiating with Nanjing CIPC for the development of phase III facilities in Nanjing. Our Directors expect that the whole project of phase III facilities in Nanjing can be completed by the second quarter of 2014. We intend to construct our third jetty at our terminal located in the Nanjing Chemical Industry Park. The construction of our third jetty, which will be equipped with the necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt and with an additional throughput capacity of approximately one million metric tonnes, is scheduled for completion by the fourth quarter of 2013 according to the currently anticipated timetable. Upon completion of the phase III facilities in Nanjing, our Nanjing terminal will have a total of three jetties. Further, we intend to construct our dedicated railway system linking our tank farm located in the Nanjing Chemical Industry Park to the private railway system of the Nanjing Chemical Industry Park. Rail connection to our terminal with the Nanjing Chemical Industry Park will be constructed and our Directors expect that the rail connection will be completed by the third quarter of 2012. Our proposed development of phase III facilities in Nanjing, including our third jetty at our Nanjing terminal, is for projects with chemical enterprises inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region. Such chemical enterprises include Celanese but it is expected that a majority of the projects will be with other chemical enterprises. With the completion of the development of phase III facilities in Nanjing, it is expected that our reliance on Celanese can be mitigated accordingly.

The total investment for phase III facilities in Nanjing is expected to amount to approximately HK\$437 million which will be funded through (i) the proceeds arising from the Global Offering; and (ii) our internal resources and/or project financing. Please refer to “Business – Our Growth Strategies” and “Financial Information – Capital Expenditure” in this prospectus for further information. However, as of the Latest Practicable Date, we had not entered into any legally binding cooperation agreement with Nanjing CIPC for the development of phase III facilities in Nanjing. Further details of the project, including the throughput volume of phase III facilities in Nanjing, have not yet been finalised. We cannot guarantee that phase III facilities in Nanjing, which are still at the planning stage, will be

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completed on time or within our original budgets. Further details of such risk factor has been set forth in “Risk factors – Risks relating to our Group – If our major expansion plans and projects are not completed within our anticipated time frame or budgets or our major expansion plans and projects do not achieve our objectives, our future profitability could be materially and adversely affected” in this prospectus.

As of the Latest Practicable Date, out of our 20 storage tanks at the Nanjing terminal, 13 of them were reserved for Celanese during the term of the Celanese Contracts. If Celanese was to terminate its business relationship with us entirely or in breach of its obligations under the Celanese Contracts, there could be a risk that we might not be able to obtain business from other customers to occupy these dedicated storage tanks or if we were able to obtain such business, it might not be on commercially reasonable terms, or we might not be able to successfully claim for damages against Celanese for its breach of contract. As such, our operating results, financial condition and business would be harmed. However, our Directors consider that our Group is able to secure new storage contracts as dedicated storage tanks for Celanese can be widely applied to different corrosive and non-corrosive products. Our Directors further consider that, leveraging our competitive strengths, details of which are set forth in “Business – Our competitive strengths” in this prospectus, our Group is able to procure customers for our storage tanks if Celanese ceases to use our terminal services for whatever reasons.

In addition, Nanjing Dragon Crown has recently entered into a non-binding memorandum of understanding (the “**Business MOU**”) with an Independent Third Party (the “**Potential Customer**”) in the Nanjing Chemical Industry Park in relation to Nanjing Dragon Crown’s provision of terminal and storage services of Cryogenic Ethylene, which is a raw material for the production of Ethylene Oxide. According to the Business MOU, the Potential Customer would establish its production plant of Ethylene Oxide with an annual production capacity of 60,000 metric tonnes in the Nanjing Chemical Industry Park and it was expected to commence operation in June 2011. Pursuant to the Business MOU, the Potential Customer intends to engage Nanjing Dragon Crown as the terminal service provider for Cryogenic Ethylene for a period of ten years upon signing of the formal agreement. It is expected that the minimum annual throughput volume of Cryogenic Ethylene to be handled by Nanjing Dragon Crown will be approximately 50,000 metric tonnes. As of the Latest Practicable Date, no formal agreement had been signed. In addition, since the Business MOU only set out the preliminary information of the project, further details, including the pricing structure, had not yet been determined.

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OUR COMPETITIVE STRENGTHS

We believe that our historical success and the foundation for future growth can be attributed to our principal competitive strengths as follows:

- Well-established integrated terminal service provider specialised in the storage and handling of liquid chemical products in the PRC
- Entrenched relationships with high quality customers
- Sustainable and predictable earnings secured by long term service contracts
- Early mover advantage in market with high growth potential and good reputation
- Consistently achieve the national and industry standards on HSE requirements
- Stable and experienced management team

OUR GROWTH STRATEGIES

Leveraging our competitive strengths and with the business objective to become one of the leading integrated liquid chemical terminal service providers in China, we plan to pursue the following growth strategies:

- Further expansion on our existing terminal and storage business
- Replicate our success in Nanjing to other coastal regions in China
- Enhance operational efficiency and cost competitiveness through vertical integration
- Enhance service portfolio
- Increase our equity interests in our non-wholly owned. Subsidiary, Associated Entities and Jointly-owned Entities

SUMMARY

INVESTMENTS IN OUR ASSOCIATED ENTITIES AND JOINTLY-CONTROLLED ENTITIES WERE NOT CONSOLIDATED IN OUR FINANCIAL STATEMENTS

The table below sets out the percentage of equity interests of our Associated Entities and Jointly-Controlled Entities after the Reorganisation:

Name of Associated Entities/ Jointly-Controlled Entities	Name of owner	Percentage interest of the owner
Tianjin Tianlong	Ocean Access (<i>Note 1</i>)	65%
	Tianjin Changlu	22.5%
	Dagu Investments	7.5%
	Tianjin Waizong	5%
Tianlong Haixiang	Tianjin Tianlong (<i>Note 2</i>)	100%
Ningbo Xinxiang	Dragon Source (<i>Note 1</i>)	60%
	Ningbo Port	40%
Ningbo Ningxiang	Dragon Bussan (<i>Note 3</i>)	60%
	Ningbo Port	40%

Notes:

- Ocean Access and Dragon Source are both indirect wholly owned subsidiaries of our Company.
- Tianlong Haixiang is wholly owned by Tianjin Tianlong and since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.
- Before the Dragon Bussan Reorganisation, the shareholding interests of Dragon Bussan were held by DC Investments (60%), Mitsui & Co., Ltd. (24%) and Mitsui & Company (Hong Kong) Limited (16%). After the completion of the Dragon Bussan Reorganisation, Dragon Bussan became an indirect wholly owned subsidiary of our Company.

The major terms of the joint venture agreements governing the relationship among our joint venture parties in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are as follows:–

	Tianjin Tianlong	Ningbo Xinxiang	Ningbo Ningxiang
Duration	28 August 1993 to 27 August 2014	19 December 2003 to 18 December 2018	20 October 1993 to 19 October 2018
Board representation	Our Group could appoint four out of the seven directors to the board	Our Group could appoint three out of the five directors to the board	Our Group could appoint three out of the five directors to the board

SUMMARY

	Tianjin Tianlong	Ningbo Xinxiang	Ningbo Ningxiang
Voting rights	A quorum requires the presence of at least six out of the seven nominated directors and board resolutions relating to financial and operating policies require unanimous votes of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two-third of the total directors and board resolutions relating to financial and operating policies require two-third votes out of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two directors from each shareholder and board resolutions relating to financial and operating policies require 80% votes out of all directors present at board meetings voting for the resolution
Profit sharing ratio	In accordance with their respective equity interests	In accordance with their respective equity interests	In accordance with their respective equity interests
Termination	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, the breaching party shall make relevant compensation to the company</p>	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, if the breaching party does not resolve the breaching issue within 15 days upon receiving a notice from the non-breaching party, the non-breaching party can terminate the agreement and claim compensation from the breaching party</p>	<p>In case of the situations such as (1) any substantial breach of the agreement which has not been resolved within 60 days, (2) an aggregate deficit of over 100% of the registered capital, (3) deficit of over 50% of the registered capital for three consecutive years, (4) winding up/bankruptcy of the company or any party, (5) any transfer of shares without the other party's approval, (6) confiscation of the company's material assets, (7) no achievement of the operation purpose, (8) enactment of new laws that materially affect the company's operation, or (9) force majeure issues lasting for over 120 days, any party can send to the other party a notice for the termination of the agreement. Upon receiving the notice, if all parties cannot resolve the problem within two months, the party who sent the notice has the right to sell the shares it holds in the company to the other party. If no agreement is achieved between the parties regarding the transfer, the company shall be dissolved</p>

There are no provisions in relation to measures to resolve dead-lock resolution under the joint venture agreements.

Other rights and obligations of joint venture parties to Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are general and comparable to other standard and typical joint venture agreements.

Our investments in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang were not consolidated into our financial statements because quorum of board resolutions in these entities requires the presence of directors nominated by our joint venture partners.

SUMMARY

Tianjin Tianlong is considered as our Associated Entity because we can exercise a significant influence, but not a joint control, in Tianjin Tianlong as its quorum requires six out of the seven nominated directors to be present whereas, apart from the four directors nominated by our Group, board resolutions can be made with any two of the other three directors nominated by the other three shareholders instead of an unanimous votes of all directors nominated by all shareholders in Tianjin Tianlong, unless the board resolutions are relating to financial and operating policies which require unanimous votes of all directors present at the board meeting voting for the resolution.

Tianlong Haixiang is an entity established in the PRC wholly-owned by Tianjin Tianlong. Since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.

Ningbo Xinxiang is considered as our Jointly-controlled Entity because Ningbo Xinxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Xinxiang and its quorum requires the presence of at least two-third of the total directors and (ii) board resolutions relating to financial and operating policies require two-third votes out of all directors present at the board meeting voting for the resolution whereas our Group could only appoint three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least one director nominated by each shareholder in Ningbo Xinxiang.

Before the Dragon Bussan Reorganisation, Dragon Bussan was considered as our Associated Entity because we could exercise a significant influence, but not a joint control, in Dragon Bussan as its quorum required four out of the five nominated directors to be present whereas, apart from the three directors nominated by our Group, board resolutions can be made with any one of the other two directors nominated by the other two shareholders instead of an unanimous votes of all directors nominated by all shareholders in Dragon Bussan. Since Ningbo Ningxiang was held as to 60% by Dragon Bussan, Ningbo Ningxiang was also considered as our Associated Entity before the Dragon Bussan Reorganisation. Pursuant to the Dragon Bussan Reorganisation, Dragon Bussan became our indirect wholly-owned subsidiary whereas the equity interests of Ningbo Ningxiang are held as to 60% by Dragon Bussan and 40% by Ningbo Port. Pursuant to the Dragon Bussan Reorganisation, Ningbo Ningxiang became our Jointly-controlled Entity because Ningbo Ningxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Ningxiang and its quorum requires the presence of at least two directors from each shareholder and (ii) board resolutions relating to financial and operating policies require 80% votes out of all directors present at the board meeting voting for the resolution whereas Dragon Bussan could only appoint three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least one director nominated by each shareholder in Ningbo Ningxiang.

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HISTORICAL FINANCIAL INFORMATION

The combined financial data set forth below presents the summary combined financial information of the Group for (i) the years ended 31 December 2007, 2008 and 2009; and (ii) the six months ended 30 June 2009 and 2010. The financial information contained herein and in the Accountants' Report in Appendix I in this prospectus has been prepared in accordance with HKFRS. Investors should read these selected financial data together with Appendix I in this prospectus and discussion under the subsection headed Our Management's Discussion and Analysis in "Financial Information" in this prospectus.

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Revenue	58,474	150,095	198,547	95,063	117,719
Cost of services provided	<u>(20,563)</u>	<u>(55,709)</u>	<u>(75,600)</u>	<u>(36,202)</u>	<u>(41,433)</u>
Gross profit	37,911	94,386	122,947	58,861	76,286
Other Income	712	1,078	6,023	210	720
Administrative expenses	(5,449)	(9,557)	(14,033)	(5,800)	(6,533)
Finance costs	(10,672)	(18,295)	(12,913)	(6,894)	(4,351)
Share of profits of:					
Associates	8,633	6,525	3,854	1,540	3,030
Jointly-controlled Entity	<u>1,393</u>	<u>1,527</u>	<u>2,101</u>	<u>984</u>	<u>870</u>
Profit before tax	32,528	75,664	107,979	48,901	70,022
Tax	<u>—</u>	<u>(3,643)</u>	<u>(6,043)</u>	<u>(2,129)</u>	<u>(3,089)</u>
Profit for the year/period	<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
Profit for the year/period attributable to:					
The owner of the Company	28,080	60,447	85,304	39,183	56,002
Non-controlling interests	<u>4,448</u>	<u>11,574</u>	<u>16,632</u>	<u>7,589</u>	<u>10,931</u>
	<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
Exchange differences on translation of foreign operations	15,114	24,934	1,333	812	5,952
Total comprehensive income for the year/period	<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>

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	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income attributable to:					
The owner of the Company	41,138	81,767	86,294	39,731	61,004
Non-controlling interests	<u>6,504</u>	<u>15,188</u>	<u>16,975</u>	<u>7,853</u>	<u>11,881</u>
	<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>

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Combined statements of financial position

	As of 31 December			As of
	2007	2008	2009	30 June 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	482,042	566,866	544,984	537,989
Prepaid land lease payments	31,583	33,078	41,378	41,364
Interests in associates	25,658	33,791	32,486	33,399
Interest in a Jointly-controlled Entity	<u>6,192</u>	<u>6,645</u>	<u>7,223</u>	<u>6,210</u>
Total non-current assets	<u>545,475</u>	<u>640,380</u>	<u>626,071</u>	<u>618,962</u>
CURRENT ASSETS				
Inventories	410	1,820	1,808	1,861
Accounts receivable	18,834	25,123	35,329	37,850
Due from a minority shareholder	4,555	4,871	208	210
Prepayments, deposits and other receivables	3,498	14,932	2,079	6,043
Cash and bank balances	<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>80,751</u>
Total current assets	<u>39,030</u>	<u>65,273</u>	<u>62,673</u>	<u>126,715</u>
CURRENT LIABILITIES				
Other payables and accruals	69,290	22,832	25,154	19,799
Due to a director	2,462	2,462	1,996	1,994
Interest-bearing bank loans	99,459	133,057	88,504	123,398
Due to the former ultimate holding company	–	–	186	258
Tax payable	<u>–</u>	<u>–</u>	<u>1,342</u>	<u>–</u>
Total current liabilities	<u>171,211</u>	<u>158,351</u>	<u>117,182</u>	<u>145,449</u>
NET CURRENT LIABILITIES	<u>(132,181)</u>	<u>(93,078)</u>	<u>(54,509)</u>	<u>(18,734)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>413,294</u>	<u>547,302</u>	<u>571,562</u>	<u>600,228</u>

SUMMARY

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i> <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	62,330	95,202	76,862	31,782
Due to the former ultimate holding company	255,755	257,729	198,906	199,016
Deferred tax liabilities	<u>–</u>	<u>3,680</u>	<u>8,307</u>	<u>11,437</u>
Total non-current liabilities	<u>318,085</u>	<u>356,611</u>	<u>284,075</u>	<u>242,235</u>
 Net assets	 <u>95,209</u>	 <u>190,691</u>	 <u>287,487</u>	 <u>357,993</u>
EQUITY				
Equity attributable to the owner of the Company				
Issued share capital	27,342	27,342	27,342	27,342
Reserves	<u>35,310</u>	<u>115,480</u>	<u>195,230</u>	<u>253,902</u>
 Non-controlling interests	 <u>62,652</u>	 <u>142,822</u>	 <u>222,572</u>	 <u>281,244</u>
	<u>32,557</u>	<u>47,869</u>	<u>64,915</u>	<u>76,749</u>
 Total equity	 <u>95,209</u>	 <u>190,691</u>	 <u>287,487</u>	 <u>357,993</u>

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

We forecast that, on the basis of the assumptions set out in Appendix III – “Profit Forecast” in this prospectus and in the absence of unforeseen circumstances, our combined profit attributable to our equity shareholders for the year ending 31 December 2010 will not be less than HK\$93.8 million after taking into account non-recurring items of listing expenses of approximately HK\$14 million. The profit forecast has been prepared by our Directors based on our combined results as shown in our audited combined financial statements for the six months ended 30 June 2010, unaudited combined management account for the four months ended 31 October 2010 and a forecast of the combined results of our Group for the remaining two months ending 31 December 2010.

SUMMARY

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, the dividend distributed by the companies now comprising our Group amounted to approximately HK\$9.9 million, HK\$1.5 million, HK\$6.5 million and HK\$2.4 million, respectively.

Pursuant to resolutions of our Directors dated 3 November 2010, 18 November 2010 and 29 November 2010, DC Petrochemicals, Dragon Source and Dragon Bussan declared a special cash dividend of HK\$131 million, HK\$1.38 million and US\$1 million, to their respective shareholders as of the dates of the respective resolutions. The above special cash dividend was fully settled by the end of November 2010.

The proposed special cash dividend was declared out of our Group's retained profit, which was generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the special dividend represented an investment return to our existing Shareholders due to their past contributions to our Group during the Track Record Period.

Although our working capital position of the Group will decrease immediately after the full payment of the special dividend, our Directors confirm that it will not have any material adverse impact to our Group's business operations and financial position.

Save for the above, no dividend was approved or declared by our Company during the Track Record Period and up to the Latest Practicable Date.

Following the Listing, subject to the relevant law and the Articles, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the approval of the Shareholders, we may also declare dividend out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividend received from our subsidiary in the PRC. In the PRC, the laws require that dividend be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from HKFRS and accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary in the PRC may enter into in the future.

Subject to the availability of our cash and distributable reserves, investment requirements, our cashflow and working capital requirements and the approval of our Shareholders, our Directors currently intend to declare and recommend dividend amount to

SUMMARY

approximately 40% of the annual distributable profit, if any, from ordinary activities starting from the first full financial year ending 31 December 2011 subsequent to the Global Offering.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.70 per Offer Share (being the midpoint of the indicative Offer Price range of HK\$1.35 to HK\$2.05 per Offer Share), the net proceeds from the Global Offering, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$436 million. Our Directors presently intend to apply the net proceeds as follows:

Development of phase III facilities in Nanjing

1. approximately HK\$206.5 million is expected to be applied to fund the construction of 10 spherical storage tanks and other associated facilities at our terminal located in the Nanjing Chemical Industry Park, of which six of them are spherical storage tanks dedicated for storage of propylene with an aggregate storage capacity of 15,000 m³; and four of them are spherical storage tanks dedicated for storage of butylene and butadiene with an aggregate storage capacity of 10,000 m³. Spherical storage tanks are pressurized storage tank which are used to store special liquefied gas chemicals. Liquefied gas chemicals are in a gaseous state under normal temperature and pressure. Under higher pressure, these chemicals will undergo a phase change and will be in a fluid state for ease of storage, handling and pumping. The total investment is anticipated to be approximately HK\$230 million. The shortfall will be financed by our internal resources and/or project financing. As spherical storage tanks are specially designed for special liquefied gas chemicals, we will only build those storage tanks after securing long term contracts with our customers. Leveraging our competitive advantages in serving chemical enterprises inside the Nanjing Chemical Industry Park and nearby regions along the Yangtze River Delta region, we do not foresee any major difficulty in securing customers for such new storage tanks. Based on the currently anticipated timetable, the construction of all spherical storage tanks are scheduled for completion by the fourth quarter of 2013, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus. Through the construction of the above spherical storage tanks, we can meet customers’ increasing demands for full spectrum of special liquid chemical terminal services which in turn, broaden our revenue bases and strengthen our storage capability;
2. approximately HK\$72.3 million is expected to be applied to fund the construction of our third jetty at our terminal located in the Nanjing Chemical Industry Park. The construction of our third jetty, which will have necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt, is scheduled for completion by the fourth quarter of 2013 based on the currently anticipated timetable. The total investment is anticipated to be approximately HK\$80.5 million, of which approximately HK\$44.8 million as construction cost for mooring barge and water side infrastructure; and

SUMMARY

approximately HK\$35.7 million as construction cost for other associated facilities of our third jetty. The shortfall will be financed by our internal resources and/or project financing. Details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;

3. approximately HK\$62.0 million is expected to be applied to fund the construction of our dedicated railway system linking our tank farm located in the Nanjing Chemical Industry Park to the private railway system of the Nanjing Chemical Industry Park. The total investment is anticipated to be approximately HK\$69 million, of which (i) approximately HK\$34.5 million as the construction cost for railway; (ii) approximately HK\$20.7 million as the construction cost for the rail loading/unloading platforms and associated facilities; and (iii) approximately HK\$13.8 million as the relevant land acquisition cost. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction of the above dedicated railway system is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;
4. approximately HK\$51.6 million is expected to be applied to fund the construction of nine general purpose storage tanks with an aggregate storage capacity of 18,000 m³ and other associated facilities at our terminal located in the Nanjing Chemical Industry Park. General purpose storage tanks are used to store ordinary liquid chemicals which are in fluid state under normal temperature and pressure. The total investment is anticipated to be approximately HK\$57.5 million. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus. Through the construction of the above storage tanks, we can strengthen our storage capacity of liquid chemicals in order to capture new spot and term terminal business;

General working capital

The balance of approximately HK\$43.6 million as our general working capital.

In the event the Offer Price is set at the high end of the indicate Offer Price range, being HK\$2.05 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to HK\$529 million. We intend to apply the additional net proceeds to (i) finance the development of phase III facilities in Nanjing; and (ii) finance our plan to increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities, details of which are set forth in “Business – Our growth strategies – Increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities” in this prospectus.

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In the event the Offer Price is set at the low end of the indicate Offer Price range, being HK\$1.35 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to HK\$342 million. The amount of net proceeds proposed to be used to fund the development of phase III facilities in Nanjing will be reduced proportionally after the full utilization of the Company's general working capital for the above purposes. The shortfall will be financed by our internal resources and/or project financing.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.70 per Offer Share, being the mid-point of the indicative range of Offer Price), the Company will receive additional net proceeds of approximately HK\$68 million. The Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering; and the remaining additional net proceeds to (i) finance the development of phase III facilities in Nanjing; and (ii) finance our plan to increase our equity interests on our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interests. We will also disclose the same in the relevant annual report(s).

SUMMARY

RISK FACTORS

Our Directors consider that there are certain risks involved in our Group's operations and industry, the details of such risks are set out in "Risk Factors" in this prospectus. The risks can be broadly categorised as follows:

Risks relating to our Group

- We rely on our major customers
- Our terminal and storage services business in Nanjing is conducted through our non-wholly owned subsidiary and changes to, termination of, or any disputes arising from, our arrangements with the other shareholder could have an adverse impact on our business operations
- Our business operations are subject to significant operational risks and other unforeseen risks that may not be fully covered by our insurance policies
- Our future revenue growth relies on our ability to secure new projects and the actual throughput volume in excess of the minimum throughput volume under long-term service contracts with our customers
- Our operations are subject to HSE protection laws and regulations
- Changes to laws, regulations and government policies governing our terminal and storage of liquid chemical products business in the PRC may have a material adverse effect on our business and operations
- We cannot provide any assurance of the sustainability of growth in turnover and net profit
- If our major expansion plans and projects are not completed within our anticipated time frame or budgets or our major expansion plans and projects do not achieve our objectives, our future profitability could be materially and adversely affected
- We may not be able to achieve our future plans
- Our operating results are affected by the performance of our customers
- Any breakdown of our information system may adversely affect our business operations
- Our future development will require substantial investment in the construction of terminal infrastructure, which may cause us to incur higher depreciation costs, thus affect our profitability
- We may not be able to obtain sufficient funding for our planned capital expenditures, the maintenance works and upgrading of our terminal infrastructure and facilities and other corporate needs, which could hinder our business growth

SUMMARY

- We incurred net current liabilities during the Track Record Period
- Our terminal and storage services business in Tianjin and Ningbo are conducted through our Associated Entities and Jointly-controlled Entities and changes to, or termination of, our arrangements with our joint venture partners could have an adverse impact on our business operations
- Our success significantly depends on our ability to attract and retain key management
- The landlord of our leased property may not have the right to lease the property to our Group
- We rely on bank borrowings during the Track Record Period
- We rely on our connected persons for the provision of certain services
- We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders
- Our ability to pay dividends and utilise cash resources in our subsidiaries, Associated Entities and Jointly-controlled Entities is dependent upon the earnings of, and distributions by, our subsidiaries, Associated Entities and Jointly-controlled Entities
- We cannot provide any assurance on the amount of future distributions
- A change in our tax treatment may have a negative impact on the results of our operations

Risks relating to the industry

- We face increasing competition from both domestic and foreign companies, which may affect our market share and profit margins
- We require various permits, approvals and licences for the operation of our business and for the terminal, storage and handling of liquid chemical products in China. The termination of or failure to renew any or all of these licences, approval and permits could adversely affect our business and operations
- Our business operation may be affected by weather conditions

Risks relating to the PRC

- It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce against them in the PRC judgements obtained from non-PRC courts
- The outbreak of any severe contagious diseases in China, if uncontrolled, could adversely affect our results of operations and the price of our Shares

SUMMARY

- The occurrence of fire, severe weather, flood, earthquake or other natural disasters could cause significant damage to our facilities in the PRC and disrupt our business operations
- Power or water or diesel fuel shortages or any substantial increase in the utilities charges in the PRC could adversely affect our results of operations and the price of our Shares
- Changes in PRC foreign exchange regulations may adversely affect our business operations
- We may be subject to the PRC taxation pursuant to 《關於企業重組業務企業所得稅處理若干問題的通知》 (the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) and 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》 (the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*)
- Fluctuations in the value of RMB may adversely affect our business and the value of distributions by our PRC subsidiaries
- Interpretation of PRC laws and regulations involves uncertainty
- Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us

Risks relating to the Global Offering

- There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Risks relating to statements made in this prospectus

- Certain facts and statistics included in this prospectus may not be relied upon
- Forward looking statements may be inaccurate

SUMMARY

STATISTICS FOR THE GLOBAL OFFERING

Unaudited forecast combined net profit attributable to the owners of the Company for the year ending 31 December 2010 HK\$93.8 million

Unaudited pro forma forecast earnings per Share (*Note 1*) HK\$0.085

	Based on an indicative Offer Price per Share of HK\$1.35	Based on an indicative Offer Price per Share of HK\$2.05
Market capitalisation of the Shares (<i>Note 2</i>)	HK\$1,485 million	HK\$2,255 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 3</i>)	HK\$0.57	HK\$0.74

Notes:

- (1) The unaudited pro forma forecast earnings per Share is calculated based on the unaudited forecast combined net profit attributable to the owners of the Company for the year ending 31 December 2010 and a total of 1,100,000,000 Shares will be issued immediately upon the Listing, and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company.
- (2) The calculation of market capitalisation is based on 1,100,000,000 Shares expected to be in issue following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the paragraphs under “Unaudited Pro Forma Financial Information” in Appendix II in this prospectus and on the basis of 1,100,000,000 Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue but without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Ansen”	Ansen International Limited, a company incorporated in the BVI on 9 June 2010 and is owned as to 100% by Mr. TING Yian Ann
“Application Form(s)”	WHITE application form(s) and YELLOW application form(s) or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company, adopted on 30 November 2010, a summary of certain provisions of which is set out in Appendix V in this prospectus
“Associated Entity(ies)”	an entity, not being a subsidiary or a Jointly-controlled Entity, in which our Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence, and which in our Group includes Ningbo Ningxiang (before the Dragon Bussan Reorganisation), Dragon Bussan (before the Dragon Bussan Reorganisation), Tianjin Tianlong and Tianlong Haixiang
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company upon completion of the Global Offering referred to in the paragraph headed “Further information about our Company and its subsidiaries – Resolutions in writing of the Shareholders passed on 30 November 2010” in Appendix VI to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Celanese”	Celanese (Nanjing), Celanese Diversified and Celanese Acetyl
“Celanese Acetyl”	Celanese (Nanjing) Acetyl Derivatives Company, Ltd., a subsidiary of Celanese Corporation and an Independent Third Party
“Celanese Acetyl Contract”	the terminal service contract entered into between Celanese Acetyl and us on 20 March 2007, together with its amendment agreements, details of which are set forth in “Business – Our business – Our customers in Nanjing – Our relationship with Celanese – Our long-term contract with Celanese Acetyl” in this prospectus
“Celanese Contracts”	the long-term terminal service contract between us and each of (i) Celanese (Nanjing) for the provision of terminal and bulk chemical storage services dated 1 April 2004; (ii) Celanese Diversified for the provision of terminal and bulk chemical storage services dated 1 June 2006; and (iii) Celanese Acetyl for the provision of terminal and bulk chemical storage services dated 20 March 2007
“Celanese Diversified”	Celanese (Nanjing) Diversified Chemical Company, Ltd., a subsidiary of Celanese Corporation and an Independent Third Party

DEFINITIONS

“Celanese Diversified Contract”	the terminal service contract entered into between Celanese Diversified and us on 1 June 2006, together with its amendment agreements, details of which are set forth in “Business – Our business – Our customers in Nanjing – Our relationship with Celanese – Our long-term contract with Celanese Diversified” in this prospectus
“Celanese (Nanjing)”	Celanese (Nanjing) Chemical Company Limited, a subsidiary of Celanese Corporation and an Independent Third Party
“Celanese (Nanjing) Contract”	the terminal service contract entered into between Celanese (Nanjing) and us on 1 April 2004, together with its amendment agreements, details of which are set forth in “Business – Our business – Our customers in Nanjing – Our relationship with Celanese – Our long-term contract with Celanese (Nanjing)” in this prospectus
“chief executive”	the chief executive (as defined in the SFO) of the Company
“CNCC”	China National Chemical Economic and Technical Development Centre, an Independent Third Party and a consultancy company specialising in petroleum and chemical industry in the PRC
“CNCC Report”	China liquid chemical product and logistics industry analysis report (中國液體化工產品物流行業分析報告) on the chemical product and logistics industry in the PRC published by CNCC in September 2010 and commissioned by us
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Dragon Crown Group Holdings Limited (龍翔集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on 16 July 2010
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, means Mr. NG, Lirun and Sure Port, individually and as a group of persons
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dagu Investments”	Tianjin Dagu Chemical Investments and Development Company Limited (天津大沽化工投資發展有限公司), a company established in the PRC owned and / or controlled by the PRC government and except for its approximately 7.5% equity interests and nominated directors in Tianjin Tianlong, an Independent Third Party
“DC Investments”	Dragon Crown Investments Limited (龍翔化工國際有限公司), a company incorporated in Hong Kong with limited liabilities on 1 October 1991 which is owned as to 98% and 2% by Mr. NG and Mr. CHONG Yat Chin, respectively
“DC Petrochemicals”	Dragon Crown Petrochemicals Terminal (Holdings) Limited (龍翔石化儲運(集團)有限公司), a company incorporated in Hong Kong with limited liability on 25 June 2004, which is wholly-owned by Sea Triumph and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 30 November 2010 and entered into between the Controlling Shareholders and our Company, details of which are set forth in the paragraphs under “Other Information – Estate duty, tax and other indemnities” in Appendix VI to this prospectus
“Director(s)”	the director(s) of our Company
“Dragon Bussan”	Dragon Bussan International Limited (龍翔物產有限公司), a company incorporated in Hong Kong with limited liability on 22 April 1993, which is wholly-owned by Quick Response and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Dragon Bussan Reorganisation”	our reorganisation for acquiring 40% shareholding interests in Dragon Bussan from Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited and conversion of 60% shareholding interests in Dragon Bussan held by DC Investments into non-voting deferred shares, pursuant to which Dragon Bussan became our indirect wholly owned subsidiary
“Dragon Crown (Shanghai)”	Dragon Crown Chemical (Shanghai Pudong New Area) Co. Ltd. (龍翔化工(上海浦東新區)有限公司), a wholly-foreign owned enterprise established in the PRC on 16 July 1998, which is wholly-owned by DC Investments
“Dragon Source”	Dragon Source Industrial Limited (龍翔化工有限公司), a company incorporated in Hong Kong with limited liability on 12 July 1988, which is wholly-owned by Ideal Huge and an indirect wholly-owned subsidiary of the Company
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Group”, “we” and “us”	the Company, its subsidiaries, Associated Entities and Jointly-controlled Entities (whereas our investments in our Associated Entities and Jointly-controlled Entities are not consolidated in our financial statements), or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries, Associated Entities and Jointly-controlled Entities of the Company and the business operated by such subsidiaries, Associated Entities or Jointly-controlled Entities
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Offer Shares”	the 27,500,000 new Shares initially offered for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to the re-allocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong Public Offer underwriting agreement dated 14 December 2010 entered into between, among others, the Company and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in “Underwriting” in this prospectus
“Ideal Huge”	Ideal Huge Limited (浩宜有限公司), a company incorporated in the BVI on 11 June 2010 and is owned as to 100% by Ocean Ahead and an indirect wholly-owned subsidiary of our Company
“Independent Third Parties”	persons or companies which are independent of and not connected with any of our Directors, chief executive, Substantial Shareholders of the Company or any of its subsidiaries and their respective associates, and “Independent Third Party” means any of them
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional and private investors as set out in “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 247,500,000 new Shares expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to adjustment and the Over-Allotment Option as described in “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, the Company and the International Placing Underwriters on or about the Price Determination Date, particulars of which are summarised in “Underwriting” in this prospectus
“Issuing Mandate”	the general unconditional mandate granted to our Directors by our Shareholders relating to the issue of new Shares, particulars of which are set forth in the paragraph headed “Further information about our Company and its subsidiaries – Resolutions in writing of the Shareholders passed on 30 November 2010” in Appendix VI to this prospectus
“Jointly-controlled Entities”	a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activities of that entity, and which in our Group includes Ningbo Xinxiang and Ningbo Ningxiang (after the Dragon Bussan Reorganisation)
“Latest Practicable Date”	8 December 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Lirun”	Lirun Limited (力潤有限公司), a company incorporated in the BVI on 9 June 2010 and is owned as to 100% by Mr. NG
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on 29 December 2010
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

DEFINITIONS

“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. NG” or “Founder”	Mr. NG Wai Man, an executive Director, the Chairman of our Group and a Controlling Shareholder
“Nanjing Chemical Industry Park”	Nanjing Chemical Industry Park (南京化學工業園區), the largest chemical industry park in the Yangtze River Delta region in terms of actual production volume in 2009, it located at Liuhe District, northern part of Nanjing and along the northern coast of Yangtze River
“Nanjing CIPC”	Nanjing Chemical Industry Park Company Limited (南京化學工業園有限公司), a company established in the PRC owned and/or controlled by the PRC government and except for its approximately 11.39% equity interests and nominated directors in Nanjing Dragon Crown, an Independent Third Party
“Nanjing CIPPS”	Nanjing Chemical Industry Park Public Services Company Limited (南京化學工業園公用事業有限責任公司), a company established in the PRC and which is a wholly-owned subsidiary of Nanjing CIPC
“Nanjing Dragon Crown”	Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (南京龍翔液體化工儲運碼頭有限公司), a limited liability company established in the PRC on 26 April 2004, which is owned as to 88.61% and 11.39% by DC Petrochemicals and Nanjing CIPC (except for its shareholding interests and nominated directors in Nanjing Dragon Crown, Nanjing CIPC is an Independent Third Party), respectively, and an indirect subsidiary of our Company
“Ningbo Beicang”	Ningbo Port Company Limited Bei Cang Water Plant (寧波港股份有限公司北倉水廠), a water plant established by Ningbo Port
“Ningbo FTZ Dragon Crown”	Ningbo Free Trade Zone Dragon Crown Chemical International Trade Company Ltd. (寧波保稅區龍翔化工國際貿易有限公司), a wholly-foreign owned enterprise established in the PRC on 15 October 1997, which is wholly-owned by DC Investments

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“Ningbo Ningxiang”	Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd (寧波寧翔液化儲運碼頭有限公司), a limited liability company established in the PRC on 20 October 1993, which is owned as to 60% and 40% by Dragon Bussan and Ningbo Port (except for its shareholding interests and nominated directors in Ningbo Ningxiang and Ningbo Xinxiang, Ningbo Port is an Independent Third Party), respectively, and our Associated Entity (before the Dragon Bussan Reorganisation) and our Jointly-controlled Entity (after the Dragon Bussan Reorganisation)
“Ningbo Port”	Ningbo Port Company Limited (寧波港股份有限公司), a company established in the PRC owned and/or controlled by the PRC government and except for its 40% equity interests and nominated directors in Ningbo Ningxiang and Ningbo Xinxiang, an Independent Third Party
“Ningbo Xinxiang”	Ningbo Xinxiang Liquid Chemical Store Co. Ltd (寧波新翔液體化工倉儲有限公司), a limited liability company established in the PRC on 19 December 2003, which is owned as to 60% and 40% by Dragon Source and Ningbo Port, respectively, and our Jointly-controlled Entity
“Ningbo Zhenhai”	Ningbo Port Company Limited Zhen Hai Gang Bu Branch Company (寧波港股份有限公司鎮海港埠分公司) (the definition of which includes its predecessor, being Ningbo Port Authority Zhen Hai Gang Bu Company (寧波港務局鎮海港埠公司), a branch company of Ningbo Port
“Ocean Access”	Ocean Access Investments Limited, a company incorporated in Hong Kong on 18 June 2010 and is owned as to 100% by Sinolake and an indirect wholly-owned subsidiary of our Company
“Ocean Ahead”	Ocean Ahead Limited, a company incorporated in the BVI on 15 June 2010 and is owned as to 100% by our Company

DEFINITIONS

“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003%, and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in “Structure of the Global Offering – Determination of the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require the Company to allot and issue up to an aggregate of 41,250,000 additional new Shares, representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among other things, over-allocations in the International Placing, if any, and/or the obligations of the Sole Global Coordinator to return securities borrowed under the Stock Borrowing Agreement
“phase III facilities in Nanjing”	the expansion project of our terminal and storage infrastructure in the Nanjing Chemical Industry Park
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Adviser”	King & Wood, the legal adviser to the Company as to PRC laws
“Price Determination Agreement”	the agreement expected to be entered into between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Monday, 20 December 2010 (or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than Tuesday, 21 December 2010
“Quick Response”	Quick Response Holdings Limited, a company incorporated in the BVI on 20 April 2010 and is owned as to 100% by Ocean Ahead and an indirect wholly-owned subsidiary of our Company
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in “Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares granted to our Directors by our Shareholders, particulars of which are set forth in the paragraph headed “Further information of our Company and its subsidiaries – Resolutions in writing of the Shareholders passed on 30 November 2010” in Appendix VI to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	國家外匯管理局 (State Administration of Foreign Exchange) of the PRC
“Sea Triumph”	Sea Triumph Limited, a company incorporated in the BVI on 3 June 2010 and is owned as to 100% by Ocean Ahead and an indirect wholly-owned subsidiary of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 30 November 2010, a summary of the principal terms of which is set out in “Other information – Share Option Scheme” in Appendix VI to this prospectus
“Silver Coin”	Silver Coin International Limited, a company incorporated in the BVI on 11 June 2010 and is owned as to 100% by Mr. CHONG Yat Chin
“Sinolake”	Sinolake Holdings Limited, a company incorporated in the BVI on 11 June 2010 and is owned as to 100% by Ocean Ahead and an indirect wholly-owned subsidiary of our Company
“Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Sponsor”	China Everbright Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Lirun and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 41,250,000 Shares from Lirun for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of the Company, means Mr. NG and Lirun
“Sure Port”	Sure Port Investments Limited (港順投資有限公司), a company incorporated in the BVI on 16 July 2010 and is owned as to 100% by Mr. NG

DEFINITIONS

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
“Tianjin Changlu”	Tianjin Chang Lu Haijing Group Company Limited (天津長蘆海晶集團有限公司) (the definition of which includes its predecessor, being Tianjin Changlu Tanggu Salt Works (天津長蘆塘沽鹽場), a company established in the PRC owned and/or controlled by the PRC government and except for its approximately 22.5% equity interests and nominated directors in Tianjin Tianlong, an Independent Third Party
“Tianjin Dagu”	Dagu Chemical Company Limited (天津大沽化工有限責任公司) (the definition of which includes its predecessor, being Tianjin Dagu Chemical Factory (天津大沽化工廠)), a company established in the PRC owned and/or controlled by the PRC government
“Tianjin Tianlong”	Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd (天津天龍液體化工儲運有限公司), a limited liability company established in the PRC on 28 August 1993, which is owned as to 65%, 22.5%, 7.5% and 5% by Ocean Access, Tianjin Changlu, Dagu Investments and Tianjin Waizong, respectively, and one of our Associated Entities
“Tianjin Waizong”	Tianjin Waizong Group Company Limited (天津外總集團有限公司) (the definition of which includes its predecessor, being Tianjin Foreign Trade Corporation (天津市對外貿易總公司), a company established in the PRC owned and/or controlled by the PRC government and except for its approximately 5% equity interests and nominated directors in Tianjin Tianlong, an Independent Third Party
“Tianlong Haixiang”	Tianjin City Tianlong Haixiang Logistics Agency Co., Ltd. (天津市天龍海翔貨運代理有限公司), a limited liability company established in the PRC on 5 June 2007, which is owned as to 100% by Tianjin Tianlong and one of our Associated Entities
“Track Record Period”	the period comprising the three financial years ended 31 December 2009 and the six months ended 30 June 2010
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America
“US\$” and “US cents”	United States dollars and cents, respectively, the lawful currency of the United States of America
“%”	per cent.

*In this prospectus, unless the context requires otherwise, amounts denominated in RMB have been converted into HK\$, for the purpose of illustration only, using the exchange rate of RMB0.87 = HK\$1.00 (save and except the amounts denominated in RMB of the historical transaction value in “Connected Transactions” of which the respective exchange rate for the Track Record Period as set out in Appendix I in this prospectus has been used). **No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rates or at any other rates or at all.***

For ease of reference, the names of certain PRC entities have been included in this prospectus in both English and Chinese languages. The English names are the unofficial translation of their respective Chinese name, and in the event of any inconsistency, the Chinese version shall prevail. The provision of English translation of company names in Chinese or another language which are marked with “” is for identification purpose only.*

Unless otherwise specified, all references to any shareholding in the Company assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

“Acetic Anhydride”	the simplest isolatable acid anhydride. Acetic Anhydride is mainly used for acetylations leading to commercially significant materials. Its largest application is for the conversion of cellulose to cellulose acetate, which has various applications in textile industry and for the production of cigarette filters. Similarly, it is used in the production of aspirin, acetylsalicylic acid, which is prepared by the acetylation of salicylic acid. It is also used as a wood preservative via autoclave impregnation to make a longer lasting timber. In starch industry, acetic anhydride is a common acetylation compound, used for the production of modified starches
“Acetic Acid”	an organic acid. It is an important chemical reagent and is a major raw material for manufacturing of (i) VAM; (ii) Acetic Anhydride; (iii) purified terephthalic acid, which is commonly used in the production of the polyester fiber and packaging material including plastic bottles; (iv) acetate ester, which is used as solvents in a wide variety of paints, inks and other coatings; and (v) Ethyl Acetate and Butyl Acetate are used as solvents in oil-based lacquers and enamels
“adiponitrile”	the organic compound with the formula $(\text{CH}_2)_4(\text{CN})_2$. which is an important precursor to the polymer nylon 66
“aromatics”	an important compound in industry. Key aromatic hydrocarbons of commercial interest are benzene, toluene, ortho-xylene and para-xylene. About 35 million tonnes are produced worldwide every year and are used to produce a range of important chemicals and polymers, including styrene, phenol, aniline, polyester and nylon.
“aromatic hydrocarbon”	a hydrocarbon characterized by general alternating double and single bonds between carbons
“Benzene”	a colorless, flammable liquid aromatic hydrocarbon, derived from petroleum and used in or to manufacture a wide variety of chemical products

GLOSSARY OF TECHNICAL TERMS

“Butadiene”	the chemical compound with the formula C_4H_6 . It is an important industrial chemical used as a monomer in the production of synthetic rubber
“Butylene”	the chemical compound with the formula C_4H_8
“CAGR”	Compound annual growth rate
“caprolactam”	an organic compound with the formula $(CH_2)_5C(O)NH$, a colourless solid, which is a lactam or a cyclic amide of caproic acid, with approximately two billion kilograms are produced annually. Caprolactam is the precursor to Nylon 6, a widely used synthetic polymer
“Cryogenic Ethylene”	Ethylene being liquefied and stored under a ultra-low temperature (Cryogenic State) at -104 degree Celsius in the form of a cryogenic liquid chemical
“Diethanolamine”	often abbreviated as DEA, is an organic compound with the formula $HN(CH_2CH_2OH)_2$. This colorless liquid is used as a surfactant and a corrosion inhibitor
“Dimethylformamide”	the organic compound with the formula $(CH_3)_2NC(O)H$. Commonly abbreviated DMF. Dimethylformamide is used in the production of acrylic fibers and plastics. It is also used in the manufacture of adhesives, synthetic leathers, fibers, films, and surface coatings
“dwt”	the deadweight of a ship expressed in metric tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
“DCS”	distributed control system, a control system usually of a manufacturing system, process or any kind of dynamic system, in which the controller elements are not central in location (like the brain) but are distributed throughout the system with each component sub-system controlled by one or more controllers. The entire system of controllers is connected by networks for communication and monitoring
“Ethylene”	a gaseous chemical and is one of the major building blocks for manufacturing of numerous downstream chemical and plastics of products. Ethylene is widely used in the applications of packaging, plastics, textiles, paints and surfactants

GLOSSARY OF TECHNICAL TERMS

“Ethylene Oxide”	the organic compound with the formula C_2H_4O . This colorless flammable gas is mainly applied for producing many chemicals and intermediates.
“GDP”	gross domestic product
“HSE”	health, safety and the environment
“ km^2 ”	square kilometre(s)
“km”	kilometre(s)
“MT”	metric tonne(s)
“m”	metre(s)
“ m^3 ”	cubic metres
“Methanol”	a basic chemical for the production of a wide range of industrial and consumable products such as acetic acid, plastics, resins, plywood, solvent and gasoline additives
“molten sulphur”	a yellow liquid containing S_8 rings (as in the solid form)
“naphtha”	any of several highly volatile, flammable liquid mixtures of hydrocarbons distilled from petroleum, coal tar and natural gas
“olefin”	any of a class of unsaturated open-chain hydrocarbons such as ethylene
“ortho-xylene”	an aromatic hydrocarbon largely used in the production of phthalic anhydride, and is generally extracted by distillation from a mixed xylene stream in a plant primarily designed for <i>p</i> -xylene production.
“para-xylene”	an aromatic hydrocarbon largely used on a large scale for the manufacture of terephthalic acid for polyester
“Phenol”	the chemical compound with the formula C_6H_5OH , is produced on a large scale as a precursor to many materials and useful compounds. It is a mildly acidic compound that requires careful handling

GLOSSARY OF TECHNICAL TERMS

“Polyurethanes”	widely used in high resiliency flexible foam seating, rigid foam insulation panels, microcellular foam seals and gaskets, high performance adhesives and sealants, carpet underlay, and hard plastic parts for electronic instruments.
“Propylene”	the chemical compound with the formula C_3H_6 . Propylene is the raw material for a wide variety of products including polypropylene, a versatile polymer used in packaging and other applications
“Propylene Oxide”	an organic compound with formula C_3H_6O , colorless, flammable liquid
“Toluene”	the chemical compound case CH_3 . Toluene is a common solvent, able to dissolve paints, paint thinners, silicone sealants, many chemical reactants, rubber, printing ink, adhesives (glues), lacquers, leather tanners, and disinfectants
“sq. m.”	square metre(s)
“sulphuric acid”	a colourless oily liquid
“VAM”	Vinyl Acetate Monomer, a key ingredient for the production of emulsion as base resins for water-based paints, adhesives, paper coating and textile finishes
“vinyl acetate”	an organic compound with formula $CH_3COOCH: CH_2$, a colorless, water-insoluble, flammable liquid

RISK FACTORS

Prospective investors in the Offer Shares should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in the Company. Our Group's business could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

We rely on our major customers

During the Track Record Period, we entered into long-term terminal service contracts with (i) Celanese (Nanjing) for the provision of terminal and bulk chemical storage for Acetic Acid and Methanol for a term commencing on 1 April 2004 and extended for a period of fifteen years from 1 April 2007 to 31 March 2022 and shall automatically renew for successive one year period afterwards; (ii) Celanese Diversified for the provision of terminal and bulk chemical storage for Ethylene and VAM for a term commencing on 1 June 2006 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract (which the commercial operation date for Ethylene facility is 1 July 2008 and the commercial operation date for VAM facility is 1 May 2008) and shall automatically renew for successive one year period afterwards; and (iii) Celanese Acetyl for the provision of terminal and bulk chemical storage for Acetic Anhydride for a term commencing on 20 March 2007 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract which started from 15 April 2008 and shall automatically renew for successive one year period afterwards, respectively. Our long-term service contracts with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl provided for a minimum contract sum subject to adjustment to be paid to us throughout the contract term. Major terms of the Celanese Contracts are set out in "Business – Our Business – Our business in Nanjing – Our relationship with Celanese" in this prospectus.

For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, (i) revenue derived from Celanese (Nanjing), one of our major customers, accounted for approximately 96.8%, 56.9%, 44.4% and 47.9% of our total revenue, respectively; (ii) revenue derived from Celanese Diversified, one of our major customers, accounted for approximately 1.7%, 29.2%, 42.3% and 40.7% of our total revenue, respectively; and (iii) revenue derived from Celanese Acetyl, one of our major customers, accounted for approximately nil, 9.2%, 10.0% and 8.6% of our total revenue, respectively. Since (i) Celanese (Nanjing), Celanese Diversified and Celanese Acetyl are all subsidiaries to the Celanese Corporation; and (ii) our terminal services provided to them are essential to Celanese's operation in Nanjing as a whole, Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, if considered as a group and in aggregate, accounted for approximately 98.5%, 95.4%, 96.7% and 97.1% of our total revenue, respectively, during the Track Record Period. If any of these customers were to terminate its business relationship with us entirely or in breach of its obligations under the long-term contracts with us, there could be a risk that that we might not be able to obtain business from other customers to occupy these dedicated storage tanks or if we were to be able to obtain such business, it might not be on

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commercially reasonable terms, or we might not be able to successfully claim for damages against any of these customers for its breach of contract. As such, our operating results, financial condition and business would be harmed.

For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, our top five customers (taking Celanese (Nanjing), Celanese Diversified and Celanese Acetyl as three separate largest customers), in aggregate, accounted for approximately 100%, 100%, 99.8% and 100% of our total revenue, respectively. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, our top five customers (taking Celanese (Nanjing), Celanese Diversified and Celanese Acetyl as a group and as our largest customer), in aggregate, accounted for approximately 100%, 100%, 100% and 100% of our total revenue, respectively. In addition, apart from Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, we, excluding our Associated Entities and Jointly-controlled Entity, had a total of two, two, three and two customers during the Track Record Period whereas we, including our Associated Entities and Jointly-controlled Entity, had a total of 61, 67, 74 and 48 customers during the Track Record Period. We anticipate that we will continue to derive a significant portion of our revenue from our largest customer in the near future. Any termination of our business relationship with these customers or significant reduction in the throughput volume with any of these customers or any significant restriction in pricing terms for these customers or any the deterioration of the credibility of the customers could have a material adverse effect on our operating results and profitability.

Our terminal and storage services business in Nanjing is conducted through our non-wholly owned subsidiary and changes to, termination of, or any disputes arising from, our arrangements with the other shareholder could have an adverse impact on our business operations

We established Nanjing Dragon Crown, our non-wholly owned subsidiary, in 2004. Nanjing Dragon Crown is owned as to 88.61% and 11.39% by DC Petrochemicals and Nanjing CIPC, respectively. During the Track Record Period, our profit contributed by our Nanjing terminal amounted to approximately 68.9%, 89.3%, 94.6% and 94.5% of our total profit, respectively. According to the articles of associations of Nanjing Dragon Crown, the term of Nanjing Dragon Crown is for the period from 26 April 2004 to 25 April 2054, and may be extended as agreed by the shareholders of Nanjing Dragon Crown upon the approval by competent government authorities. The continuation of this non-wholly owned subsidiary and the cooperative arrangement between the shareholders are fundamental to our operations. If there is any change to, termination of, or any dispute arising from, our arrangements and co-operative relationship with Nanjing CIPC, there may have an adverse impact on our business operations, operating results and profitability.

Our business operations are subject to significant operational risks and other unforeseen risks that may not be fully covered by our insurance policies

In the course of providing our terminal and storage services, we load and discharge, store, handle and transport hazardous liquid chemical products such as Methanol, Acetic Anhydride, Acetic Acid, Phenol, VAM and Cryogenic Ethylene, etc. Due to diverse handling and storage requirements for different liquid chemical products, we are required to use dedicated pipelines for different liquid chemical products handled by us, which will further

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increase our operation cost, and any contamination of products may affect our reputation and our customers' confidence on our Group. In addition, some of these liquid chemical products are required to be stored and handled in a high temperature and high pressure condition. Improper handling of these hazardous materials can cause serious pollution, fires, explosions, personal injury and possible legal liability. Any accidents resulting from improper handling of these hazardous materials may cause serious health and safety issues, or significant damage to our facilities and terminals and may cause interruptions of our business. We may face compensation claims from any parties, including but not limited to, our customers or governments or other entities situated next to or adjacent to our terminals. Our operations are also subject to unforeseen risks. We cannot assure that we have maintained sufficient insurance coverage for the risks associated with the operation of our business. Further, we cannot guarantee that we will be successful in making an insurance claim under the insurance policies maintained by us or that the claimed proceeds will be sufficient to compensate the actual damages suffered or at all. Any of these events could adversely affect our business operations and financial condition and may harm our reputation, leading to litigation, government fines or penalties. Under any of these events, our existing insurance coverage may not cover the losses we may incur and we may be liable for the losses and damages.

Our future revenue growth relies on our ability to secure new projects and the actual throughput volume in excess of the minimum throughput volume under long-term service contracts with our customers

Our revenue during the Track Record Period was substantially generated from our customers of long-term service contracts at our Nanjing terminal. Pursuant to such long-term service contracts, we are entitled to charge our customers with a minimum fixed contract sum, representing a monthly fixed fee and an operational fee on the minimum throughput volume. We are also entitled to charge such customers an additional operational fee if the actual throughput volume is higher than the minimum throughput volume. Such minimum fixed contract sum will be charged irrespective of the actual throughput volume used by our customers of long-term contracts. In consideration, we reserve facilities, including dedicated storage tanks and pipelines, for such customers and we are not able to utilise such facilities to serve other customers even if such facilities are vacant. As of the Latest Practicable Date, we had a total of 20 storage tanks at our Nanjing terminal and 15 of them, representing approximately 93.4% of the total designed capacity of storage tanks in Nanjing, had been reserved for customers of long-term contracts. In practice, if we are going to sign long term contract with a customer, we have to construct additional facilities. In general, it takes 18 months, subject to natures of chemical products, distance from our customers and such other factors, to construct the necessary facilities. As of the Latest Practicable Date, we had not secured any new projects. As such, our revenue growth in the coming year may have to rely on (i) the actual throughput volume in excess of the minimum throughput volume of liquid chemical products we handle of which we are entitled to charge our customers the excess throughput operational fee; or (ii) our new contracts with existing or new customers. During the Track Record Period, we did not record any excess throughput operational fee for (i) Acetic Acid and Methanol under the Celanese (Nanjing) Contract during the contract period from 1 April 2007 to 31 March 2008 and from 1 April 2008 to 31 March 2009, respectively; and (ii) liquid chemical under the Celanese Diversified Contract and the Celanese Acetyl Contract.

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In the circumstances, it remains uncertain that we will be able to secure new projects or the actual throughput volume of chemicals of customers will be in excess of the minimum throughput volume. Therefore, we may not be able to secure a strong revenue growth as that during the Track Record Period. Even if we are able to secure new projects shortly after the Latest Practicable Date, the projects may require the construction of various facilities and such projects' revenue contributions may not be able to be materialised in the near future.

Our operations are subject to HSE protection laws and regulations

Our operations are subject to relevant HSE protection laws and regulations promulgated by the state and local governmental authorities of the PRC, all of which are subject to change at any time. As advised by our PRC Legal Adviser, we complied with these HSE laws and regulations in all material aspects during the Track Record Period. However, amendments to existing or new laws or regulations may impose additional or more stringent requirements on us. In addition, compliance with such laws or regulations may require us to incur significant capital expenditures or other obligations or liabilities, which could have a material adverse effect on our business, financial condition and results of operations.

Changes to laws, regulations and government policies governing our terminal and storage of liquid chemical products business in the PRC may have a material adverse effect on our business and operations

During the Track Record Period, the majority of our profit was derived from the operation of our terminal and storage business in Nanjing. As of the Latest Practicable Date, our terminal in Nanjing was located inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in "Industry Overview – Chemical Storage and Logistics Industry" in this prospectus. Hence, our Directors believe that we are well positioned to leverage the geographical advantage, the strong demand and substantial growth potential of liquid chemical products in Nanjing.

We are subject to PRC laws and regulations for our operations in the PRC. Any changes to the laws, regulations and policies governing the terminal and storage of liquid chemical business in China, including but not limited to the establishment of an additional industry park near the existing Nanjing Chemical Industry Park or the relocation of the Nanjing Chemical Industry Park or any restrictions on the liquid chemical industry in the PRC may have a material adverse effect on our terminal and storage of liquid chemical business and operations. For further details, please refer to "Regulations" in this prospectus. The administration and changes of these laws, regulations or procedures may adversely affect the efficiency of our operations which in turn may affect our operating results and profitability.

We cannot provide any assurance of the sustainability of growth in revenue and net profit

We achieved CAGR of approximately 84.3% and 77.1% for our revenue and net profit during the three years ended 31 December 2009. Further details are set out in "Financial information" in this prospectus. The substantial increase in the turnover and the net profit

RISK FACTORS

during the Track Record Period was mainly attributable to (i) the growth of our liquid chemical handling throughput volume; and (ii) having entered into additional service contracts for our terminal and storage services during the Track Record Period. There is no assurance that the revenue or the net profit attributable to equity holders of the Company will continue to grow at these rates in the coming years.

If our major expansion plans and projects are not completed within our anticipated time frame or budgets or our major expansion plans and projects do not achieve our objectives, our future profitability could be materially and adversely affected

During the Track Record Period, we stored different types of chemicals at our storage tanks in Nanjing which include Methanol, Acetic Acid, Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide. The occupancy rate of our storage tanks in Nanjing remained at a high level of over 90% during each of the three years ended 31 December 2009 and the six months ended 30 June 2010. In view of our high occupancy rate, it is essential for us to further expand our operation to cope with the market demand.

As of the Latest Practicable Date, we were planning for the phase III facilities in Nanjing for further expansion of our terminal and storage services in Nanjing commencing from 2011 onwards. The total investment for these projects is expected to amount to approximately HK\$437 million which will be funded through (i) the proceeds arising from the Global Offering; and (ii) our internal resources and/or project financing. Please refer to “Business – Our Growth Strategies” and “Financial Information – Capital Expenditure” in this prospectus for further information. In particular, as of the Latest Practicable Date, we had only completed the initial feasibility report and had applied to relevant governmental authorities for licences and government approvals for the third jetty under phase III facilities in Nanjing. In relation to the private railway system, we are currently examining the feasibility and our legal and financial obligations on such project and applications to relevant governmental authorities will be made in due course. As the development was still at an early stage, no details on the feasibility studies or analyses of the relevant legal, regulatory and geographical constraints in relation to the proposed plan could be provided as of the Latest Practicable Date. As such, our future expansion plan for the phase III facilities in Nanjing may not achieve our objectives and our future profitability could be materially and adversely affected.

According to the CNCC Report prepared by CNCC, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and our jetties’ designed throughput capacity of 2.6 million metric tonnes is larger than our counterparts. To the best knowledge of our Directors and as of the Latest Practicable Date, there were a total of more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. In relation to the two remaining chemical enterprises which require comprehensive terminal and storage services, they might have already entered into medium or long term service contracts with other service providers. As such, we may not be able to secure service contracts with such chemical

RISK FACTORS

enterprises in the near future. Our expansion may also be limited if the Nanjing Chemical Industry Park fails to attract new chemical enterprises which require comprehensive terminal and storage services for whatever reasons.

In addition, the number of customers under our future plan for the expansion of piped terminal is also limited by the restriction of pipeline transportation since it will be costly to construct dedicated pipelines to serve customers in remote areas. As such, it is a common industry practice for piped terminal service providers to provide terminal services to enterprises in the nearby areas. Therefore, we may not be able to secure new customers at nearby area for the expansion of our piped terminal.

We cannot guarantee that these projects, or any other expansion projects that are still in the planning stage, will be completed on time or within our original budgets. We cannot guarantee that we will be able to secure sufficient customers for our phase III facilities in Nanjing or any other expansion projects so as to fully utilise our intended terminal and storage capacity and to successfully achieve our objectives. We also cannot guarantee that we will be able to obtain all the required PRC government approvals for these projects to implement our plans or complete the construction on time. Our original budgets may be exceeded if there are any delays in the progress of these projects. Further, these expansion projects may not achieve the intended economic results or commercial viability, which in turn may adversely affect our business, financial condition and results of operations.

We may not be able to achieve our future plans

Our future plans as set out in “Future Plans and Use of Proceeds” in this prospectus are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. Our future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of business. There can be no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business operations and financial performance may be adversely affected.

Our operating results are affected by the performance of our customers

During the Track Record Period, we entered into the Celanese Contracts which guarantee us a minimum throughput volume and a minimum fixed contract sum during the contract period of the Celanese Contracts. However, portion of our profit was generated from the provision of terminal and storage of liquid chemical services to our customers who are manufacturers or traders of liquid chemical products especially under our spot service contracts, which in turn sell their products to their customers. If the performance of our customers deteriorates, they may no longer require our terminal and storage services. As a result, the demand of our services and our operating results could decline and our financial results may be adversely affected, in particular, upon the expiry of our long term service contracts with these customers.

RISK FACTORS

Any breakdown of our information system may adversely affect our business operations

Our business operations rely on sophisticated information systems which enable us to manage and monitor our terminal and storage services efficiently and effectively. Our information systems facilitate convenient and direct data exchange with our customers and relevant government authorities which enable us to efficiently manage our storage operations and allow information to be exchanged electronically with our customers for loading/discharging and delivery our liquid chemical products from our terminals and storage tanks and the Chinese customs for the procedures required for customs declaration. Any breakdown of our information systems may adversely affect our business operations.

Our future development will require substantial investment in the construction of terminal infrastructure, which may cause us to incur higher depreciation costs, thus affect our profitability

In order to achieve our goal to further strengthen our position as an integrated liquid chemical products terminal service provider in the PRC, we intend to invest heavily in the construction of terminal and storage infrastructure. Due to diverse handling and storage requirements for different liquid chemical products, we are required to construct dedicated pipelines for different liquid chemical products, which will further increase our investment cost. For our terminal and storage services, we are in the progress of the construction of additional terminal and storage tanks for the phase III facilities in Nanjing. For further details, please refer to “Business – Our Growth Strategies” in this prospectus. These future fixed assets will involve depreciation expenses which may in turn negatively affect our profitability.

We may not be able to obtain sufficient funding for our planned capital expenditures, the maintenance works and upgrading of our terminal infrastructure and facilities and other corporate needs, which could hinder our business growth

We will require substantial capital expenditures to achieve our goal to further strengthen our position as the leading integrated liquid chemical product terminal service provider in the PRC. For further details, please refer to “Business – Our Growth Strategies” in this prospectus. Although we intend that a substantial portion of our capital expenditures will be financed by our net proceeds from the Global Offering in connection with our expansion plans, we may also require other sources of funding.

We also require substantial capital expenditures for the maintenance works and upgrading of our terminal infrastructure and facilities.

Our ability to arrange financing is dependent on various factors, including general economic and capital market conditions, credit availability from banks or other lenders, and applicable provisions of PRC tax, company and securities laws. We may not be able to obtain additional financing on acceptable terms or at all. In the event financing is not available or is available only on unacceptable terms, we may have to curtail our expansion plans and our businesses may be harmed.

RISK FACTORS

We incurred net current liabilities during the Track Record Period

In order to implement our capital expenditure plans, we have incurred significant short-term borrowings during the Track Record Period. As a result, as of 31 December 2007, 2008 and 2009 and 30 June 2010, we had net current liabilities of approximately HK\$132.2 million, HK\$93.1 million, HK\$54.5 million and HK\$18.7 million, respectively. Our net current liabilities position exposes us to certain liquidity risks. Our future liquidity, the payment of other payables, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing.

Our terminal and storage services business in Tianjin and Ningbo are conducted through our Associated Entities and Jointly-controlled Entity and changes to, or termination of, our arrangements with our joint venture partners could have an adverse impact on our business operations

During the Track Record Period, our share of profits of Associated Entities and Jointly-controlled Entity amounted to approximately HK\$10.0 million, HK\$8.1 million, HK\$6.0 million and HK\$3.9 million, respectively. The continuation of these Associated Entities and Jointly-controlled Entity is important to our operations. We cannot guarantee that our Associated Entities and Jointly-controlled Entity in relation to the operation of Ningbo Ningxiang, Ningbo Xinxiang, Tianjin Tianlong and Tianlong Haixiang will continue smoothly. As a result, we may not be able to control the management and growth of these businesses.

As our joint venture partners in our Associated Entities and Jointly-controlled Entity had not entered into any non-competition undertakings in favour of us, we cannot guarantee that such joint venture partners will not compete with us in the liquid chemical products terminal and storage business or that they have, or will continue to have, interests that are consistent with ours or that they will not terminate their cooperation arrangement with us. In addition, the terms of operation for Tianjin Tianlong, Tianlong Haixiang, Ningbo Ningxiang and Ningbo Xinxiang will expire on 27 August 2014, 4 June 2017, 19 October 2018 and 18 December 2018, respectively, and the extension may not be agreed by the respective shareholders or approved by the competent government authorities. If there is any change to, or termination of, our arrangements with our joint venture partners, there may have an adverse impact on our business operations, operating results and profitability.

Our success significantly depends on our ability to attract and retain key management

Our success depends to a significant degree upon the experience, expertise and continuity of our senior management personnel, most of whom have an in-depth understanding of our industry and operations and would be difficult to replace. Our senior management, including Mr. NG, our chairman and Mr. TING Yian Ann, our chief executive officer and executive Director, are key to our success because of their expertise and experience in the industry, market development and expertise in managing our operations. In addition, the relationship and reputation that our management team has established and maintained with our customers contribute to our ability to maintain good relationship with customers. If we are unable to retain our key management, our growth and future success may be impaired and our financial condition could be adversely affected.

RISK FACTORS

The landlord of our leased property may not have the right to lease the property to our Group

Tianjin Tianlong, as tenant, entered into a lease with respect to property numbered 9 in the valuation report under Appendix IV to this prospectus with a floor area of approximately 1,013 sq.m, whereas the landlord of such property has not carried out the necessary procedures with the relevant authorities in the PRC required for leasing out the property. As a result, the landlord may not have the right to lease the property to our Group. We cannot guarantee that the use and occupation of the property will not be challenged by third party nor we can continuously occupy the property as our office and car parking space. We may be required to relocate our business activities carried out on such property and such relocation could adversely affect our financial condition and results of operations.

We rely on bank borrowings during the Track Record Period

We generally finance our operation with internally-generated cashflow and short-term and long-term bank borrowings provided by our principal bankers in the PRC and Hong Kong. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our debt-to-adjusted capital ratios, calculated as our Group's net debt borrowings at the end of the year/period divided by total adjusted capital at the end of the corresponding year/period were approximately 40.8%, 36.7%, 28.4% and 16.4%, respectively. Apart from using our operating cashflow to finance our operation, we may also require bank borrowings to support our operation and business development. There is no guarantee that the existing bank borrowings will be continued or new bank borrowings can be obtained. In the event that our bankers become reluctant to continue extending the existing bank borrowings or we are unable to obtain new borrowings from our bankers, our operation and financial position may be adversely affected. Further, the interest cost on the bank borrowings could impair our future profitability.

We rely on our connected persons for the provision of certain services

We entered into a number of continuing connected transactions with Nanjing CIPC, Ningbo Port, Tianjin Changlu and/or their respective associated entities, for the provision of various services, including utilities, property usage rights, pipeline usage, port loading and discharging, management services, safety management, storages and pipe racks services. Since Nanjing CIPC, Ningbo Port, Tianjin Changlu and/or their respective associated entities are our connected persons under the Listing Rules, the transactions entered into with them will constitute continuing connected transactions under the Listing Rules. Details of such continuing connected transactions are set forth in "Connected transactions" in this prospectus. If any of these connected persons were to terminate its business relationship with us entirely or in breach of its obligations under the continuing connected transaction contracts with us, there can be no assurance that we would be able to obtain services from other suppliers to replace their services originally provided to us, or if we were to be able to obtain such services, that it would be on commercially reasonable terms, or to successfully claim for damages against any of these connected persons for its breach of contract, our operating results, financial condition and business might be harmed.

RISK FACTORS

We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders

Upon the completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised at all, our Controlling Shareholders will beneficially own and control approximately 70.55% of our equity interest. Subject to our Articles of Association, our Controlling Shareholders will continue to have the ability to exercise a controlling influence over the management, policies and business of our Company through the power to nominate and elect board members, determine the timing and amount of dividend distributions, approve or disapprove significant corporate transactions such as mergers and acquisitions, and approve or disapprove annual budgets. Our Controlling Shareholders may cause us to enter into transactions or to make or refuse to make decisions that conflict with the best interests of our other Shareholders.

Our ability to pay dividend and utilise cash resources in our subsidiaries, Associated Entities and Jointly-controlled Entities is dependent upon the earnings of, and distributions by, our subsidiaries, Associated Entities and Jointly-controlled Entity

Substantially all of our business operations are conducted through our subsidiaries, Associated Entities and Jointly-controlled Entity. Our ability to pay dividend is dependent upon the earnings of our subsidiaries and our Associated Entities and Jointly-controlled Entity and their distribution of funds to us, primarily in the form of dividends. The ability of these subsidiaries, Associated Entities and Jointly-controlled Entity to make distributions to us are subject to applicable legal and other restrictions, including the amount of distributable earnings, cashflow conditions, restrictions contained in articles of association of such companies and joint ventures (and, in particular, the Associated Entities and Jointly-controlled Entities), shareholders' arrangements, the company law and other arrangements. These restrictions could reduce the amount of distributions that we receive from our subsidiaries and joint ventures, which would restrict our ability to fund our business operations and to pay dividend to our Shareholders.

We cannot provide any assurance on the amount of future distributions

During the Track Record Period, we declared dividends of approximately HK\$9.9 million, HK\$1.5 million, HK\$6.5 million and HK\$2.4 million, respectively.

Pursuant to resolutions passed at meetings of our Directors held on 3 November 2010, 18 November 2010 and 29 November 2010, DC Petrochemicals, Dragon Source and Dragon Bussan declared a special cash dividend of approximately HK\$131 million, HK\$1.38 million and US\$1 million to their respective shareholders as of the dates of the respective resolutions. The above special cash dividend was fully settled by the end of November 2010.

The historical dividend and the above intention do not amount to any guarantee or representation or indication that we will declare and pay dividend in such manner in the future or declare and pay any dividend at all. Particulars of the dividend policy to be adopted by us following the Listing are set out in "Financial Information – dividend and distributable reserves – dividend and dividend policy" in this prospectus. There can be no assurance, and in fact it is not expected, that the amount of dividend declared by us in the future, if any, will be at the level declared and paid by us immediately prior to the Listing.

RISK FACTORS

A change in our tax treatment may have a negative impact on the results of our operations

During the Track Record Period, we have been granted preferential tax treatment in the PRC. Pursuant to the tax document regarding the preferential tax treatment granted to Nanjing Dragon Crown issued by the national tax authority of Nanjing Yanjiang Industrial Development Zone on 10 October 2007, Nanjing Dragon Crown is entitled to preferential tax treatment with full tax exemption from PRC enterprise income tax (“EIT”) for the first five profitable years, commencing from 1 January 2007, and thereafter is entitled to a 50% deduction in EIT rate for the subsequent five years. Our effective tax rate for 2007, 2008 and 2009 were approximately nil, 4.8% and 5.6%, respectively.

As the PRC tax authorities granted such preferential tax rates pursuant to their discretionary authority, such preferential tax rates could be modified or cancelled. Our profit after taxation and financial position may be materially and adversely affected in the future in the event the preferential tax treatments are modified or cancelled. Any change in the preferential tax treatment in the PRC currently enjoyed by our PRC operations may have a negative impact on the results of our operations.

RISKS RELATING TO THE INDUSTRY

We face increasing competition from both domestic and foreign companies, which may affect our market share and profit margins

Our competitors are domestic and international liquid chemical terminal service providers providing similar services. In Nanjing, we mainly compete with another domestic liquid chemical products terminal service provider which principally serving customers in the Nanjing Chemical Industry Park. In Ningbo, we face strong competitions from other terminal service providers and according to the CNCC Report, there were 15 independent terminal service providers with similar mode of our Nanjing terminal’s operation inside or near the seven major industry parks along the Yangtze River Delta region as at 30 September 2010. Our competitors may have greater access to financial resources, more experience in resource allocation, better ability in providing wider range of services and longer operating history. Some of our international competitors may also have better management and may utilise more advanced technology than we do. Our competitors may also adapt more quickly to evolving industry trends or changing market requirements than we do. In addition, following the PRC’s accession to the WTO, foreign companies enjoy the same preferential benefits as domestic companies in providing terminal services. The PRC government may in the future allow additional liquid chemical terminal service providers to enter the market that would in turn increase the level of competition faced by us.

Highly competitive market may result in potential decline in our revenue and increase in costs. We cannot guarantee that we will be able to compete effectively against our current and future competitors.

RISK FACTORS

We require various permits, approvals and licences for the operation of our business and for the terminal, storage and handling of liquid chemical products in China. The termination of or failure to renew any or all of these licences, approval and permits could adversely affect our business and operations

In accordance with PRC laws and regulations, we are required to maintain various licences, approvals and permits to operate our business and for the terminal, storage and handling of liquid chemical products. Such regulations include, without limitation, the Law of the PRC on Production Safety (中華人民共和國安全生產法), the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on the Management of Port Operation (港口經營管理規定) and the Regulations on the Management of Hazardous Goods at Ports (港口危險貨物管理規定). Please refer to “Regulations” in this prospectus for details of the various licences, approvals and permits that we must obtain for our operations.

We are required to comply with such laws and standards in the course of our business, and the relevant regulatory authorities will also carry out regular inspections to ascertain our compliance with these applicable laws and regulations. As confirmed by our PRC Legal Adviser, we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC and has complied in all materials respects with all applicable laws and regulations in the PRC since our establishment. We are also required to renew our licences and permits periodically. Failure to pass these inspections, termination or failure to renew our licences and permits could result in having to temporarily or permanently suspend some or all of our operations, which could result in being unable to meet our contractual obligations. This may adversely affect our business, financial condition and results of operations.

Our business operation may be affected by weather conditions

During our normal course of operation, we need to load and/or unload liquid chemical products from vessels at our jetties located in Nanjing, Tianjin and Ningbo. Our terminal and storage services may be affected by the weather conditions of where our terminals are located, such as heavy fog, rains, wind, typhoon and strong waves. During the Track Record Period, our terminal services were affected by the weather condition on (i) four days, four days, three days and nil at our terminal in Nanjing; (ii) 26 days, 16 days, 15 days and 7 days at our terminal in Tianjin; and (iii) nil days, nil days, 58 days and 49 days at our terminal in Ningbo as a result of bad weather conditions, respectively. Our business operation may be affected by weather conditions which are beyond our control.

RISK FACTORS

RISKS RELATING TO THE PRC

Substantially all of our business assets are located in China, and all of our revenue are derived from China. Accordingly, our results of operations, financial position and prospects are subject to a significant degree to the economic, political and legal developments in China.

It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce against them in the PRC judgements obtained from non-PRC courts

A significant portion of our assets and our subsidiaries are located in China. In addition, some of our Directors and officers reside within China, and the assets of our Directors and officers may also be located within China. As a result, it may not be possible to effect service of process outside China upon some of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. Our PRC Legal Adviser, has advised us that China does not have treaties providing for the reciprocal enforcement of judgements of courts with Japan, the United Kingdom, the United States and most other western countries. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court in these jurisdictions in relation to any matter not subject to a binding arbitration provision is subject to uncertainties.

The outbreak of any severe contagious diseases in China, if uncontrolled, could adversely affect our results of operations and the price of our Shares

The outbreak of any severe contagious disease in China, if uncontrolled, could adversely affect the overall business sentiments and environment in China, which in turn may lead to slower overall GDP growth in China. As our sales are mainly derived from the domestic China market, any contraction or slow down in the GDP growth of China will adversely affect our financial condition, results of operations and future growth. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, causing delivery disruptions which could in turn adversely affect our operating results and our Share price.

The occurrence of fire, severe weather, flood, earthquake or other natural disasters could cause significant damage to our facilities in the PRC and disrupt our business operations

Our terminal facilities are all located in the PRC. The occurrence of fire, severe weather, flood, earthquake or other natural disasters could cause significant damage to our facilities in the PRC. Such damages may not be adequately covered by our insurance coverage and could adversely affect and disrupt our business operations and our results of operations.

RISK FACTORS

Power or water or diesel fuel shortages or any substantial increase in the utilities charges in the PRC could adversely affect our results of operations and the price of our Shares

Our liquid chemical storage facilities consume substantial amount of electricity, water and diesel fuel. Certain parts of the PRC have been subject to power or water or diesel fuel shortages. During the Track Record Period, our business in Nanjing, Tianjin and Ningbo have not experienced any material power and/or water and/or diesel fuel shortages. We cannot assure that our terminals in the PRC will not experience any power and/or water and/or diesel fuel shortages in the future. Any power or water or diesel fuel shortages for a significant period of time may have an adverse impact on our business and adversely affect our results of operations and the price of our Shares.

During the Track Record Period, diesel fuel and utilities charges attributed to approximately 12.4%, 19.7%, 24.4% and 31.1% of our cost of services provided, respectively. Any shortages of power or water or diesel fuel or any substantial increase in the utilities charges could adversely affect our results of operations.

Changes in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. We derive substantially all of our revenue in RMB. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their RMB earnings into foreign currency before they may pay cash dividends to our Company or honour their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required when RMB is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to the Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from the Global Offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans. These limitations on the flow of funds between our Company and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

RISK FACTORS

We may be subject to the PRC taxation pursuant to 《關於企業重組業務企業所得稅處理若干問題的通知》 (the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) and 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》 (the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*)

The Ministry of Finance and the State Administration of Taxation of the PRC jointly issued, on 30 April 2009, 《關於企業重組業務企業所得稅處理若干問題的通知》 (the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) (the “Notice 59”), which became effective retrospectively on 1 January 2008. Pursuant to the Notice 59 and relevant rules and regulations, the transfer of equity interests in certain PRC subsidiaries held by offshore subsidiaries of a group to other offshore subsidiaries of the same group may be subject to a 10% enterprise income tax on capital gains which may be determined as the difference between the fair value of the equity interest transferred and the cost of investment. On 10 December 2009, the State Administration of Taxation of the PRC issued 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》 (the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*) (the “Notice 698”), which became effective retrospectively on 1 January 2008. The Notice 698 clarified how the capital gains should be calculated regarding the equity transfer of a resident enterprise by non-resident enterprises directly or indirectly. For transfers of equity interest in a PRC resident enterprise between related parties, the PRC tax authorities have the discretion to make adjustment to the taxable capital gains if the transfer price is deemed not being determined on an arm’s length basis. In addition, if a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling equity interests in an offshore holding company which is located in a jurisdiction where tax rate is lower than 12.5% or offshore income is not taxable, it requires that the vendor of the foreign holding company (which holds, directly or indirectly, equity interest in a PRC resident enterprise) to make a submission to the PRC tax authorities within 30 days after signing of the equity transfer agreement, if certain conditions are met. The State Administration of Taxation of the PRC is entitled to redefine the nature of such indirect equity transfer and impose enterprise income tax on the seller of the foreign target company if it determines that such indirect transfer is carried out without reasonable commercial intention and evades enterprise income tax by abusing corporate structures.

During the year ended 31 December 2009 and up to the Latest Practicable Date, in preparation for the Global Offering, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to “History and Development” and “Reorganisation” in this prospectus.

However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the above notices and whether such enterprise income tax on capital gains will be subject to any further change. In case we are required to pay the enterprise income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our business, financial condition and operating results may be materially and adversely affected.

RISK FACTORS

Fluctuations in the value of RMB may adversely affect our business and the value of distributions by our PRC subsidiaries

The value of RMB depends, to a large extent, on the PRC domestic and international economic, financial and political developments and governmental policies, as well as the currency's supply and demand in the local and international markets. Since 1994 till 2005, the conversion of RMB into foreign currencies, including the US\$, were based on exchange rates set and published daily by the People's Bank of China in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of RMB into the US\$ was largely stable until July 2005. On 21 July 2005, the People's Bank of China revalued RMB by reference to a basket of foreign currencies, including the US\$. As a result, the value of RMB appreciated by more than 2.0% on that day. Since then, the PRC central bank has allowed the official RMB exchange rate to float against a basket of foreign currencies. There can be no assurance that such exchange rate will not fluctuate widely against the US\$ or any other foreign currency in the future. Since our income and profits are denominated in RMB, any appreciation of RMB will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of RMB will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of RMB will also affect the amount of our foreign debt service in RMB terms since we have to convert RMB into foreign currencies to service our indebtedness denominated in foreign currencies.

Interpretation of PRC laws and regulations involves uncertainty

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our entitlements under our permits, and other statutory and contractual rights and interests.

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us

During the Track Record Period, most of our Company's operations are located in the PRC and all of our total revenue was derived from the PRC market. Our Directors anticipate that the PRC will continue to be a significant base where we operate our business in the near future. We are therefore susceptible to changes in the economic, political and social conditions of the PRC. The PRC economy has traditionally been a planned economy. Over the past two decades, the PRC government implemented economic and political reform

RISK FACTORS

measures in the PRC. Such reforms have resulted in significant economic and social advancement. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. Any change in the economic and political situation in the PRC and policies adopted by the PRC government may affect our operations in the PRC and its performance and profitability.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial indicative offer price range for our Shares as disclosed in this prospectus was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may significantly affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- reduction or restriction of financing means for our industry;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

The securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of our Shares.

RISK FACTORS

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in “Industry Overview” in this prospectus has been extracted and derived, in part, from various official government publications. Whilst reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Sponsor or the Sole Global Coordinator, nor any of our Company or our respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy.

In addition, certain information and data contained in “Industry Overview” in this prospectus are derived from market data provided by CNCC. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or any fact has been omitted that would render such information untrue or misleading.

Our Directors have taken all reasonable care to ensure that the relevant facts are accurately reproduced from relevant sources. However, such information has not been independently verified by our Company, the Sponsor or the Sole Global Coordinator, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering. None of them makes any representation as to the accuracy of such information.

Forward looking statements may be inaccurate

Apart from the information in relation to the profit forecast, information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “estimate”,

RISK FACTORS

“expect”, and similar expressions, as they relate to our Company or us or our Directors, are intended to, among others, identify forward looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions are proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, we have sought a waiver, as described below, from the Stock Exchange in relation to certain requirements under the Listing Rules. Details of the waiver are described below.

CONNECTED TRANSACTIONS

After the Listing, certain transactions, whereby we have entered into or will continue to conduct, will constitute continuing connected transactions for our Company under the Listing Rules. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent Shareholders' approval requirements set forth in Chapter 14A of the Listing Rules for such continuing connected transactions. Further information on such waiver is set forth in "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS IN THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, please refer to "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Underwriters, any of our Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

Further information on the structure of the Global Offering, including its conditions, is set forth in "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Offer Shares are set forth in "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. If our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Tuesday, 21 December 2010, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution in this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution in this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued under the Capitalisation Issue, any Shares which may be issued under Share Option Scheme) or any option which may be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the International Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 41,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the Over-allotment Option and stabilisation are set out in the sections headed “Structure of the Global Offering – Over-allotment Option” and “Structure of the Global Offering – Stabilisation” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section entitled “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. NG Wai Man (吳惠民)	Apartment T1-11B No. 41 Hengshan Road, Xuhui District Shanghai, 200031 PRC	Chinese
Mr. TING Yian Ann (陳言安)	27 Daisy Road Singapore 359446	Singaporean
Mr. CHONG Yat Chin (莊日青)	Flat 2, 1/F, Blk 50 Heng Fa Chuen 100 Shing Tai Road Hong Kong	Chinese
Ms. CHAN Wan Ming (陳芸鳴)	Flat E, 13/F, Capilano Court (Block 3) Pictorial Garden 19/21 On King Street Shatin New Territories Hong Kong	Chinese
Mr. KWAN Chun Yuen (關振遠)	Flat C, 16/F 46 Nassau Street Mei Foo Sun Chuen Stage 6, Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. LUO Shijie (駱世捷)	1-401, 24/F Guan Ying Yuan Xi Qu Xi Cheng Qu Beijing City	Chinese
Mr. ZHU Wujun (朱武軍)	Room 1301, No. 2 100th Street Yin Xiao Road Pu Dong New District Shanghai City	Chinese
Mr. LAU Sik Yuen (劉錫源)	Room C, 6/F Kalam Court 7 Grampian Road Kowloon City Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Everbright Capital Limited 40th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Hong Kong Underwriters	China Everbright Securities (HK) Limited First Shanghai Securities Limited Mitsubishi UFJ Securities (HK) Capital, Limited OSK Securities Hong Kong Limited VC Brokerage Limited
International Underwriters	China Everbright Securities (HK) Limited First Shanghai Securities Limited Mitsubishi UFJ Securities (HK) Capital, Limited OSK Securities Hong Kong Limited VC Brokerage Limited
Legal advisers to the Company	<i>as to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong <i>as to PRC law:</i> King & Wood 28th Floor, Huai Hai Plaza 1045 Huai Hai Rd. (M) Shanghai, 200031 The People's Republic of China <i>as to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal adviser to the Sponsor
and Underwriters**

as to Hong Kong law:
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**Auditors and reporting
accountants**

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Property valuer

CB Richard Ellis Limited
4th Floor
Three Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving banker

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P O Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in the PRC	No. 101, Hao-Jia-Ba, Xinli Village County of Yudai Nanjing Chemical Industry Park Liuhe District, Nanjing City Jiangsu Province, the PRC
Headquarter and principal place of business in Hong Kong	Unit No. 3, 18th Floor Convention Plaza, Office Tower No. 1 Harbour Road Hong Kong
Company's website	www.dragoncrown.com <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. KWAN Chun Yuen (關振遠), CPA, FCCA
Authorised representatives	Mr. CHONG Yat Chin (莊日青) Flat 2, 1/F, Blk 50 Heng Fa Chuen 100 Shing Tai Road Hong Kong Mr. KWAN Chun Yuen (關振遠), CPA, FCCA Flat C, 16/F 46 Nassau Street Mei Foo Sun Chuen Stage 6, Kowloon Hong Kong
Audit committee	Mr. LAU Sik Yuen (劉錫源) (<i>Chairman</i>) Mr. LUO Shijie (駱世捷) Mr. ZHU Wujun (朱武軍)
Remuneration committee	Mr. LAU Sik Yuen (劉錫源) (<i>Chairman</i>) Mr. LUO Shijie (駱世捷) Mr. ZHU Wujun (朱武軍) Mr. NG Wai Man (吳惠民) Mr. TING Yian Ann (陳言安)

CORPORATE INFORMATION

Nomination committee	Mr. LAU Sik Yuen (劉錫源) (<i>Chairman</i>) Mr. LUO Shijie (駱世捷) Mr. ZHU Wujun (朱武軍) Mr. NG Wai Man (吳惠民) Mr. TING Yian Ann (陳言安)
Principal share registrar and transfer office in Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
Compliance Adviser	China Everbright Capital Limited 40th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Bank of China (HK) Ltd 1 Garden Road Hong Kong Hang Seng Bank (China) Nanjing Branch No. 55, North Hong Wu Road Nanjing, China Bank of Communication Dachang Sub-branch 359 Xinhua Road, Dachang Yanjiang Industrial Development Zone Nanjing, China

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications. Whilst reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Sponsor or the Sole Global Coordinator, nor any of our or their respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy.

In addition, certain information and market data contained in this prospectus are derived from the CNCC Report compiled by CNCC. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

INFORMATION ON THE CNCC REPORT

We engaged CNCC to produce the CNCC Report to provide more information to potential investors for their better understanding of the industry that we are engaged in.

Identity of publisher:

China National Chemical Economic and Technical Development Centre
(中國化工經濟技術發展中心)

Publisher's background:

CNCC was established in 1993, and is one of the subordinates of the China Petroleum and Chemical Industry Association (中國石油和化學工業聯合會). CNCC is a consultancy company specialising in Petroleum and Chemical Industry in the PRC. According to the information provided by CNCC, a majority of its employees are professional researchers and most of them possess bachelor degrees or higher qualifications. CNCC has published a number of research reports for various petroleum and chemical organisations in China. The research reports published by CNCC include:–

- 《中國化工產品國際競爭力研究》
Research on International Competitiveness of China's Chemical Products
- 《中國生物化工發展戰略研究》
Research on Strategies for China's Biochemistry Development
- 《外商投資中國煤化工項目產業政策分析及審批流程調研》
Policy Analysis and Research on Approval Process for Foreign Investment in China's Coal Chemistry Projects
- 《石油和化工中小企業產業集群調研報告》
Report of Cluster Survey on Small and Medium Enterprises in the Oil and Chemistry Industry

INDUSTRY OVERVIEW

- 《石油和化工行業共性關鍵技術在中小企業推廣應用工作方案》
Promotional Program on Application of Common Key Technologies of the Oil and Chemistry Industry in Small and Medium Enterprises
- 《西部某資源枯竭城市產業結構調整方案》
Industrial Restructuring of a Resource-depleted City in the West
- 《石化產業節能減排推廣應用技術篩選與評估》
Selection and Assessment of Applied Technologies in Energy Conservation for the Petrochemical Industry

Date of publication:

September 2010

Assumptions:

CNCC reviewed and conducted the following exercises in preparing the CNCC Report:-

- market data published by numerous well recognized authorities and government entities in China;
- historic chemical market size performance of chemical industry at country, regional and global level;
- future chemical market outlook and sales forecasts;
- interview with market participants; and
- the analysis conducted by CNCC industry analysts.

The basis upon which our Directors believe that the statistics prepared by CNCC are reliable:-

CNCC is renowned for its:

- reputation in the industry;
- objectivity and independence;
- wide coverage; and
- track record of research reports in chemical industry.

In addition to relying on the CNCC Report, we also relied on data obtained from National Bureau of Statistic of China (中華人民共和國國家統計局). The fee paid by us for the CNCC Report was RMB180,000. We consider such fee reflects market rates and such fee

INDUSTRY OVERVIEW

was duly settled by us without any reference to or conditional upon the Listing or any of the results provided within the CNCC Report. We have not commissioned other customerised reports for the purpose of inclusion in this prospectus.

Our Directors understand that the methodology used by CNCC in gathering the relevant market data being the basis of the CNCC Report included the following:–

- (a) combining their existing research data with information gathered from published secondary sources (such as company and relevant industry parks websites, chemical associations, National Development and Reform Commission (中華人民共和國國家發展和改革委員會), General Administration of Customs of the People's Republic of China (中華人民共和國海關總署) and Logistic Association of China (中國物流協會), press, and national statistics available in China); and
- (b) interviews with selected chemical industrial parks, relevant government institutions, professionals of logistics industry, and the integrated terminal service providers in the Yangtze River Delta region specializing in the petroleum and chemical. The above data gathered by CNCC was tested for reasonableness and has been incorporated in their modeling to build the forecasts in the CNCC Report. Forecasts are further assessed at multiple levels within CNCC and assumptions used to make such forecasts are evaluated for reasonableness with due reference to the supporting data, the micro and macro economic trends and such other factors as considered appropriate by CNCC. We also understand that CNCC also consulted industry representatives who contributed their opinion on how the market would be developed with the latest trends and technology. The forecasts set forth in the CNCC Report are therefore not entirely based on pure statistical models, nor are they straight-line forecasts without reference to the commercial reality. CNCC bases its forecasts on informed, common-sense and consensual estimates gathered from various sources set forth above.

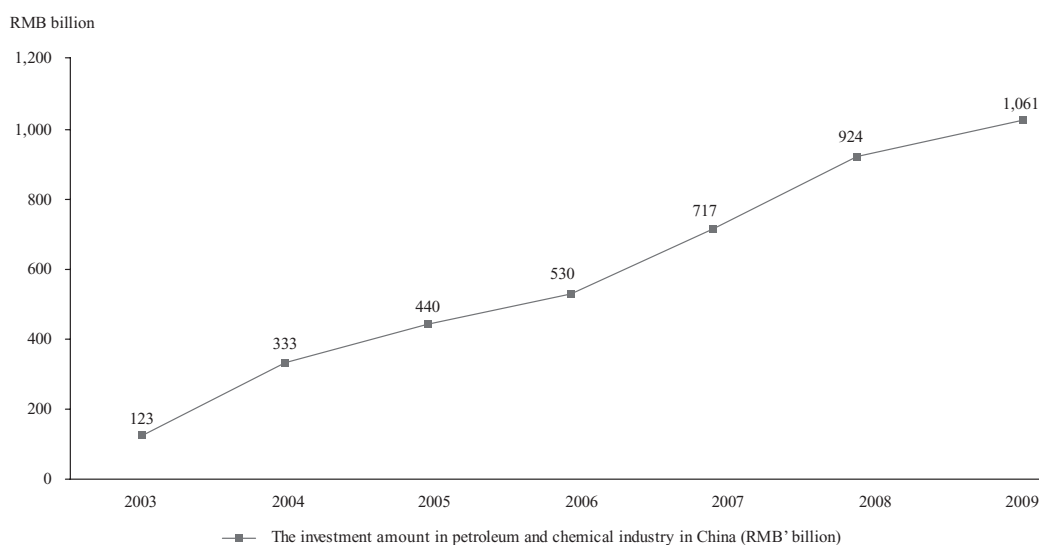
INDUSTRY OVERVIEW

CHEMICAL INDUSTRY

The Chemical Industry in China

As an integrated terminal service provider in China specialising in the storage and handling of liquid chemical products, our Directors believe that our business would benefit from the rapid expansion in the petroleum and chemical industry because the industry performance of the chemical terminal and storage industry correlates closely with that of the petroleum chemical market. According to the National Bureau of Statistics of China, the total investment amount in petroleum and chemical industry in Urban Area of China recorded a significant increase from approximately RMB123 billion in 2003 to approximately RMB1,061 billion in 2009, representing a CAGR of approximately 43%.

The following diagram illustrates the total investment amount in petroleum and chemical industry in Urban Area of China from 2003 to 2009:–



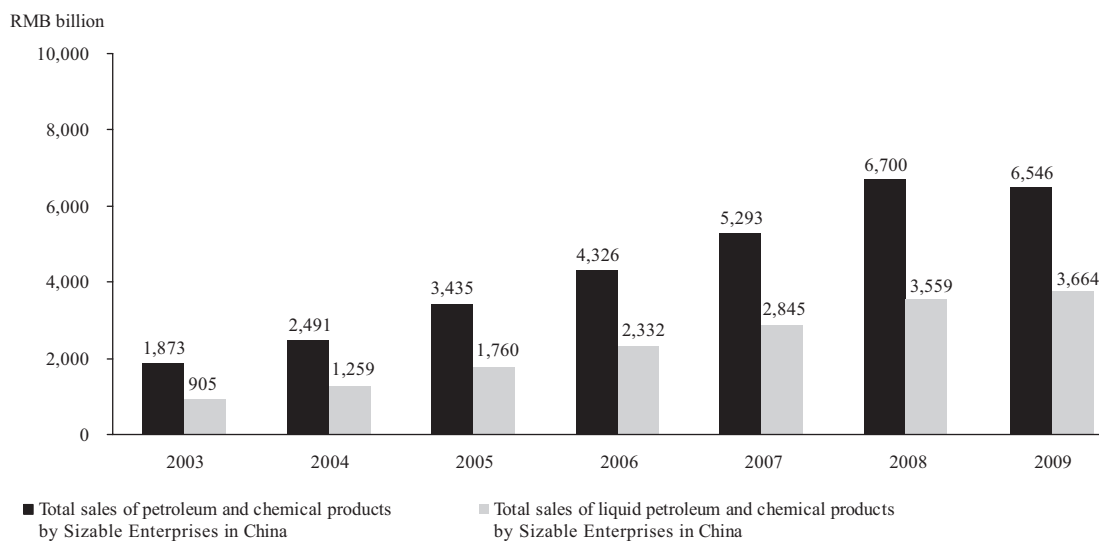
Source: National Bureau of Statistics of China

The number of petroleum and chemical enterprises with annual turnover amount over RMB5 million (“Sizable Enterprises”) in China increased from approximately 15,238 in 2003 to 31,453 in 2009. The following table illustrates the number of petroleum and chemical Sizable Enterprises in China from 2003 to 2009:–

	2003	2004	2005	2006	2007	2008	2009
The number of petroleum and chemical Sizable Enterprises in China	15,238	16,833	20,880	25,050	25,314	30,939	31,453

INDUSTRY OVERVIEW

In line with the drastic growth in the total investment amount in petroleum and chemical industry in China, according to the National Bureau of Statistics of China, the total sales of (i) petroleum and chemical products by Sizable Enterprises, and (ii) liquid petroleum and chemical products by Sizable Enterprises from 2003 to 2009 in China are in the upward trend with a CAGR of approximately 23% and 26%, respectively. The following diagram illustrates the total sales of (i) petroleum and chemical products by Sizable Enterprises, and (ii) liquid petroleum and chemical products by Sizable Enterprises in China from 2003 to 2009:–



Source: National Bureau of Statistics of China and CNCC Report

INDUSTRY OVERVIEW

According to the CNCC Report, the petroleum and chemical industry is expected to grow persistently. The following table illustrates the estimates and forecast of the total investment in petroleum and chemical industry by Sizable Enterprises, sales of the petroleum and chemical products by Sizable Enterprises and sales of the liquid petroleum and chemical products by Sizable Enterprises from 2010 to 2012:–

	2010	2011	2012
	<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
Total investment amount in petroleum and chemical industry by Sizable Enterprises in China	1,215	1,458	1,749
Total sales of petroleum and chemical products by Sizable Enterprises in China	7,600	8,700	10,000
Total sales of liquid petroleum and chemical products by Sizable Enterprises in China	4,532	5,212	5,994

Source: CNCC Report

The Chemical Industry in the Yangtze River Delta Region

According to CNCC Report, the Yangtze River Delta region is the most bustling area for petroleum and chemical industry in China. The petroleum and chemical industry in the Yangtze River Delta region accounts for a significant portion of China petroleum and chemical market in China. The number of petroleum and chemical Sizable Enterprises in the Yangtze River Delta region was approximately 9,600 in 2009, accounted for approximately 31% of the total number of the petroleum and chemical Sizable Enterprises in China, and the sales of the petroleum and chemical by Sizable Enterprises in Yangtze River Delta region reached approximately RMB1,511 billion in 2009, accounted for approximately 23% of the sales of the petroleum and chemical by Sizable Enterprises in China.

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The following table illustrates i) the number of petroleum and chemical Sizable Enterprises; ii) the total investment value in petroleum and chemical industry by Sizable Enterprises; and iii) the total sales of petroleum and chemical products in the Yangtze River Delta region from 2003 to 2012:–

	Number of Sizable Enterprises	Total Investment value RMB Billion	Total Sales RMB Billion
2003	4,607	37.82	419.64
2004	5,298	55.63	567.85
2005	6,579	61.29	793.23
2006	7,002	68.66	983.83
2007	8,111	79.88	1,243.85
2008	8,475	99.42	1,494.59
2009	9,600	117.54	1,511.25
2010(E)	10,560	141.05	1,737.94
2011(E)	11,616	169.26	1,998.63
2012(E)	12,778	203.11	2,298.42

Source: CNCC Report

The Chemical Industry in Nanjing, Ningbo and Tianjin

Jiangsu is one of the largest chemical bases in the Yangtze River Delta region. According to the Jiangsu Provincial Bureau of Statistics, the total industrial production value in petroleum and chemical industry by Sizable Enterprises in Jiangsu in 2009 was approximately RMB772 billion, accounted for approximately 12% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in China of approximately RMB6,592 billion in 2009, and accounted for approximately 51% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in the Yangtze River Delta region of approximately RMB1,514 billion. The number of petroleum and chemical Sizable Enterprises in Jiangsu in 2009 was 4,800, accounted for approximately 15% of the number of petroleum and chemical Sizable Enterprises in China of approximately 31,453.

Nanjing is one of the fast growing industrial cities in China, and the petroleum and chemical industry in Nanjing has also grown rapidly in the recent years. According to the statistics yearbook of Nanjing, the industrial production value in petroleum and chemical industry by Sizable Enterprises in Nanjing in 2009 was RMB179 billion, accounted for approximately 23% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in Jiangsu which in turn, accounted for approximately 3% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in China.

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Zhejiang is also one of the major chemical bases in the Yangtze River Delta region. According to the Zhejiang Provincial Bureau of Statistics, the total industrial production value in petroleum and chemical industry by Sizable Enterprises in Zhejiang in 2009 was approximately RMB367 billion, accounted for approximately 6% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in China of approximately RMB6,592 billion in 2009, and accounted for approximately 24% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in the Yangtze River Delta region of approximately RMB1,514 billion.

According to the statistics yearbook of Ningbo, the industrial production value in petroleum and chemical industry by Sizable Enterprises in Ningbo in 2009 was RMB140 billion, accounted for approximately 38% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in Zhejiang which in turn, accounted for approximately 2% of the total industrial production value in petroleum and chemical industry by Sizable Enterprises in China.

According to the statistics yearbook of Tianjin, the sales in petroleum and chemical industry by Sizable Enterprises in Tianjin in 2009 was RMB190 billion, accounted for approximately 3% of the total sales in petroleum and chemical industry by Sizable Enterprises in China.

	2004	2005	2006	2007	2008	2009
Total number of petroleum and chemical Sizable Enterprises						
Nanjing	296	279	219	243	353	328
Ningbo	176	191	218	247	294	290
Tianjin	539	617	633	615	<i>Note 1</i>	<i>Note 1</i>
Total production value of petroleum and chemical industry by Sizable Enterprises (RMB billion)						
Nanjing	81	115	143	168	183	179
Ningbo	58	86	106	128	152	140
Tianjin	89	119	151	172	210	<i>Note 1</i>
Total sales of petroleum and chemical industry by Sizable Enterprises (RMB billion)						
Nanjing	83	118	150	178	190	178
Ningbo	58	87	107	128	151	139
Tianjin	90	117	151	170	203	190

Source: Bureau of Statistic of Nanjing, Ningbo, Tianjin

Note 1: No information is provided in the yearbook.

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CHEMICAL STORAGE AND LOGISTICS INDUSTRY

The industry of logistics services for handling petroleum and chemicals is developing rapidly and vigorously because of the increasing demand for highly-efficient and safe process of handling chemicals from chemical manufacturing to sales and delivery, and the objectives to maximize profit with lower overall costs. One of the characteristics of the world's current economic development is the linked development between the manufacturing industry and the logistics services industry. Therefore, the formation of strategic business partnership between multinational petroleum and chemical companies and large integrated logistics companies is a trend in international logistics in handling chemicals.

In addition, over emphasis on self-running logistics may possibly weaken a company's core competitiveness. Logistics is a relatively costly and capital-intensive business activity. The transportation and storage of materials and product distribution require a lot of space, special equipment, personnel, as well as high level of capital investment.

The benefits for petroleum and chemical companies to adopt third-party logistics services for handling chemicals include reducing costs, enhancing customer service, increasing business flexibility, improving production efficiency, allowing more focus on the core business and enhancing the level of logistics expertise. Therefore, it is an inevitable trend for the petroleum and chemical industry to develop partnerships or strategic alliance with third-party logistics companies. Although currently the third-party logistics for handling petroleum and chemicals market has not yet matured, it has enormous room for development and broad prospects for development. It is believed that the current players operating in the third-party logistics services for handling petroleum and chemicals industry can seize opportunities amidst the enormous development of the industry in future.

The storage and logistics for handling chemicals industry in China

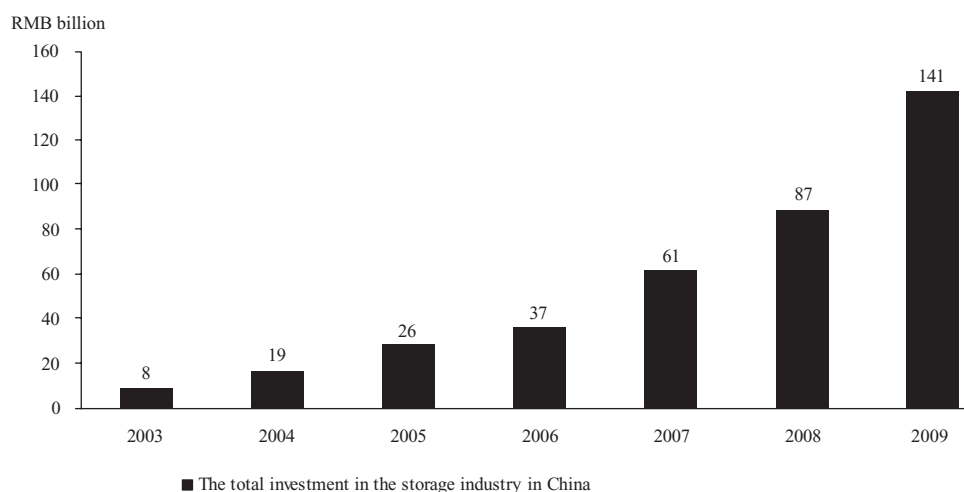
The establishment of a symbiotic relationship between third-party logistics service providers and petroleum and chemical manufacturers is important in consideration of safe storage and transportation of chemicals. Safe transportation becomes the focus of concern for the nation and societies. The standards adopted by multinational petroleum and chemical enterprises have become increasingly strict on the management and control of dangerous goods. Multinational companies concern about the HSE and risk prevention most and they believe that only one incident on safety-related matter in the delivery process may jeopardize a company's social reputation. Thus multinational petroleum and chemical companies tend to hand over the task to independent terminal service providers for handling chemicals with good credibility.

The industry of logistics services for handling liquid chemicals is expected to grow rapidly as a result of i) the drastic growth in the petroleum and chemical industry resulting in the significant demand for the logistics services for handling liquid chemicals; ii) the rapid establishment of chemical industrial zones in various provinces and cities, the construction of container jetties and ports in coastal cities, the laying of regional pipeline networks and highway networks which all require the support of modern logistics services for handling liquid chemicals; and iii) multinational petroleum and chemical companies are seeking logistics partners for handling liquid chemicals; and iv) the number of foreign

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chemical enterprises in China has reached 2,000 with most of them outsource their logistics arrangements. Moreover, since numerous foreign enterprises has entered into their peak production stage recently, it is foreseeable that the production capacity of the foreign enterprises would be expanded rapidly in the near future, which will lead to a substantial demand for high standard chemical logistics services providers.

According to the National Bureau of Statistics of China, the investment value in the storage industry in China increased rapidly from approximately RMB8 billion in 2003 to approximately RMB141 billion in 2009, with a CAGR of approximately 61%. The following table illustrates the investment amount in the storage industry in China from 2003 to 2009:–



Source: National Bureau of Statistics of China

The storage and logistics for handling chemicals industry in the Yangtze River Delta Region

The Yangtze River Delta is one of the largest heavy industrial bases in China, and it is also a main logistics hinge for the large inland industrial cities with strong demand for petroleum and chemical products. Therefore, many refineries and chemical complex are located along the Yangtze River and coastal region.

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According to the CNCC Report, there are approximately 94 chemical industrial parks in China, amongst seven of them are major chemical industry parks located along the coastal line of the Yangtze River Delta region. The following tables illustrates the seven major chemical industry parks in the Yangtze River Delta region in terms of actual production volume of petroleum and chemical and the investment amount in petroleum and chemical industry:–

Name of Chemical Industry Parks	2009 Actual production volume Million Tons	2009 Total Investment Amount RMB Billion
Nanjing Chemical Industry Park	9.70	38.00
Shanghai Chemical Industry Park	7.50	104.23
Yangzhou Chemical Industry Park	6.61	21.80
Jiangsu Yangtze River International Chemical Industrial Park	4.40	30.00
Ningbo Chemical Industry Zone	2.10	15.00
Jiangsu Province Taixing Economic Development Zone	1.88	7.00
Jiaxing Port Economic Development Zone Chemical Park	0.70	3.00

Source: CNCC Report

As an integrated terminal service provider in China specializing in the storage and handling of liquid chemical products, we have established and constructed our jetties in Nanjing, Tianjin and Ningbo. We also owned our jetties in Tianjin and Ningbo, which are also major cities in China for chemical production and processing. The strategic locations of our ports at Tianjin and Ningbo are well positioned to enjoy the high potential growth for liquid chemical products of these cities.

The chemical storage and logistics industry in Nanjing

Nanjing is located at the lower course of the Yangtze River in the southwest of Jiangsu province. Nanjing has easy access to its hinterland, whether by road or by waterway, and is an ideal hub port for cargo trans-shipment. After years of development, it has become an important distribution centre for inland industrial cities along the Yangtze River. Nanjing port is one of the largest inner river ports in Asia and is an important hub for transshipment along the Yangtze River. The Nanjing port is a natural deep water port which is capable of accommodating large vessels of up to 50,000 dwt.

Leveraging on the unique geographic location and proximity to refining and petrochemical bases along the Yangtze River, many petroleum and chemical enterprises have established production bases in Nanjing. To satisfy the growing demand for petroleum and chemical products at the Yangtze River Delta region, many terminal service providers for handling petroleum and chemical are expected to be established at the Yangtze River Delta region, which will create significant demand for petroleum and chemical storage and logistics services at Yangtze River Delta region.

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The Nanjing Chemical Industry Park is an important development zone of chemical industry in Nanjing and along the coastal area of Yangtze River Delta region. Our Directors understand that government has the ambition to develop the Nanjing Chemical Industry Park as a petrochemical production base, logistics centre and chemical research and development base with international standard.

Nanjing Chemical Industrial Park was established in October 2001. It is the only national approved chemical industry park for the development of petrochemical products in Nanjing. Nanjing is the major city of Jiangsu province, and is one of the major chemical production cities in China.

The Nanjing Chemical Industry Park occupies an area of approximately 45 square kilometers. It mainly focuses on the development of oil and gas products, basic organic chemical materials, fine chemicals, polymers, life medicine, and other innovated chemical materials. The Nanjing Chemical Industry Park is one of the largest acetic acid production bases in the world, and also the leading production bases for ethylene, aromatics, caprolactam, raw material for Polyurethanes, oil refining and differential mucilage glue fiber in China. The Nanjing Chemical Industry Park was established along the Yangtze River with a total coastline of 14km. At present, a number of multinational chemical enterprises have established production facilities inside the Nanjing Chemical Industry Park and the total investment amount exceeded US\$5 billion. The total sales of petroleum and chemical industry of Nanjing accounted for approximately 33.8% of the total sales of petroleum and chemical industry of Jiangsu in 2008.

According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and our jetties designed throughput capacity of 2.6 million metric tonnes is larger than our counterparts. To the best knowledge of our Directors, there were a total of more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park as of the Latest Practicable Date. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is the one of the major chemical enterprises in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts.

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OUR CHEMICAL AND STORAGE SERVICES

Chemical products stored by us

During the Track Record Period, all of our major customers are chemical products manufacturers, and we mainly provide storage services for liquid chemical products including but not limited to Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide, which are the basic raw chemical materials and common chemical products for chemicals production. The usage and characteristics of each chemical are illustrated below:–

Methanol

Methanol is a basic chemical for the production of a wide range of industrial and consumable products such as acetic acid, plastics, resins, plywood, solvent and gasoline additives.

Cryogenic Ethylene

Ethylene being liquefied and stored under a ultra-low temperature (Cryogenic State) at -104 degree Celsius in the form of a cryogenic liquid chemical. Ethylene is a gaseous chemical and is one of the major building blocks for manufacturing of numerous downstream chemical and plastics of products. Ethylene is widely used in the applications of packaging, plastics, textiles, paints and surfactants.

Acetic Acid

Acetic acid is an organic acid. It is an important chemical reagent and is a major raw material for manufacturing of (i) VAM; (ii) Acetic Anhydride; (iii) purified terephthalic acid, which is commonly used in the production of the polyester fiber and packaging material including plastic bottles; (iv) acetate ester, which is used as solvents in a wide variety of paints, inks and other coatings; and (v) Ethyl Acetate and Butyl Acetate are used as solvents in oil-based lacquers and enamels.

Acetic Anhydride

Acetic Anhydride is the simplest isolatable acid anhydride. Acetic Anhydride is mainly used for acetylations leading to commercially significant materials. Its largest application is for the conversion of cellulose to cellulose acetate, which has various applications in textile industry and for the production of cigarette filters. Similarly, it is used in the production of aspirin, acetylsalicylic acid, which is prepared by the acetylation of salicylic acid. It is also used as a wood preservative via autoclave impregnation to make a longer lasting timber. In starch industry, acetic anhydride is a common acetylation compound, used for the production of modified starches.

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VAM

Vinyl Acetate Monomer (VAM) is a key ingredient for the production of emulsion as base resins for water-based paints, adhesives, paper coating and textile finishes.

Basically all the raw chemical materials and chemical products loaded and stored through our jetties and tanks are basic raw chemical materials and common chemical products, which are widely applicable to the production of daily consumer products. Hence, the demand of the basic raw chemical materials and chemical products are expected to be enormous.

Our Storage Service

We provide our major customers with integrated terminal services in China. Liquid chemical products are loaded and discharged at our jetties and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure located in Nanjing, Tianjin and Ningbo. Pipelines are for dedicated chemical services only so as to avoid products cross contamination. We specialise in the provision of liquid chemical storage and logistics service to our customers. As of 30 June 2010, we had an aggregate of 47 storage tanks for liquid chemical products located in Nanjing, Tianjin and Ningbo, which have an aggregate storage capacity of approximately 205,900 m³.

We are the largest integrated terminal service provider for liquid chemical products in Nanjing Chemical Industrial Park, in terms of the designed throughput and total designed storage capacity. As of the Latest Practicable Date, we were one of the only 13 specialist chemical terminal service providers in China that are capable and qualified to handle Cryogenic Ethylene which is liquefied and stored/transported as an cryogenic (deep-cooled) liquid at -104 degree Celsius. We are the only chemical terminal service provider in the Nanjing Chemical Industry Park which are qualified to handle Cryogenic Ethylene. The following table illustrates the business background of all the third-party terminal service providers in Nanjing Chemical Industrial Park as at 31 December 2009:–

Name	Total investment (RMB million)	Sales (RMB million)	Number of jetties (Unit)	The designed throughput capacity of jetties (metric tonnes'000)	Total designed storage capacity (m ³ '000)
Nanjing Dragon Crown Oiltanking (Nanjing) Limited	700	174	2	2,600	152
Nanjing UT Logistics Co. Ltd.	210	0.96	1	850	74
	260	22.53	0	–	36

Source: CNCC Report

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As our Group's business is principally conducted in China, as advised by our PRC Legal Adviser, the following sets forth a summary of all the principal laws and regulations applicable to our business up to the Latest Practicable Date which include but not limited to the Law of the PRC on Production Safety (中華人民共和國安全生產法), the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on the Management of Port Operation (港口經營管理規定) and the Regulations on the Management of Hazardous Goods at Ports (港口危險貨物管理規定). Certain important provisions of the above laws and regulations relating to the industry of operation of hazardous chemicals and harbour equipment are set out below.

Our PRC Legal Adviser has advised us that we have complied in all material aspects with relevant regulatory requirements and have obtained all relevant permits/licenses for our operations.

MAJOR ADMINISTRATIVE AUTHORITIES

We are subject to the regulation and administration by different levels of governmental authorities in the PRC. In particular, the State Administration of Work Safety and the PRC Ministry of transportation are two major bodies in the PRC that have nationwide jurisdiction over the hazardous chemical industry and the port operation industry.

- **The State Administration of Work Safety**

The State Administration of Work Safety (國家安全生產監督管理局) and its local counterparts are established to supervise the compliance by enterprises to the relevant laws and regulations concerning production safety, national or industrial standards, and shall have such duties and functions including but not limited to making inspections at the production and business operation site of enterprises, rectifying misconducts violating relevant laws and regulations, making decisions of administrative penalties, suspending production and business operation of the enterprise before any material potential risks have been secured to be avoided, sealing up or detaining the facilities and equipment that do not meet the national or industrial standards for guaranteeing production safety, and other functions stipulated by the law and regulations.

- **The PRC Ministry of Transportation**

The PRC Ministry of Transportation (中華人民共和國交通運輸部) and its local counterparts are responsible for, among other functions, the supervision over and inspection on the work safety of ports and the implementation of the present relevant laws and regulations, and shall publicise the result of inspection to society. It shall make special inspections on the wharfs where passengers embark and disembark intensively or where goods are loaded and unloaded in a large quantity or on the wharfs for particular purposes; and shall, when discovering any potential risks on safety during the inspection, order the person/port under inspection to eliminate it immediately or within a specific time limit.

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REGULATIONS GOVERNING STORAGE OF DANGEROUS CHEMICALS

- **The Regulations on the Safety Management of Hazardous Chemicals**

The Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例) issued by the State Council on 26 January 2002 taking effect on 15 March 2002 governs the production, sale, storage, transport and use of hazardous chemicals and the disposition of waste hazardous chemicals by enterprises. “Hazardous chemicals” refer to explosives, compressed gas and liquefied gas, inflammable liquids, inflammable solids, self-igniting articles and articles inflammable in humid environment, oxidants and organic peroxides, toxicants and corrosives, etc. General hazardous chemicals are listed in the Catalogue of Hazardous Goods (GB12268) promulgated by the PRC government. Other hazardous chemicals that are not listed in the above catalogue and highly toxic chemicals are determined by relevant departments of the State Council.

Enterprises that store hazardous chemicals shall meet the following requirements:

- (a) the facilities and equipment for storage shall meet the national standards;
- (b) the safety buffering distance around the factories and storehouses shall meet the national standards or other relevant provisions of the PRC;
- (c) managerial personnel and technological personnel shall be recruited for the operation of storage;
- (d) a sound and complete safety management system has been set up; and
- (e) other requirements that may be stipulated in relevant laws, regulations and the national standards have been met.

Any enterprises or persons that store hazardous chemicals shall obtain approval from competent authorities. Failure of obtaining such approval shall be penalised with a pending of business for rectification or even close of its business, and be confiscated of all the illegal income, if any. If the illegal income exceeds RMB100,000, a fine of more than time and less than five times of the illegal income shall be penalised concurrently; if there is no illegal income or the illegal income is less than RMB100,000, a fine of more than RMB50,000 and less than RMB500,000 shall be imposed concurrently; if the criminal laws are violated, the personnel in charge who are responsible for such violation and other personnel who takes direct responsibility shall be prosecuted for criminal liabilities.

- **The Implementary Measures on the Safety Permit for Hazardous Chemicals Construction Projects**

According to the Implementary Measures on the Safety Permit for Hazardous Chemicals Construction Projects (危險化學品建設項目安全許可實施辦法) issued by the State Administration of Work Safety on 2 September 2006 taking effect on 1 October 2006, the construction, reconstruction or expansion of the hazardous chemicals storage facilities and equipment shall be subject to safety permit and under supervision stipulated by these

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measures. The safety permit for construction projects refers to the safety review before establishment (including examination and approval, ratification and filing) of the construction projects, the review on the design of the safety facilities, and the completion-based check and acceptance of the safety facilities. Enterprises failed to obtain such safety permit for the construction projects are not allowed to use the facilities to conduct business.

- **Approval for Storage of Hazardous Chemicals in Different Provinces**

Our business operations in the PRC are located in Nanjing, Jiangsu Province, Tianjin Municipality, and Ningbo, Zhejiang Province, respectively. In the PRC, different forms of approval for storage of hazardous chemicals are taken by the governments of different provinces.

- *Jiangsu Province*

In Jiangsu Province, provincial regulations do not require enterprises that only engage in storage of hazardous chemicals to obtain any certificate or permit, but local safe work administrations may further require filing with them for records. According to consultation with officials both from the Safe Work Administration of Jiangsu Province and the Safe Work Administration of Nanjing City, enterprises engaging in storage of hazardous chemicals in Nanjing shall file records with the administration in respect of such storage.

- *Tianjin Municipality*

According to the Regulations regarding the Issues about Establishment, Change, Dissolution or Annual Inspection of Hazardous Chemicals Enterprises (關於對危險化學品單位設立、變更、註銷、行業年審有關問題的規定) issued by Tianjin Economics Commission on 2 December 2003 and took effective on the same day, an enterprise engaging in storage of hazardous chemicals shall obtain a Certificate of Approval for Storage of Hazardous Chemicals. Enterprises holding such a certificate shall be inspected annually by the economics commission in respect of its operation of storage. If the enterprise does not pass the annual inspection, the certificate will then be revoked.

In addition, although storage of hazardous chemicals is not included in the scope of “wholesale, retail or setup of sales network outside chemical factories” which is subject to the Opinion regarding the Implementation of the Measures on the Administration of Permit for Sale of Hazardous Chemicals issued by the State Administration of Work Safety on 21 November 2002 taking effect on the same day, local practices, as consulted with officials from the Work Safety of Tianjin Municipality, still require such enterprises to obtain a Permit for Sale of Hazardous Chemicals.

- *Zhejiang Province*

According to the Implementary Measures for the Safety Management of Hazardous Chemicals in Zhejiang Province (浙江省危險化學品安全管理實施辦法) issued by the Zhejiang Province People’s Government on 23 December 2004 taking effect on 1 February 2005, enterprises engaging in storage of hazardous chemicals shall apply for examination to the

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competent work safe department, who shall then further apply to the government for final decision. If the government approves the application, it will entrust the work safe department to issue a certificate of approval to the enterprise, namely the Certificate of Approval for Production or Storage of Hazardous Chemicals in Zhejiang Province. As to the validity period of such certificate, the Circular regarding the Adjustment and Regulation on the Issues about the Certificate of Approval for Production (Storage) of Hazardous Chemicals (關於對危險化學品生產(儲存)批准書相關問題調整和規定的通知) issued by the Work Safe Administration of Zhejiang Province stipulated that the validity period shall commence on the date of approval and ends upon the dissolution of the enterprise or cease of storage of hazardous chemicals.

According to the Circular regarding the Opinion on Implementation of Safety Production Permit for Hazardous Chemicals Producers in Zhejiang Province (浙江省關於危險化學品生產企業安全生產許可證實施意見的通知) issued by the Work Safety Administration of Zhejiang Province on 20 October 2004, enterprises holding the Certificate of Approval for Production or Storage of Hazardous Chemicals in Zhejiang Province shall also obtain a Safety Production Permit for Hazardous Chemicals Producers.

REGULATIONS GOVERNING PORT OPERATION

● Port Operation Permit

According to the Regulations on the Administration of Port Operation (港口經營管理規定) issued by the Ministry of Transportation on 6 November 2009 and took effect on 1 March 2010, enterprises engaging in port operation shall obtain a Port Operation Permit from competent transportation authorities. The validity term of the permit is three years. Providing facilities such as a wharf for ships or providing for third parties with loading and unloading service of goods or storage service shall fall into the scope of “port operation”.

Enterprises engaging in port operation shall meet the following requirements:

- (a) having a fixed place of business;
- (b) the port facilities and equipment shall meet the business scope and scale of the enterprise;
- (c) technological personnel and managerial personnel who meet the business scope and scale of the enterprise shall be recruited; and
- (d) a sound and complete business operation system, safety management system and contingency plans for work accidents shall be set up.

Any enterprise engaging in port operation without a Port Operation Permit shall be ordered by the port administration to cease such illegal operation and be confiscated of all the illegal income. If the illegal income exceeds RMB100,000, a fine of more than two

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times and less than five times of the illegal income shall be imposed concurrently; if the illegal income is less than RMB100,000, a fine of more than RMB50,000 and less than RMB200,000 shall be imposed concurrently.

- **Permit for Handling Hazardous Goods at Ports**

According to the Regulations on the Administration of Hazardous Goods at Ports (港口危險貨物管理規定) issued by the Ministry of Transportation on 29 August 2003 and took effect on 1 January 2004, enterprises engaging in loading and unloading, lightering, storing or packing hazardous goods at ports shall obtain a Permit for Handling Hazardous Goods at Ports from competent port authorities. Enterprises without such a permit shall be confiscated of all the illegal income if any. If the illegal income exceeds RMB50,000, a fine of more than one time and less than five times of the illegal income shall be imposed concurrently; if there is no illegal income or the illegal income is less than RMB50,000, a fine of more than RMB20,000 and less than RMB200,000 shall be imposed concurrently; if the criminal laws are violated, the personnel in charge who are responsible for such violation and other personnel who takes direct responsibility shall be prosecuted for criminal liabilities. Enterprises engaging in handling hazardous goods that are not in the approved scope shall be penalised by the competent port authority with a fine of less than RMB30,000.

Construction, reconstruction and expansion of port facilities such as wharfs, warehouses or storage tanks for handling hazardous goods shall obtain approval from the competent port authority, and then apply for approval of construction in accordance with general procedures.

- **Safety of Port Facilities**

According to the PRC Safety Rules on Port Facilities (中華人民共和國港口設施保安規則) issued by the Ministry of Transportation on 17 December 2007, port operators shall meet the safety standards if they provide services through their port facilities for passenger ships of international lines, cargo ships of 500 metric tonnes or above, ships of 500 metric tonnes or above for special use, or mobile offshore drilling platform. Port authorities will issue a safety evaluation report to reflect the current safety situations of the port operator, who shall then according to the report make a safety plan to prevent potential events that may threaten the safety of the port.

- **Charging for Port Operation**

In order to regulate the charging for port operations, the Ministry of Transportation issued the Port Charging Rules respectively for foreign trade and domestic trade (港口收費規則(外貿部分)、港口收費規則(內貿部分)). The foreign trade section of the rules sets out detailed rates of charging for port operations such as pilotage and shifting-berth, towage, mooring and unmooring, berthage, opening and closing hatch, harbour dues for cargoes, loading and unloading with respect to ships of international lines and foreign trade cargoes, while the domestic trade section of the rules set out the rates of charging for port operations with respect to ships of domestic lines and domestic trade cargoes and cargo containers.

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ENVIRONMENTAL PROTECTION

Enterprises in the PRC also need to comply with the relevant laws and regulations passed by the national and local government environmental protection departments. The major relevant laws are the Law of the PRC on Environmental Protection (中華人民共和國環境保護法), the Law of the PRC on Prevention of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Implementary Rules of the Law of the PRC on Prevention of Water Pollution (中華人民共和國水污染防治法實施細則), the Law of the PRC on Prevention of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) and the Law of the PRC on Prevention of Air Pollution (中華人民共和國大氣污染防治法).

Enterprises discharging any pollutants in their daily operations and manufacturing shall observe the national discharge standards promulgated by the PRC Ministry of Environmental Protection, which has established various discharge standards, as amended and revised from time to time, with regard to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants.

According to the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) and the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the PRC government has set up a system to assess the environmental impact from construction of project, and classify and administer the environmental impact assessment in accordance with the degree of the environmental impact. For any project the construction of which may result in a material impact on the environment, an environmental impact report which thoroughly assesses the environmental impact is required; for any project which may result in a slight impact on the environment, an environmental impact record analysing or assesses the specific environmental impact is required; and for any project which may result in minimal impact on the environment, an environmental impact assessment is not required but filing an environmental impact form is required. Enterprises responsible for construction of the project must submit the aforesaid environmental impact documents to the relevant administrative departments of environmental protection for examination and approval. For any enterprise which fails to submit the aforesaid environmental impact documents according to PRC laws and regulations or if the documents are not approved after examination by the relevant administrative departments, the departments responsible for approving the relevant project shall not approve such project and the enterprise shall not commence the construction of the project.

On 26 December, 2009, the Standing Committee of the National People's Congress of the PRC promulgated the Law of the PRC on Tort Liability (中華人民共和國侵權責任法), which took effect on 1 July 2010. With respect to the environment, the law highlighted the principle that polluters are to assume liability in respect of harm caused by environmental pollution, irrespective of whether they have breached national environmental protection regulations. Under the new Tort Liability Law, the party that discharged the polluting substance bears the burden of proof to demonstrate that it is not liable for the harm in accordance with relevant provisions of the law, or that there is no causative link between its conduct and the harm caused to the victim. The law also provides that where the relevant environmental pollution was the fault of a third party, the person suffering harm as a consequence can claim compensation from either the third party itself or the party which

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actually discharged the polluting substance, while the pollutant discharging party may recover any damages paid to the victim from the third party if it can demonstrate that the environmental pollution was the third party's fault.

ENTERPRISE INCOME TAX

According to the Law of the PRC on the Enterprise Income Tax (中華人民共和國企業所得稅法) issued on 16 March 2007 and the Implementary Rules of the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法實施細則) issued on 6 December 2007 (collectively the “EIT Law”), which both took effect on 1 January 2008, the enterprise income tax rate for both domestic and foreign-invested enterprises are unified to 25%. For those enterprises established before 16 March 2007 and entitled to preferential income tax treatments by relevant tax laws and regulations, the EIT Law provides for a five-year transitional period, during which the applicable enterprise income tax rate shall be increased to the unified rate of 25% gradually.

According to the Notice of the State Council Regarding the Transitional Preferential Policy on the Implementation of the Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and took effect on 1 January 2008, enterprises that enjoy a “2-year exemption and 3-year half payment” treatment, a “5-year exemption and 5-year half payment” treatment of the enterprise income tax, or other preferential treatments in the form of periodic tax deductions and exemptions may continue to enjoy the relevant preferential treatments after the EIT Law took effect. Enterprises that were entitled to a preferential income tax rate of 15% shall be collected of enterprise income tax on an annually increased rate until up to 25% within five years commencing on 1 January 2008. The transitional rates are 18% for the year of 2008, 20% for the year of 2009, 22% for the year of 2010, 24% for the year of 2011, and 25% for the year of 2012.

LABOUR AND SOCIAL SECURITY

- **Labour Protection**

According to the PRC Labour Law (中華人民共和國勞動法), which took effect on 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by the national rules and standards on work place safety and sanitation, educate labour of work place safety and sanitation.

The PRC Labour Contract Law (中華人民共和國勞動合同法) effective on 1 January 2008 emphasises the conclusion of employment contracts in written form and imposes severe consequences for non-compliance. If the employer fails to conclude a written employment contract with an employee for one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, an unfixed-term of contract is deemed to have been concluded. Enterprises and institutions are forbidden to force the employees to work beyond the time limit and the employers shall pay employees overtime work in accordance with national regulations. In addition, wages shall not be lower than local standards on minimum wages and shall be paid to the employees in a timely manner.

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● Social Insurance

The PRC has established a social security system providing employees with basic medical insurance, unemployment insurance, maternity insurance, work injury insurance, pension insurance and housing funding by promulgating the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) effective on 22 January 1999, the Provisional Measures regarding the Management on the Social Insurance Registration (社會保險登記管理暫行辦法) effective on 19 March 1999, the Decision regarding the Establishment of Basic Medical Insurance System for Employees in Cities and Towns (關於建立城鎮職工基本醫療保險制度的決定) effective on 14 December 1998, the Regulations on Unemployment Insurance (失業保險條例) effective on 22 January 1999, the Provisional Measures regarding the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) effective on 1 January 1995, the Regulations on Work Injury Insurance (工傷保險條例) effective on 1 January 2004, the Decision on the Establishment of Unified Basic Pension Insurance System for Enterprise Employees (關於建立統一的企業職工基本養老保險制度的決定) effective on 16 July 1997, the Administrative Regulations on Housing Funds (住房公積金管理條例) effective on 3 April 1999 and amended on 24 March 2002, and many other regulations.

Any employer who fails to pay its social insurance premiums or withhold the employee's portion may be ordered by the PRC Ministry of Human Resources and Social Security or the PRC Tax Bureau to make such payments within a stipulated period, and may be liable for a penalty.

REGULATORY COMPLIANCE

Our HSE department has implemented high standardised policies and measures to ensure compliance with applicable laws and regulations by applying a series of procedures for risk assessment and control. Such policies and measures cover all the internal departments in relation to our operations, and are imposed by our international and domestic customers, which include assessment of potential risks and implementation of control measures. The details are set out below.

Assessment of Potential Risks

We have established an assessment group led by the general manager and composed of technical personnel from each department to assess the potential risks in the course of our operations.

The scope of the assessment mainly includes:

- (a) safety examination on each phase of planning, design, construction, production and operation;
- (b) all regular and irregular activities;
- (c) accidents and potential urgent matters;

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- (d) activities of all onsite personnel;
- (e) transportation of products;
- (f) onsite facilities, equipment, vehicles and safety protection items;
- (g) breach of operation rules and safety production rules;
- (h) discharge, disuse, dismantlement and disposition of stuff; and
- (i) weather, earthquake and other natural disasters.

Within the above scope, we have adopted Job Hazard Analysis (JHA) and Safety Check List (SCL) as the major methods to assess the potential risk. Meanwhile, the following factors will be considered:

- (a) the characters of activities or operations;
- (b) the stage of progress in the course of working or in the system;
- (c) the purpose of danger analysis;
- (d) the complexity and scale of the system and the danger;
- (e) the possibility of potential risks;
- (f) the existing human resource and other resource;
- (g) the effectiveness of the information and data; and
- (h) compliance with laws and regulations.

Implementation of Control Measures

By multiplying the factor of risk possibility by the factor of negative effect, a risk degree shall be concluded ranging from 1 to 25. Based on the risk degree, relevant control measures shall be implemented accordingly as described in the following table:

Risk Degree	Level	Control Measures	Implementing Time
20-25	unacceptable	to cease operation, make assessment on the improvement measures, and take action to lower the negative effect	immediately
15-16	material	to take emergency action to lower the risk, set up control procedurals for operations, conduct examination, measurement and assessment regularly	immediately or in the very near future
9-12	medium	to take into consideration setting up target and operational rules, strengthening training and communication	within two years

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Risk Degree	Level	Control Measures	Implementing Time
4-8	acceptable	to take into consideration setting up operational rules and working guidance, conducting examination regularly	when conditions and funds permit
<4	slight or ignorable	no measures need to be taken, but records shall be kept	-

In order to maintain compliance with applicable laws and regulations as described herein and to avoid any subsequent non-compliance issues in addition to the above policies and measures, we will implement the following measures upon the Listing as an internal guideline to improve compliance issues and our corporate governance in general. These measures include the following:

- The Board has designated Mr. LAU Chi Ming, Sammy, our deputy general manager of Nanjing Dragon Crown, to be our compliance officer of the Group. The Directors are of the view that, based on Mr. Lau's prior experience in ExxonMobil Hong Kong Limited in which he assumed management roles for HSE, logistics, operation and maintenance, Mr. Lau has the experience and expertise as the Group's compliance officer. In addition, in performing his duties as the compliance officer, Mr. LAU is assisted by our legal advisors in relation to legal and regulatory issues. The compliance officer will report to the Board when he is aware of or suspects that there is any deviation from the requirements, practice or procedures as set out in the compliance manual or that there is any potential breach of the relevant laws and regulations committed by any member of the Group.
- The compliance officer, with the assistance from the Group's legal advisers, will constantly check the publications from the PRC and Hong Kong authorities to ensure the Group has obtained all the licences and legal documents for its business development and operation.
- The Group's management and employees will report to the compliance officer when they encounter any new legal and regulatory issues. The compliance officer will then consult the Group's legal advisers and report to the Board on the advice provided by the legal advisers. The Board will then make a decision on the necessary actions to be taken by the Group.
- The compliance officer will conduct quarterly review of the compliance issues based on an internal compliance checklist. The compliance officer will also liaise with the Group's PRC legal advisers from time to time in respect of any updates on PRC legal requirements.
- The above compliance measures will be reviewed quarterly and may be amended, revised or modified to ensure compliance with the prevailing laws, regulations, codes and practices.

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SAFE REGISTRATION AND CSRC APPROVAL

On October 21, 2005, the SAFE issued the Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Offshore Special Purpose Vehicles, known as Circular No. 75, which became effective on November 1, 2005. The Circular No. 75 and related rules provide, among other things, that prior to establishing or acquiring direct or indirect interest of an offshore special purpose vehicle, for the purpose of financing that offshore special purpose vehicle with assets of, or equity interests in, a domestic PRC company, each PRC resident (whether a natural or legal person) holding direct or indirect interest in the offshore special purpose vehicle must complete prescribed registration procedures with the relevant local branch of the SAFE.

Our PRC Legal Adviser has advised us that since none of our shareholders is a PRC resident, our shareholders are not required to register with SAFE under the Circular No. 75.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006. The M&A Rules, among other things, requires the approval of the CSRC prior to an overseas listing of interest in an “offshore special purpose vehicle,” which means an offshore company directly or indirectly controlled by PRC citizens or PRC non-foreign invested company within the PRC, or PRC domestic company, for the purpose of an overseas listing of the interest in a PRC domestic company.

Our PRC Legal Adviser has advised us that since none of our shareholders is a PRC citizen or a PRC domestic company, we are not a special purpose vehicle as defined in the M&A Rules, and therefore we are not required to apply to the CSRC for approval for the Listing.

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OUR BUSINESS DEVELOPMENT

Our history can be traced back to the incorporation of Dragon Source by Mr. NG, our founder, in 1988. Upon the incorporation of Dragon Source, Dragon Source was principally engaged in the business of import and export of industrial chemical. Dragon Source's principal activity was changed to investment holding in 1995. Ningbo Haixiang Liquid Chemical Store Co., Ltd. (寧波海翔液體化工倉儲有限公司) was a joint venture entity approved by the relevant PRC authority in 1988 and owned by Dragon Source and Ningbo Port as to 60% and 40%, respectively. In 2003, upon the expiry of the operation term for Ningbo Haixiang Liquid Chemical Store Co., Ltd. (寧波海翔液體化工倉儲有限公司), Dragon Source and Ningbo Port formed Ningbo Xinxiang with assets being transferred from Ningbo Haixiang Liquid Chemical Store Co., Ltd. (寧波海翔液體化工倉儲有限公司) to Ningbo Xinxiang. In October 1993, Ningbo Ningxiang was established in Ningbo, the PRC with a registered capital of RMB12,250,000 by Ningbo Zhenhai and DC Investments as to 40% and 60%, respectively, to engage in the provision of liquid chemical products terminal and storage services in Ningbo. Since our establishment of Ningbo Ningxiang, we have been actively involved in the development of our liquid chemical products terminal and storage business. In 1994, we constructed our terminal for the loading and unloading of liquid chemical products and our tank farm for the storage of liquid chemical products in Ningbo. We also established our transportation system comprising pipelines connected to rail, vehicles loading platform and drums for the delivery of liquid chemical products in 1995. We successfully commenced our loading and storage of liquid chemical products business in Ningbo in the same year.

Eyeing the potential growth in the liquid chemical terminal and storage industry in Tianjin, Tianjin Tianlong, our Associated Entity, was established in August 1993 in Tianjin, the PRC with registered capital of US\$3,000,000 contributed by DC Investments, Tianjin Changlu, Tianjin Dagu and Tianjin Waizong as to 65%, 22.5%, 7.5% and 5%, respectively to engage in the provision of liquid chemical products terminal and storage services in Tianjin. In 1996, we successfully commenced our operation in Tianjin upon the completion of the construction of our terminal in Tianjin for the loading and unloading of liquid chemical products and the establishment of our terminal infrastructure comprising pipelines and connected to rail, vehicles loading platform and drums for the delivery of liquid chemical products in the same year.

Following the success of our business in Ningbo and Tianjin, over time and with the accumulation of extensive experience in the industry, we further expanded our liquid chemical products terminal and storage business to Nanjing in 2003. In 2003, we collaborated with Nanjing CIPC for the establishment of Nanjing Dragon Crown. Nanjing Dragon Crown was established in April 2004 in Nanjing, the PRC with a registered capital of US\$16,000,000 contributed by DC Investments and Nanjing CIPC as to 80% and 20%, respectively, to engage in the provision of liquid chemical products terminal and storage services in Nanjing, mainly serving enterprises in the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region. Leveraging on our reputation as a safe and reliable terminal service provider in the industry, we were able to secure the Celanese (Nanjing) Contract with Celanese (Nanjing) for the provision of terminal and bulk chemical storage for Acetic Acid and Methanol in 2004. To the best knowledge of our Directors, our Group was the first third party terminal service

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provider to Celanese for its expansion in Nanjing and the Celanese (Nanjing) Contract was to cope with the construction of Celanese's manufacturing facilities in Nanjing. The Celanese (Nanjing) Contract provided us a period to construct the operation infrastructure for the provision of terminal and bulk chemical storage for Acetic Acid and Methanol. In 2005, we commenced the construction of the operation infrastructure for phase I of the Nanjing project for the storage of Acetic Acid and Methanol and the construction was completed and operation was commenced in 2007. In 2006, we were able to secure the Celanese Diversified Contract with Celanese Diversified for the provision of terminal and bulk chemical storage for Ethylene and VAM. The Celanese Diversified Contract also provided us a period to construct the operation infrastructure for the provision of terminal and bulk chemical storage for Ethylene and VAM. In 2007, we commenced the construction of the operation infrastructure for phase II of the Nanjing project for the storage of Ethylene and VAM and the construction was completed and commenced operation in 2008. We are one of the non-state-owned enterprises in the PRC which has the capability to provide the terminal and storage service of Ethylene in the PRC. In 2007, we were able to secure the Celanese Acetyl Contract with Celanese Acetyl for the provision of terminal and bulk chemical storage for Acetic Anhydride. The Celanese Acetyl Contract also provided us a period to construct the operation infrastructure for the provision of terminal and bulk chemical storage for Acetic Anhydride and the commercial operation date of the facilities under the Celanese Acetyl Contract started from 15 April 2008. As our reputation for providing, safe and reliable services developed, our existing and potential customers increased their demand for our services. As a result, the storage capacity at our terminal in Nanjing has been substantially expanded from approximately 102,000 m³ as of 31 December 2007 to approximately 152,000 m³ as of 30 June 2010. Over the years, we have maintained a proven track record in providing terminal services to customers in the Nanjing Chemical Industry Park. We continued to experience increased demand for our services in the Nanjing Chemical Industry Park. In recognition of our achievements, we obtained the "Award for contribution to the economic development of the Nanjing Chemical Industry Park" in 2009 and the "Award for 2009 tax contribution in the Nanjing Chemical Industry Park".

With our many years of experience in the industry, we have established our business reputation as an integrated terminal service provider in the PRC specialising in the storage and handling of liquid chemical products in the PRC.

OUR CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of establishment/incorporation. Our principal operating entities, including our subsidiaries, Associated Entities and the Jointly-controlled Entities, are Nanjing Dragon Crown, Tianjin Tianlong, Tianlong Haixiang, Ningbo Ningxiang and Ningbo Xinxiang. Nanjing Dragon Crown is our subsidiary owned by DC Petrochemicals for the provision of terminal and storage of liquid chemical service in Nanjing. Tianjin Tianlong is our Associated Entity owned by Ocean Access for the provision of terminal and storage of liquid chemical service in Tianjin. Tianlong Haixiang is our Associated Entity wholly-owned by Tianjin Tianlong for logistics agency. Ningbo Ningxiang and Ningbo Xinxiang are our Jointly-controlled Entities owned by Dragon Bussan and Dragon Source, respectively for the

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provision of terminal and storage of liquid chemical service in Ningbo. We underwent certain reorganisation steps for the purpose of the Global Offering, particulars of which are set forth in “Reorganisation” in this prospectus.

Nanjing Dragon Crown

Nanjing Dragon Crown is a member of our Group engaging in the operation of liquid chemicals terminal and storage business in Nanjing with the business scope of the operation of terminal and other terminal facilities, operation of loading, unloading, transportation, storage of goods within the Nanjing Chemical Industry Park. The term of operation for Nanjing Dragon Crown is for the period from 26 April 2004 to 25 April 2054, and may be extended as agreed by the shareholders of Nanjing Dragon Crown upon the approval by competent government authorities.

Nanjing Dragon Crown was established on 26 April 2004 with an initial registered capital of US\$16,000,000 and was owned by DC Investments and Nanjing CIPC as to 80% and 20%, respectively. Except for its shareholding interests and nominated directors in Nanjing Dragon Crown, Nanjing CIPC is an Independent Third Party. Nanjing CIPC is an enterprise owned and/or controlled by the PRC government and its principal business includes investment and management of high-tech industry, the development of public infrastructure projects, consultancy services on property development, supply of ancillary materials and facilities for enterprises, sales of electrical products, apparatus, telecommunications facilities, research and development of high-tech products.

On 25 June 2004, DC Investments entered into an equity transfer agreement with DC Petrochemicals, pursuant to which DC Petrochemicals acquired 80% equity interest in Nanjing Dragon Crown from DC Investments and committed to inject US\$12,800,000 capital to Nanjing Dragon Crown as originally undertaken by DC Investments as consideration for the equity transfer agreement. On 15 July 2004, the management committee of the Nanjing Chemical Industry Park approved the transfer. Upon completion of this transfer, Nanjing Dragon Crown was owned by DC Petrochemicals and Nanjing CIPC as to 80% and 20%, respectively.

On 25 February 2006, DC Petrochemicals and Nanjing CIPC entered into a capital increasing agreement to increase the registered capital of Nanjing Dragon Crown to US\$28,094,820. On 19 June 2006, Jiangsu Province Bureau of Foreign Trade and Economic Co-operation approved the increase in the registered capital of Nanjing Dragon Crown. Upon completion of this transfer, Nanjing Dragon Crown was owned by DC Petrochemicals and Nanjing CIPC as to approximately 88.61% and 11.39%, respectively.

Tianjin Tianlong

Tianjin Tianlong is our Associate Entity and a member of our Group engaging in the operation of liquid chemicals storage and transportation in Tianjin with the business scope of loading, unloading, tank-filling, storage, custom-declaration representative, transportation of petrochemicals and its production, liquid chemicals (specific production list shall refer to Approval Certificate for Hazardous Chemicals Storage). The term of operation for Tianjin

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Tianlong is for the period from 28 August 1993 to 27 August 2014, and may be extended as agreed by the shareholders of Tianjin Tianlong and upon approval by competent government authorities.

Tianjin Tianlong was established on 28 August 1993 as a sino-foreign joint venture company with an initial registered capital of US\$3,000,000 and a total investment of US\$6,000,000. At the time of establishment, Tianjin Tianlong was owned by DC Investments, Tianjin Changlu, Tianjin Dagu and Tianjin Waizong as to 65%, 22.5%, 7.5% and 5%, respectively. Except for its shareholding interests and nominated directors in Tianjin Tianlong, each of Tianjin Changlu, Tianjin Waizong and Tianjin Dagu is an Independent Third Party.

In August 1994, DC Investments, Tianjin Changlu, Tianjin Waizong, Tianjin Dagu and China Petrochemical Sales Company (中國石化銷售公司), an Independent Third Party, entered into an equity transfer agreement, pursuant to which China Petrochemical Sales Company (中國石化銷售公司) acquired 14% equity interest in Tianjin Tianlong for a cash consideration of US\$420,000 from DC Investments. The consideration amount was based on the capital contribution paid by DC Investments in Tianjin Tianlong and the net asset value of Tianjin Tianlong. On 25 August 1994, Tianjin Foreign Trade and Economic Committee approved the transfer. Following completion of this transfer, Tianjin Tianlong was owned by DC Investments, Tianjin Changlu, China Petrochemical Sales Company (中國石化銷售公司), Tianjin Dagu and Tianjin Waizong as to 51%, 22.5%, 14%, 7.5% and 5%, respectively.

On 1 September 2002, DC Investments entered into an equity transfer agreement with China Petrochemical Sales Company (中國石化銷售公司), pursuant to which DC Investments acquired 14% equity interest in Tianjin Tianlong from China Petrochemical Sales Company (中國石化銷售公司) for a cash consideration of US\$420,000. The acquisition was made pursuant to the commercial negotiation between DC Investments and China Petrochemical Sales Company (中國石化銷售公司). As informed by DC Investments, China Petrochemical Sales Company (中國石化銷售公司) disposed of the equity interests in Tianjin Tianlong because it wished to concentrate on the development of its other businesses and leveraging on the long established relationship, DC Investments succeeded to acquire such equity interests in Tianjin Tianlong based on the capital contribution paid by China Petrochemical Sales Company (中國石化銷售公司) in Tianjin Tianlong in 1994. On 4 August 2003, Tianjin Tanggu District Foreign Trade and Economic Committee approved the transfer. Following completion of this transfer, Tianjin Tianlong was owned by DC Investments, Tianjin Changlu, Tianjin Dagu and Tianjin Waizong as to 65%, 22.5%, 7.5% and 5%, respectively.

As a result of shareholding reform of Tianjin Dagu, Tianjin Dagu transferred the 7.5% equity interest in Tianjin Tianlong to Dagu Investments at nil consideration. On 8 October 2010, the Committee of Commerce of Binhai New District of Tianjin City (天津濱海新區商務委員會) approved the transfer. Following the completion of this transfer, Tianjin Tianlong was owned by DC Investments, Tianjin Changlu, Dagu Investments and Tianjin Waizong as to 65%, 22.5%, 7.5% and 5%, respectively.

Tianjin Changlu is an enterprise owned and/or controlled by the PRC government and its principal business is the exploration of salt, production and sale of chemical products. Tianjin Waizong is an enterprise owned and/or controlled by the PRC government and its

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principal business is the operation and agency services of category II and III planned goods, high tax rate goods, etc. Dagu Investments is an enterprise owned and/or controlled by the PRC government and its principal business is the investment with the self-funding on chemical production, trade, transportation and storage business; sales, storage and loading and discharging of chemical products, plastic products, construction materials, specialized chemical facilities, iron, etc..

Tianlong Haixiang

Tianlong Haixiang is our Associate Entity and a member of our Group engaging in logistics agency. The term of operation for Tianlong Haixiang is for the period from 5 June 2007 to 4 June 2017, and may be extended as agreed by the shareholder of Tianlong Haixiang.

Tianlong Haixiang was established on 5 June 2007 as a limited liability company with an initial registered capital of RMB500,000 and total investment of RMB500,000. Since its establishment, Tianlong Haixiang was wholly-owned by Tianjin Tianlong.

Ningbo Ningxiang

Ningbo Ningxiang was our Associated Entity (before the Dragon Bussan Reorganisation) and is our Jointly-controlled Entity (pursuant to the Dragon Bussan Reorganisation). It is a member of our Group engaging in the operation of liquid chemicals storage and transportation in Ningbo. The business scope of Ningbo Ningxiang is the operation of terminal and other terminal facilities, loading and unloading goods within Port Area, storage of various chemicals as stated in the business licence of Ningbo Ningxiang and storage of production of general liquid chemicals. The term of operation for Ningbo Ningxiang is for the period from 20 October 1993 to 19 October 2018, and may be extended as agreed by the shareholders of Ningbo Ningxiang and upon approval by competent government authorities.

Ningbo Ningxiang was established on 20 October 1993 with an initial registered capital of RMB12,250,000 and was owned by DC Investments and Ningbo Zhenhai as to 60% and 40%, respectively. Except for its shareholding interests and nominated directors in Ningbo Ningxiang, Ningbo Zhenhai is an Independent Third Party.

On 11 April 1995, the board of directors of Ningbo Ningxiang approved the equity transfer of 60% equity interest in Ningbo Ningxiang from DC Investments to Dragon Bussan at a cash consideration of US\$1,490,000 from DC Investments. The consideration amount was mutually agreed between DC Investments and Dragon Bussan with reference to the net asset value of Ningbo Ningxiang and its future development. On 23 May 1995, Ningbo Municipal Bureau of Foreign Trade and Economic Co-operation approved the transfer. Upon completion of this transfer, Ningbo Ningxiang was owned by Dragon Bussan and Ningbo Zhenhai as to 60% and 40%, respectively.

On 19 June 2008, Ningbo Port entered into an equity transfer agreement with Ningbo Zhenhai, pursuant to which Ningbo Port acquired 40% equity interest in Ningbo Ningxiang for a cash consideration of RMB7,392,162.59 from Ningbo Zhenhai. The consideration

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amount was based on the net asset value of Ningbo Ningxiang. On 30 June 2008, Ningbo Municipal Bureau of Foreign Trade and Economic Co-operation approved transfer. Upon completion of this transfer, Ningbo Ningxiang was owned by Dragon Bussan and Ningbo Port as to 60% and 40%, respectively.

Ningbo Xinxiang

Ningbo Xinxiang is our Jointly-controlled Entity and a member of our Group engaging in the operation of liquid chemicals storage in Ningbo. The business scope of which is the storage of dimethylbenzene, n-butyl alcohol, isobutyl alcohol, isopropyl alcohol, n-propyl alcohol, carbinol, alcohol, adipic dinitrile within Zhenhai Port Area, loading, unloading and storage of liquid chemicals production (excluding hazardous liquid chemicals). The term of operation for Ningbo Xinxiang is for the period from 19 December 2003 to 18 December 2018, and may be extended as agreed by the shareholders of Ningbo Xinxiang and upon approval by competent government authorities.

Ningbo Xinxiang was established on 19 December 2003 as a sino-foreign joint venture with an initial registered capital of RMB7,000,000 and total investment of RMB10,000,000. At the time of establishment, Ningbo Xinxiang was owned by Dragon Source and Ningbo Zhenhai as to 60% and 40%, respectively. Except for its shareholding interests and nominated directors in Ningbo Xinxiang, Ningbo Zhenhai is an Independent Third Party.

On 19 June 2008, Ningbo Zhenhai entered into an equity transfer agreement with Ningbo Port, pursuant to which Ningbo Port acquired 40% equity interest in Ningbo Xinxiang for a cash consideration of RMB4,329,700 from Ningbo Zhenhai. The consideration amount was based on the net asset value of Ningbo Xinxiang. On 26 June 2008, Ningbo Zhenghai District Bureau of Foreign Trade and Economic Co-operation approved the transfer of 40% shares of Ningbo Xinxiang by Ningbo Zhenhai to Ningbo Port at the consideration of RMB4,329,700. Upon completion of this transfer, Ningbo Xinxiang was owned by Dragon Source and Ningbo Port as to 60% and 40%, respectively.

Ningbo Port is an enterprise owned and/or controlled by the PRC government and its principal business is the development, operation and management of terminal; loading and discharging, storage, packaging of goods at port, international logistics agency services; port information and technical consultancy services, etc.

DC Petrochemicals

DC Petrochemicals was incorporated on 25 June 2004 in Hong Kong. Upon its incorporation, DC Petrochemicals had an authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1 each. Prior to the Reorganisation, DC Petrochemicals was owned as to 96% and 4% by DC Investments and Mr. TING Yian Ann, respectively.

On 29 November 2010, the authorised share capital of DC Petrochemicals increased from US\$1,000,000 divided into 1,000,000 shares of US\$1 each to US\$30,000,000 divided into 30,000,000 shares of US\$1 each.

HISTORY AND DEVELOPMENT

On 29 November 2010, 26,600,000 shares in DC Petrochemicals were issued and allotted to Sea Triumph at a consideration of US\$26,600,000. Upon the issue and allotment, DC Petrochemicals was owned as to approximately 98.1%, 1.8% and 0.1% by Sea Triumph, DC Investments and Mr. TING Yian Ann, respectively.

On 29 November 2010, DC Investments and Mr. TING Yian Ann agreed to convert their respective 1.8% and 0.1% of the then issued share capital of DC Petrochemicals into non-voting deferred shares. Upon the conversion, all the ordinary shares of DC Petrochemicals were wholly-owned by Sea Triumph.

Ocean Access

Ocean Access was incorporated on 18 June 2010 in Hong Kong. Upon its incorporation, Ocean Access has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. One subscriber share was issued to Fernside Limited upon the incorporation of Ocean Access. On 5 August 2010, the one subscriber share was transferred from Fernside Limited to Sinolake at HK\$1. Ocean Access is wholly-owned by Sinolake.

Dragon Bussan

Dragon Bussan was incorporated on 22 April 1993 in Hong Kong. Upon its incorporation, Dragon Bussan has an authorised share capital of US\$1,500,000 divided into 1,500,000 shares of US\$1 each. Prior to the Reorganisation, Dragon Bussan was owned as to 60%, 24% and 16% by DC Investments, Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited, respectively. Before the Dragon Bussan Reorganisation, Dragon Bussan was our Associated Entity.

On 29 November 2010, Quick Response acquired 24% and 16% of the shareholding interests in Dragon Bussan from Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited for cash considerations of US\$874,560 and US\$583,040, respectively, which are determined with reference to the fair market value of Dragon Bussan. Upon the acquisitions, Dragon Bussan was owned as to 60% and 40% by DC Investments and Quick Response, respectively.

On 29 November 2010, DC Investments agreed to convert its 60% of the then issued share capital of Dragon Bussan into non-voting deferred shares. Upon the conversion, all ordinary shares of Dragon Bussan were wholly-owned by Quick Response.

Dragon Source

Dragon Source was incorporated on 12 July 1988 in Hong Kong. Upon its incorporation, Dragon Source has an authorised share capital of HK\$2,000,000 divided into 2,000,000 shares of HK\$1 each. Prior to the Reorganisation, Dragon Source was wholly-owned by Mr. NG.

On 29 November 2010, the authorised share capital of Dragon Source was increased to HK\$30,000,000 divided into 30,000,000 shares of HK\$1 each.

HISTORY AND DEVELOPMENT

On 29 November 2010, 26,000,000 shares in Dragon Source was issued and allotted to Ideal Huge at a consideration of HK\$26,000,000. Upon the issue and allotment, Dragon Source was owned as to approximately 92.9% and 7.1% by Ideal Huge and Mr. NG, respectively.

On 29 November 2010, Mr. NG agreed to convert his approximately 7.1% of the then issued share capital of Dragon Source into non-voting deferred shares. Upon the conversion, all the ordinary shares of Dragon Source were wholly-owned by Ideal Huge.

Sea Triumph

Sea Triumph was incorporated on 3 June 2010 in the BVI as an investment company. Upon its incorporation, Sea Triumph had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and 10 shares were issued and allotted to Ocean Ahead on 26 July 2010. Sea Triumph is wholly-owned by Ocean Ahead.

Sinolake

Sinolake was incorporated on 11 June 2010 in the BVI as an investment company. Upon its incorporation, Sinolake had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and 10 shares were issued and allotted to Ocean Ahead on 26 July 2010. Sinolake is wholly-owned by Ocean Ahead.

Quick Response

Quick Response was incorporated on 20 April 2010 in the BVI as an investment company. Upon its incorporation, Quick Response had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and 10 shares were issued and allotted to Ocean Ahead on 26 July 2010. Quick Response is wholly-owned by Ocean Ahead.

Ideal Huge

Ideal Huge was incorporated on 11 June 2010 in the BVI as an investment company. Upon its incorporation, Ideal Huge had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and 10 shares were issued and allotted to Ocean Ahead on 26 July 2010. Ideal Huge is wholly-owned by Ocean Ahead.

Ocean Ahead

Ocean Ahead was incorporated on 15 June 2010 in the BVI as an investment company. Upon its incorporation, Ocean Ahead had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and 100 shares were issued and allotted to the Company on 26 July 2010. Ocean Ahead is wholly-owned by the Company.

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Our Company

Our Company was incorporated on 16 July 2010 in the Cayman Islands as an exempted company with limited liability. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each.

On 16 July 2010, one subscriber Share with the par value of HK\$0.1 of our Company which was nil paid was transferred to Lirun.

On 4 August 2010, 97 Shares and two shares were allotted and issued to each of Lirun and Silver Coin nil paid, respectively.

On 29 November 2010, resolutions were passed by our Company to capitalise the advances in an aggregate amount of US\$1,457,600 due to Lirun and Silver Coin by (i) issuing 112,602 Shares, credited as fully paid, to Lirun and crediting the in full at par 98 nil paid Shares held by Lirun; and (ii) issuing 2,298 Shares, credited as fully paid, to Silver Coin and crediting in full at par the two nil paid Shares held by Silver Coin.

On 29 November 2010, resolutions were passed by our Company to capitalise the advances in an aggregate amount of US\$26,600,000 due to Lirun, Ansen and Silver Coin by (i) issuing 635,500 Shares, credited as fully paid, to Lirun; (ii) under the direction of Lirun, 16,500 Shares, credited as fully paid, to Sure Port; (iii) issuing 33,000 Shares, credited as fully paid, to Ansen; and (iv) issuing 13,650 Shares, credited as fully paid, to Silver Coin.

On 29 November 2010, resolutions were passed by our Company to capitalise the advance in an amount of HK\$26,000,000 due to Lirun by issuing 11,350 Shares, credited as fully paid, to Lirun.

Joint Venture Agreements

The table below sets out the percentage of equity interests of our Associated Entities and Jointly-Controlled Entities after the Reorganisation:

Name of Associated Entities/ Jointly-Controlled Entities	Name of owner	Percentage interest of the owner
Tianjin Tianlong	Ocean Access (<i>Note 1</i>)	65%
	Tianjin Changlu	22.5%
	Dagu Investments	7.5%
	Tianjin Waizong	5%
Tianlong Haixiang	Tianjin Tianlong (<i>Note 2</i>)	100%
Ningbo Xinxiang	Dragon Source (<i>Note 1</i>)	60%
	Ningbo Port	40%
Ningbo Ningxiang	Dragon Bussan (<i>Note 3</i>)	60%
	Ningbo Port	40%

HISTORY AND DEVELOPMENT

Notes:

1. Ocean Access and Dragon Source are both indirect wholly owned subsidiaries of our Company.
2. Tianlong Haixiang is wholly owned by Tianjin Tianlong and since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.
3. Before the Dragon Bussan Reorganisation, the shareholding interests of Dragon Bussan were held by DC Investments (60%), Mitsui & Co., Ltd. (24%) and Mitsui & Company (Hong Kong) Limited (16%). After the completion of the Dragon Bussan Reorganisation, Dragon Bussan became an indirect wholly owned subsidiary of our Company.

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The major terms of the joint venture agreements governing the relationship among our joint venture parties in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are as follows:–

	Tianjin Tianlong	Ningbo Xinxiang	Ningbo Ningxiang
Duration	28 August 1993 to 27 August 2014	19 December 2003 to 18 December 2018	20 October 1993 to 19 October 2018
Board representation	Our Group could appoint four out of the seven directors to the board	Our Group could appoint three out of the five directors to the board	Our Group could appoint three out of the five directors to the board
Voting rights	A quorum requires the presence of at least six out of the seven nominated directors and board resolutions relating to financial and operating policies require unanimous votes of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two-third of the total directors and board resolutions relating to financial and operating policies require two-third votes out of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two directors from each shareholder and board resolutions relating to financial and operating policies require 80% votes out of all directors present at board meetings voting for the resolution
Profit sharing ratio	In accordance with their respective equity interests	In accordance with their respective equity interests	In accordance with their respective equity interests
Termination	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, the breaching party shall make relevant compensation to the company</p>	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, if the breaching party does not resolve the breaching issue within 15 days upon receiving a notice from the non-breaching party, the non-breaching party can terminate the agreement and claim compensation from the breaching party</p>	<p>In case of the situations such as (1) any substantial breach of the agreement which has not been resolved within 60 days, (2) an aggregate deficit of over 100% of the registered capital, (3) deficit of over 50% of the registered capital for three consecutive years, (4) winding up/bankruptcy of the company or any party, (5) any transfer of shares without the other party's approval, (6) confiscation of the company's material assets, (7) no achievement of the operation purpose, (8) enactment of new laws that materially affect the company's operation, or (9) force majeure issues lasting for over 120 days, any party can send to the other party a notice for the termination of the agreement. Upon receiving the notice, if all parties cannot resolve the problem within two months, the party who sent the notice has the right to sell the shares it holds in the company to the other party. If no agreement is achieved between the parties regarding the transfer, the company shall be dissolved</p>

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There are no provisions in relation to measures to resolve dead-lock resolution under the joint venture agreements.

Other rights and obligations of joint venture parties to Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are general and comparable to other standard and typical joint venture agreements.

Our investments in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang were not consolidated into our financial statements because quorum of board resolutions in these entities requires the presence of directors nominated by our joint venture partners.

Tianjin Tianlong is considered as our Associated Entity because we can exercise a significant influence, but not a joint control, in Tianjin Tianlong as its quorum requires six out of the seven nominated directors to be present whereas, apart from the four directors nominated by our Group, board resolutions can be made with any two of the other three directors nominated by the other three shareholders instead of an unanimous votes of all directors nominated by all shareholders in Tianjin Tianlong, unless the board resolutions are relating to financial and operating policies which require unanimous votes of all directors present at the board meeting voting for the resolution.

Tianlong Haixiang is an entity established in the PRC wholly-owned by Tianjin Tianlong. Since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.

Ningbo Xinxiang is considered as our Jointly-controlled Entity because Ningbo Xinxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Xinxiang and its quorum requires the presence of at least two-third of the total directors and (ii) board resolutions relating to financial and operating policies require two-third votes out of all directors present at the board meeting voting for the resolution whereas our Group could appoint only three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least two directors each nominated by the shareholders in Ningbo Xinxiang.

Before the Dragon Bussan Reorganisation, Dragon Bussan was considered as our Associated Entity because we could exercise a significant influence, but not a joint control, in Dragon Bussan as its quorum required four out of the five nominated directors to be present whereas, apart from the three directors nominated by our Group, board resolutions can be made with any one of the other two directors nominated by the other two shareholders instead of an unanimous votes of all directors nominated by all shareholders in Dragon Bussan. Since Ningbo Ningxiang was held as to 60% by Dragon Bussan, Ningbo Ningxiang was also considered as our Associated Entity before the Dragon Bussan Reorganisation. Pursuant to the Dragon Bussan Reorganisation, Dragon Bussan became our indirect wholly-owned subsidiary whereas the equity interests of Ningbo Ningxiang are held as to 60% by Dragon Bussan and 40% by Ningbo Port. Pursuant to the Dragon Bussan Reorganisation, Ningbo Ningxiang became our Jointly-controlled Entity because Ningbo Ningxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Ningxiang and its quorum requires the presence of at least two directors nominated by each shareholder and (ii) board resolutions relating to

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financial and operating policies require 80% votes out of all directors present at the board meeting voting for the resolution whereas Dragon Bussan could only appoint three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least two directors each nominated by the shareholders in Ningbo Ningxiang.

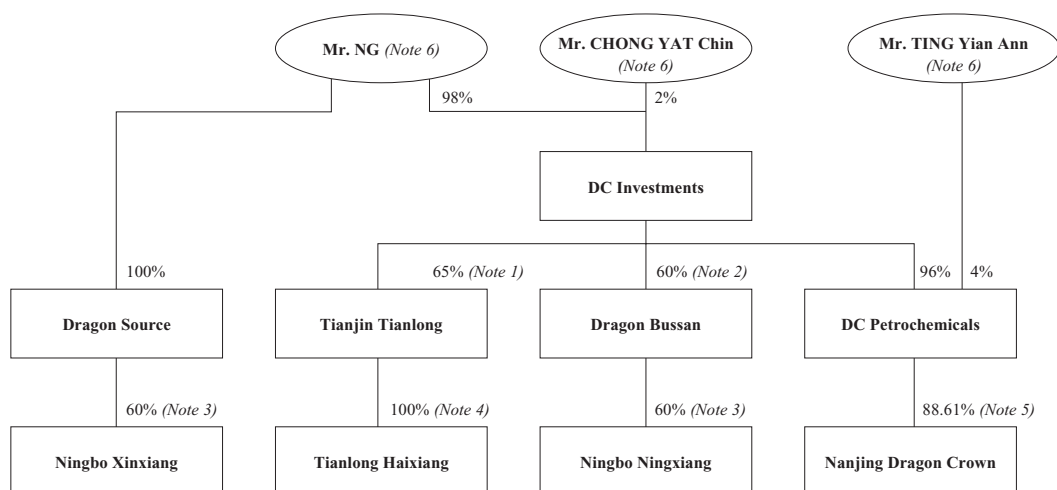
REORGANISATION

INTRODUCTION

In contemplation of the Listing, members of our Group have undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established which is suitable for Listing on the Main Board. The Reorganisation involved the following principal steps:-

- establishment of our Company, Lirun, Silver Coin, Ansen, Sure Port, Ocean Ahead, Sinolake, Quick Response, Sea Triumph, Ideal Huge and Ocean Access;
- acquisition of 65% equity interests in Tianjin Tianlong from DC Investments;
- acquisition of 40% shareholding interests in Dragon Bussan from Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited; and
- subscriptions for new shares and/or conversions of certain shares into non-voting deferred shares in Dragon Bussan, DC Petrochemicals and Dragon Source.

The following diagram illustrates our shareholding and corporate structure prior to the Reorganisation:-



Notes:

1. Tianjin Tianlong is our Associated Entity. The remaining equity interests in Tianjin Tianlong were held as to 22.5%, 7.5% and 5% by Tianjin Changlu, Dagu Investments and Tianjin Waizong, respectively. Except for their respective equity interests and nominated directors in Tianjin Tianlong, each of Tianjin Changlu, Dagu Investments and Tianjin Waizong was an Independent Third Party. The principal businesses of Tianjin Changlu, Dagu Investments and Tianjin Waizong are set forth in “History and development – Our corporate history” in this prospectus.
2. Before the Dragon Bussan Reorganisation, Dragon Bussan was our Associated Entity. The remaining shareholding interests in Dragon Bussan were held as to 24% and 16% by Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited, respectively. Except for their respective shareholding interests and nominated directors in Dragon Bussan, each of Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited was an Independent Third Party.

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3. Ningbo Xinxiang is our Jointly-controlled Entity and Ningbo Ningxiang was our Associated Entity (before the Dragon Bussan Reorganisation) and is our Jointly-controlled Entity (upon completion of the Dragon Bussan Reorganisation). The remaining 40% equity interests in Ningbo Xinxiang and Ningbo Ningxiang were held by Ningbo Port. Except for its equity interests and nominated directors in Ningbo Xinxiang and Ningbo Ningxiang, Ningbo Port was an Independent Third Party. The principal business of Ningbo Port is set forth in “History and development – Our corporate history” in this prospectus.
4. Tianlong Haixiang is our Associated Entity.
5. The remaining 11.39% shareholding interests in Nanjing Dragon Crown were held by Nanjing CIPC. Except for its shareholding interests and nominated directors in Nanjing Dragon Crown, Nanjing CIPC was an Independent Third Party. The principal business of Nanjing CIPC is set forth in “History and development – Our corporate history” in this prospectus.
6. Mr. NG, Mr. TING Yian Ann and Mr. CHONG Yat Chin are our executive Directors.

DETAILED PROCEDURES

For the purpose of the Listing, the following Reorganisation steps have been implemented:–

Establishment of our Company, Lirun, Ansen, Silver Coin, Sure Port, Ocean Ahead, Sinolake, Quick Response, Sea Triumph, Ideal Huge and Ocean Access

Establishment of Lirun, Ansen, Silver Coin and Sure Port

On 9 June 2010, Lirun was incorporated and was wholly-owned by Mr. NG. Lirun was incorporated as the holding company for the interests of Mr. NG in our Group.

On 9 June 2010, Ansen was incorporated and was wholly-owned by Mr. TING Yian Ann. Ansen was incorporated as the holding company for the interests of Mr. TING Yian Ann in our Group.

On 11 June 2010, Silver Coin was incorporated and was wholly-owned by Mr. CHONG Yat Chin. Silver Coin was incorporated as the holding company for the interests of Mr. CHONG Yat Chin in our Group.

On 16 July 2010, Sure Port was incorporated and was wholly-owned by Mr. NG. Sure Port was incorporated as a holding company for the interests of Mr. NG in our Group with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, the allocation of interests of our Group held by Sure Port was yet to be determined.

Establishment of our Company, Ocean Ahead, Sinolake, Quick Response, Sea Triumph, Ideal Huge and Ocean Access

On 16 July 2010, our Company was incorporated in the Cayman Islands to act as the holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each. On 16 July 2010, one

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subscriber Share, which was nil paid, was transferred to Lirun. On 4 August 2010, 97 Shares were allotted and issued to Lirun nil paid and two Shares were allotted and issued to Silver Coin nil paid.

On 15 June 2010, Ocean Ahead was incorporated to be the intermediate holding company of all of our Group's interest. On 26 July 2010, 100 shares of par value of HK\$1 each in the share capital of Ocean Ahead were allotted and issued to our Company. Thereafter, Ocean Ahead became a wholly-owned subsidiary of our Company.

On 11 June 2010, Sinolake was incorporated to be an intermediate holding company of all of our Group's interest in Ocean Access and Tianjin Tianlong. On 26 July 2010, 10 shares of par value of HK\$1 each in the share capital of Sinolake were allotted and issued to Ocean Ahead. Thereafter, Sinolake became an indirect wholly-owned subsidiary of our Company.

On 20 April 2010, Quick Response was incorporated to be an intermediate holding company of all of our Group's interest in Dragon Bussan and Ningbo Ningxiang. On 26 July 2010, 10 shares of par value of HK\$1 each in the share capital of Quick Response were allotted and issued to Ocean Ahead. Thereafter, Quick Response became an indirect wholly-owned subsidiary of our Company.

On 3 June 2010, Sea Triumph was incorporated to be an intermediate holding company of all of our Group's interest in DC Petrochemicals and Nanjing Dragon Crown. On 26 July 2010, 10 shares of par value of HK\$1 each in the share capital of Sea Triumph were allotted and issued to Ocean Ahead. Thereafter, Sea Triumph became an indirect wholly-owned subsidiary of our Company.

On 11 June 2010, Ideal Huge was incorporated to be an intermediate holding company of all of our Group's interest in Dragon Source and Ningbo Xinxiang. On 26 July 2010, 10 shares of par value of HK\$1 each in the share capital of Ideal Huge were allotted and issued to Ocean Ahead. Thereafter, Ideal Huge became an indirect wholly-owned subsidiary of our Company.

On 18 June 2010, Ocean Access was incorporated to be an intermediate holding company of our Group's interests in Tianjin Tianlong. On 5 August 2010, the one subscriber share in the share capital of Ocean Access was transferred to Sinolake. Thereafter, Ocean Access became an indirect wholly-owned subsidiary of our Company.

Acquisition of 65% equity interests in Tianjin Tianlong from DC Investments

On 26 October 2010, Ocean Access and DC Investments entered into an acquisition agreement pursuant to which DC Investments transferred its 65% equity interests in Tianjin Tianlong to Ocean Access at a cash consideration of US\$3,043,200, which was determined with reference to the value of Tianjin Tianlong as determined by a professional valuer, which was an Independent Third Party. The acquisition was approved by Committee of Commerce of Tianjin Binhai New District (天津濱海新區商務委員會) and the new business licence of Tianjin Tianlong to indicate Ocean Access as the registered owner was issued on 17 November 2010. Thereafter, Tianjin Tianlong became an Associated Entity of our Company.

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Acquisition of 40% shareholding interests in Dragon Bussan from Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited

On 27 September 2010, Quick Response, Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited entered into an acquisition agreement pursuant to which Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited transferred their 24% and 16% shareholding interests in Dragon Bussan to Quick Response for cash considerations of US\$874,560 and US\$583,040, respectively, which were determined with reference to the fair market value of Dragon Bussan. Following completions of these transfers on 29 November 2010, DC Investments and Quick Response owned 60% and 40% shareholdings interests in Dragon Bussan, respectively.

The cash considerations in relation to the acquisition of 40% shareholding interests in Dragon Bussan were financed by advances provided by Lirun and Silver Coin. On 29 November 2010, Lirun, Silver Coin and Quick Response novated the advances to our Company. On 29 November 2010, resolutions were passed by our Company to capitalise the advances by (i) issuing 112,602 Shares, credited as fully paid, to Lirun and crediting the 98 nil paid Shares held by Lirun; and (ii) issuing 2,298 Shares, credited as fully paid, to Silver Coin and crediting the two nil paid Shares held by Silver Coin.

Subscriptions for new shares and/or conversions of certain shares into non-voting deferred shares in Dragon Bussan, DC Petrochemicals and Dragon Source

Dragon Bussan

In order to segregate the income, return of assets and voting rights from DC Investments on 29 November 2010, in consideration of DC Investments agreeing to convert its 900,000 ordinary shares in Dragon Bussan, being all its shareholding interests in Dragon Bussan, into non-voting deferred shares, 10 shares in each of Lirun and Silver Coin were allotted and issued to Mr. NG and Mr. CHONG Yat Chin, respectively, under the directions of DC Investments. The segregation of the income, return of assets and voting rights from DC Investments can be achieved by amending the articles of association of Dragon Bussan, pursuant to which rights and restrictions of non-voting deferred shares in Dragon Bussan are as follows:–

- (a) *as regards income.* The profits which Dragon Bussan may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;
- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of Dragon Bussan to be returned shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed

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among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and

- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary shares held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

Following the conversion, Quick Response owned all ordinary shares of Dragon Bussan and Dragon Bussan became an indirect wholly-owned subsidiary of our Company.

DC Petrochemicals

On 29 November 2010, resolutions were passed, and the relevant memorandum and articles of associations were amended, to increase the authorised share capital of DC Petrochemicals from US\$1,000,000 divided into 1,000,000 shares of US\$1 each to US\$30,000,000 divided into 30,000,000 shares of US\$1 each. On 29 November 2010, Sea Triumph subscribed for 26,600,000 shares in DC Petrochemicals for a consideration of US\$26,600,000. Following completion of the subscription, Sea Triumph, DC Investments and Mr. TING Yian Ann owned approximately 98.1%, 1.8% and 0.1% shareholding interests in DC Petrochemicals, respectively.

The subscription sum of US\$26,600,000 in relation to the subscription of 26,600,000 shares in DC Petrochemicals was financed by advances provided by Lirun, Ansen and Silver Coin. On 29 November 2010, Lirun, Ansen, Silver Coin and Sea Triumph novated the advances to our Company. On 29 November 2010, resolutions were passed by our Company to capitalise the advances by (i) issuing 635,500 Shares, credited as fully paid, to Lirun; (ii) under the direction of Lirun, 16,500 Shares, credited as fully paid, to Sure Port; (iii) issuing 33,000 Shares, credited as fully paid, to Ansen; and (iv) issuing 13,650 Shares, credited as fully paid, to Silver Coin.

In order to segregate the income, return of assets and voting rights from DC Investments on 29 November 2010, in consideration of DC Investments and Mr. TING Yian Ann agreeing to convert their respective 480,000 and 20,000 ordinary shares in DC Petrochemicals, being all their shareholding interests in DC Petrochemicals, into non-voting deferred shares, (i) 10 shares in each of Lirun and Silver Coin were allotted and issued to Mr. NG and Mr. CHONG Yat Chin, respectively, under the directions of DC Investments; and (ii) 10 shares in Ansen were allotted and issued to Mr. TING Yian Ann. The segregation of the income, return of assets and voting rights from DC Investments can be achieved by amending the articles of association of DC Petrochemicals, pursuant to which rights and restrictions of non-voting deferred shares in DC Petrochemicals are as follows:–

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- (a) *as regards income.* The profits which DC Petrochemicals may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;
- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of DC Petrochemicals to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and
- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary share held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

Following the conversion, Sea Triumph owned all ordinary shares of DC Petrochemicals and DC Petrochemicals became an indirect wholly-owned subsidiary of our Company.

Dragon Source

On 29 November 2010, resolutions were passed, and the relevant memorandum and articles of associations were amended, to increase the authorised share capital of Dragon Source from HK\$2,000,000 divided into 2,000,000 shares of HK\$1 each to HK\$30,000,000 divided into 30,000,000 shares of HK\$1 each. On 29 November 2010, Ideal Huge subscribed for 26,000,000 shares in Dragon Source for a consideration of HK\$26,000,000. Following completion of the subscription, Ideal Huge and Mr. NG owned approximately 92.9% and 7.1% shareholdings interests in Dragon Source, respectively.

The subscription sum of HK\$26,000,000 in relation to the subscription of 26,000,000 shares in Dragon Source was financed by an advance provided by Lirun. On 29 November 2010, Lirun and Ideal Huge novated the advances to our Company. On 29 November 2010, resolutions were passed by our Company to capitalise the advance by issuing 11,350 Shares, credited as fully paid, to Lirun.

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In order to segregate the income, return of assets and voting rights from DC Investments on 29 November 2010, in consideration of Mr. NG agreeing to convert his 2,000,000 ordinary shares in Dragon Source, being all his shareholding interests in Dragon Source, into non-voting deferred shares, 10 shares in Lirun were allotted and issued to Mr. NG. The segregation of the income, return of assets and voting rights from DC Investments can be achieved by amending the articles of association of Dragon Source, pursuant to which rights and restrictions of non-voting deferred shares in Dragon Source are as follows:-

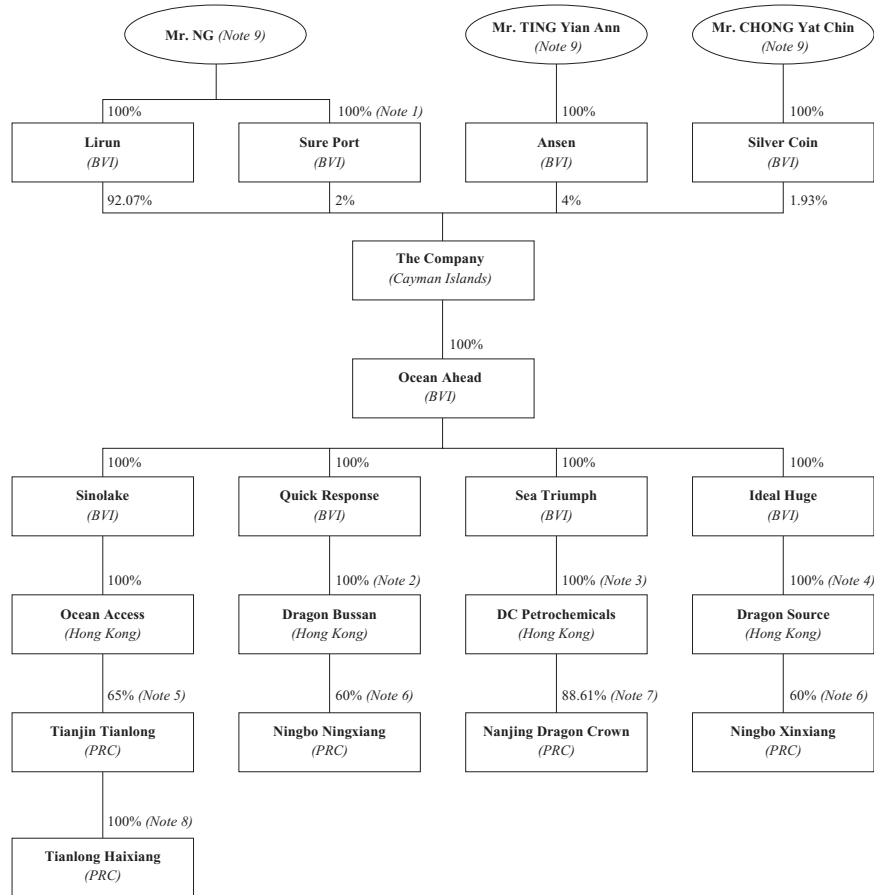
- (a) *as regards income.* The profits which Dragon Source may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;
- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of Dragon Source to be returned shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and
- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary share held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

Following the conversion, Ideal Huge owned all ordinary shares of Dragon Source and Dragon Source became an indirect wholly-owned subsidiary of our Company.

REORGANISATION

OUR SHAREHOLDING AND CORPORATE STRUCTURE AS OF THE LATEST PRACTICABLE DATE AND IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

The diagram below illustrates our shareholding and corporate structure as of the Latest Practicable Date:–



Notes:

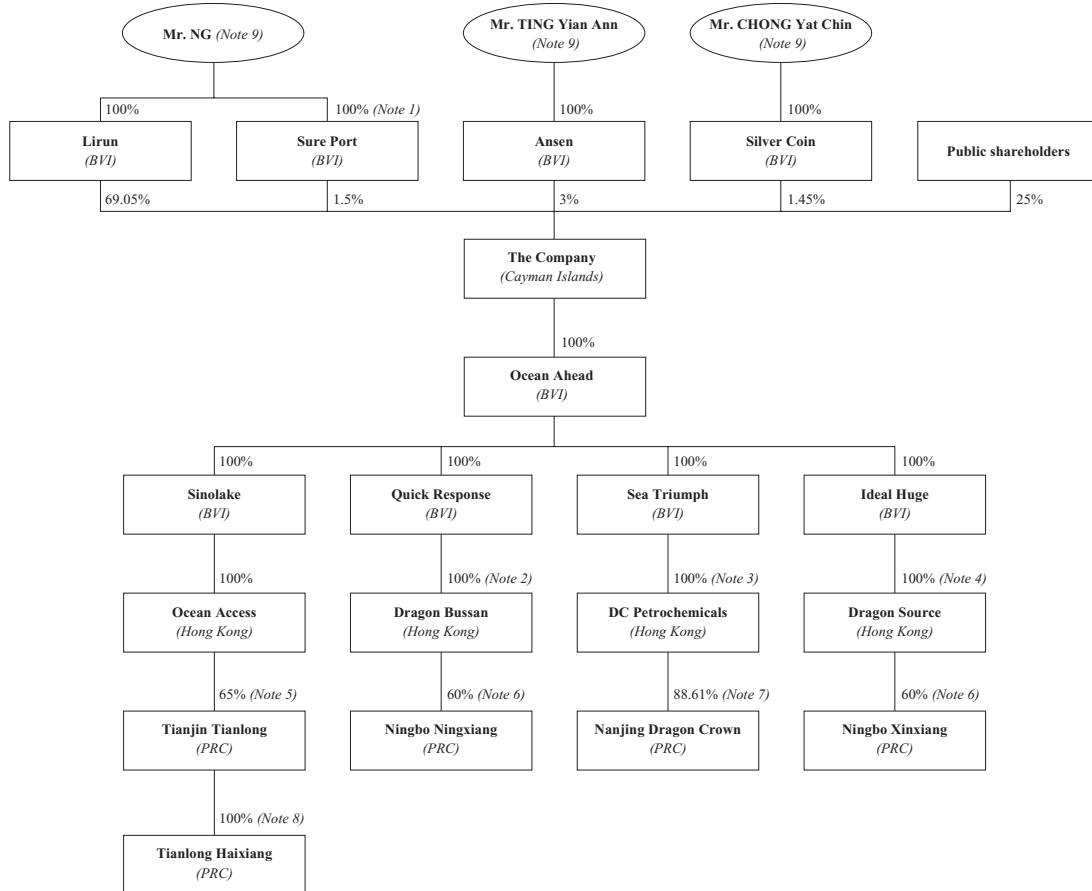
1. Sure Port holds the interests in our Group for Mr. NG with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, the allocation of interests of our Group held by Sure Port was yet to be determined.
2. In addition to all ordinary shares in Dragon Bussan being held by Quick Response, 900,000 non-voting deferred shares of Dragon Bussan are held by DC Investments. The percentage expressed here represents voting rights enjoyed.
3. In addition to all ordinary shares in DC Petrochemicals being held by Sea Triumph, 480,000 and 20,000 non-voting deferred shares of DC Petrochemicals are held by DC Investments and Mr. TING Yian Ann, respectively. The percentage expressed here represents voting rights enjoyed.
4. In addition to all ordinary shares in Dragon Source being held by Ideal Huge, 2,000,000 non-voting deferred shares of Dragon Source are held by Mr. NG. The percentage expressed here represents voting rights enjoyed.

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5. Tianjin Tianlong is our Associated Entity. The remaining equity interests in Tianjin Tianlong are held as to 22.5%, 7.5% and 5% by Tianjin Changlu, Dagu Investments and Tianjin Waizong, respectively. Except for their respective equity interests and nominated directors in Tianjin Tianlong, each of Tianjin Changlu, Dagu Investments and Tianjin Waizong is an Independent Third Party. The principal businesses of Tianjin Changlu, Dagu Investments and Tianjin Waizong are set forth in “History and development – Our corporate history” in this prospectus.
6. Ningbo Xinxiang and Ningbo Ningxiang are our Jointly-controlled Entities. The remaining 40% equity interests in Ningbo Ningxiang and Ningbo Xinxiang are held by Ningbo Port. Except for its equity interests and nominated directors in Ningbo Ningxiang, Ningbo Port is an Independent Third Party. The principal business of Ningbo Port is set forth in “History and development – Our corporate history” in this prospectus.
7. The remaining 11.39% shareholding interests in Nanjing Dragon Crown are held by Nanjing CIPC. Except for its equity interests and nominated directors in Nanjing Dragon Crown, Nanjing CIPC is an Independent Third Party. The principal business of Nanjing CIPC is set forth in “History and development – Our corporate history” in this prospectus.
8. Tianlong Haixiang is our Associated Entity.
9. Mr. NG, Mr. TING Yian Ann and Mr. CHONG Yat Chin are our executive Directors.

REORGANISATION

The diagram below illustrates our shareholding and corporate structure following completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme:-



REORGANISATION

Notes:

1. Sure Port holds the interests in our Group for Mr. NG with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, the allocation of interests of our Group held by Sure Port was yet to be determined.
2. In addition to all ordinary shares in Dragon Bussan being held by Quick Response, 900,000 non-voting deferred shares of Dragon Bussan are held by DC Investments. The percentage expressed here represents voting rights enjoyed.
3. In addition to all ordinary shares in DC Petrochemicals being held by Sea Triumph, 480,000 and 20,000 non-voting deferred shares of DC Petrochemicals are held by DC Investments and Mr. TING Yian Ann, respectively. The percentage expressed here represents voting rights enjoyed.
4. In addition to all ordinary shares in Dragon Source being held by Ideal Huge, 2,000,000 non-voting deferred shares of Dragon Source are held by Mr. NG. The percentage expressed here represents voting rights enjoyed.
5. Tianjin Tianlong is our Associated Entity. The remaining equity interests in Tianjin Tianlong are held as to 22.5%, 7.5% and 5% by Tianjin Changlu, Dagu Investments and Tianjin Waizong, respectively. Except for their respective equity interests and nominated directors in Tianjin Tianlong, Tianjin Changlu, each of Dagu Investments and Tianjin Waizong is an Independent Third Party. The principal businesses of Tianjin Changlu, Dagu Investments and Tianjin Waizong are set forth in “History and development – Our corporate history” in this prospectus.
6. Ningbo Xinxiang and Ningbo Ningxiang are our Jointly-controlled Entities. The remaining 40% equity interests in Ningbo Ningxiang and Ningbo Xinxiang are held by Ningbo Port. Except for its equity interests and nominated directors in Ningbo Ningxiang, Ningbo Port is an Independent Third Party. The principal business of Ningbo Port is set forth in “History and development – Our corporate history” in this prospectus.
7. The remaining 11.39% shareholding interests in Nanjing Dragon Crown are held by Nanjing CIPC. Except for its equity interests and nominated directors in Nanjing Dragon Crown, Nanjing CIPC is an Independent Third Party. The principal business of Nanjing CIPC is set forth in “History and development – Our corporate history” in this prospectus.
8. Tianlong Haixiang is our Associated Entity.
9. Mr. NG, Mr. TING Yian Ann and Mr. CHONG Yat Chin are our executive Directors.

If the Over-allotment Option is exercised in full, the shareholding percentage of our public Shareholders will increase to approximately 27.7% and shareholding percentage of Lirun, Sure Port, Ansen and Silver Coin will decrease to approximately 72.3%.

OVERVIEW

Our business model relies heavily on our relationships with the Celanese Entities. We are an integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products and our business operation is characterised by the Celanese Contracts which set forth our business relationship with Celanese. We entered into the Celanese Contracts with remaining terms of over 10 years as of the Latest Practicable Date. For each of the three years ended 31 December 2009, the Celanese Contracts contributed approximately HK\$57.6 million, HK\$143.2 million and HK\$192.0 million of revenue for our Group, which accounted for more than 90% of our revenue during each of the three years ended 31 December 2009. The Celanese Contracts provide an annual fixed contract sum which is payable by Celanese to our Group. For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively, which accounted for more than 80% of our revenue during each of the three years ended 31 December 2009. The long-term nature of the Celanese Contracts enables us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts.

We offer a comprehensive range of terminal and storage of liquid chemical services ranging from loading and discharging of liquid chemical products at our jetties and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure. Through our own terminal facilities, including storage tanks, dedicated pipelines, jetties and the related exclusive coastline use right, we are able to enhance our ability to manage our operation cost and provide flexibility for our future business expansion. As of the Latest Practicable Date, we had three terminals, namely Nanjing terminal, Tianjin terminal and Ningbo terminal. The Nanjing terminal is operated by Nanjing Dragon Crown, our subsidiary, whereas (i) the Tianjin terminal is operated by Tianjin Tianlong and Tianlong Haixiang, our Associated Entities; and (ii) the Ningbo terminal is operated by Ningbo Ningxiang and Ningbo Xinxiang, our Jointly-controlled Entities. All our terminals in Nanjing, Tianjin and Ningbo are licenced to handle hazardous chemicals, including those classified as Category A Dangerous goods in national standards in the PRC. In addition, our jetties are authorised to allow both foreign and domestic vessels to load and discharge their products.

Our terminal in Nanjing is located inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in “Industry Overview – Chemical Storage and Logistics Industry” in this prospectus. The Nanjing Chemical Industry Park occupies an area of approximately 45 km² and is located along the Yangtze River with a total coastline of 14 km. The Nanjing Chemical Industry Park is one of the major acetic acid production bases in the world, and also one of the leading production bases for ethylene, aromatics, caprolactam, raw materials for Polyurethanes, oil refining and differential mucilage glue fiber in the PRC. At present, a number of multinational chemical enterprises have established production facilities in the Nanjing Chemical Industry Park.

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As the chemical terminal service industry is capital intensive and subject to strict PRC government approvals, HSE and licensing requirements, our Directors consider that our industry is characterised by a high entry barrier. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and the designed throughput capacity 2.6 million metric tonnes of our jetties is larger than that of our counterparts. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in “Industry Overview – Our Chemical and Storage Services” in this prospectus. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is one of the major chemical enterprises in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts. Our Nanjing terminal locates approximately 15 km away from the production facilities of Celanese. We enjoy a strategic location advantage over our competitors in the Nanjing Chemical Industry Park as we are in the shortest distance to Celanese among our competitors in the Nanjing Chemical Industry Park. In addition, we have constructed dedicated pipelines connecting our terminal to our customers’ production base inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipelines can avoid product cross-contamination. Benefited from competitive advantages arising from the strategic location of our terminal and dedicated pipelines connecting with our customers’ production base in the Nanjing Chemical Industry Park, we have an advantage in serving customers inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC.

Our Nanjing terminal is the key source to our revenue and profit. We established Nanjing Dragon Crown, our non-wholly owned subsidiary, in 2004. Nanjing Dragon Crown is owned as to 88.61% and 11.39% by DC Petrochemicals and Nanjing CIPC, respectively. During the Track Record Period, profit contributed by our Nanjing terminal amounted to approximately 68.9%, 89.3%, 94.6% and 94.5% of our total profit, respectively. According to the articles of associations of Nanjing Dragon Crown, the term of Nanjing Dragon Crown is for the period from 26 April 2004 to 25 April 2054, and may be extended as agreed by the shareholders of Nanjing Dragon Crown upon the approval by competent government authorities.

Apart from our operation in Nanjing, we, through our Associated Entities/Jointly-controlled Entities, also provide terminal and storage services of liquid chemical products in Tianjin and Ningbo. Tianjin and Ningbo are major cities in the PRC having large growth potential for liquid chemical products. Our terminals located in Tianjin and Ningbo enjoy the high growth potential of these cities. The locations of our terminals in Tianjin and Ningbo are close to jetties, highway and rail tracks and are easily accessible by vessels,

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delivery trucks and/or railcars which allow efficient and safe transportation of the liquid chemical products to our customers' factories, production facilities or other destinations in a cost effective manner.

We may handle liquid chemical products through our jetties or through other delivery facilities, including pipelines, delivery trucks and/or rail. The following table provides an overview of liquid chemical products we handled through jetties or other delivery facilities in Nanjing, Tianjin and Ningbo during the Track Record Period:–

Terminals		Total actual throughput for the year ended 31 December			Total actual throughput for the six months ended 30 June 2010
		2007	2008	2009	
		<i>(metric tonnes)</i>			
Nanjing terminal operated by our subsidiary	Jetties	556,500	750,400	926,600	745,900
	Other delivery facilities	<u>27,000</u>	<u>100,200</u>	<u>314,800</u>	<u>166,000</u>
	Total	<u><u>583,500</u></u>	<u><u>850,600</u></u>	<u><u>1,241,400</u></u>	<u><u>911,900</u></u>
Tianjin terminal operated by our Associated Entities	Jetty	367,600	311,400	242,100	129,000
	Other delivery facilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,900</u>
	Total	<u><u>367,600</u></u>	<u><u>311,400</u></u>	<u><u>242,100</u></u>	<u><u>130,900</u></u>
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	Jetty	42,100	26,200	23,800	9,700
	Other delivery facilities <i>(Note)</i>	<u>114,100</u>	<u>167,900</u>	<u>254,900</u>	<u>152,500</u>
	Total	<u><u>156,200</u></u>	<u><u>194,100</u></u>	<u><u>278,700</u></u>	<u><u>162,200</u></u>

Note: Other delivery facilities in Ningbo include the jetty operated by Port Authority (港務部) in Ningbo.

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The following table provides an overview of storage tanks in Nanjing, Tianjin and Ningbo:–

Jetties	Number of berth	Total designed berthing capacity (Note 1) (dwt)	Total annual designed throughput capacity (metric tonnes)	Total annual actual throughput				Utilisation rate (Note 2)			
				For the year ended 31 December		For the six months ended 30 June		For the year ended 31 December			For the six months ended 30 June
				2007	2008	2009	2010	2007	2008	2009	2010
Nanjing terminal operated by our subsidiary	2	25,000	2,600,000	556,500	750,400	926,600	745,900	21.4	28.9	35.6	57.4 (Note3)
Tianjin terminal operated by our Associated Entities	1	3,000	301,600 (Note 4)	297,310 (Note 5)	250,040 (Note 5)	164,100 (Note 5)	79,620 (Note 5)	98.6	82.9	54.4	52.8
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	1	3,000	100,000	42,100	26,200	23,800	9,700	42.1	26.2	23.8	19.4

Notes:

- There were no changes to the designed berthing capacities of our jetties during the Track Record Period and as of the Latest Practicable Date.
- The utilisation rate is calculated by our record of the annual actual throughput via jetties divided by (i) the total annual designed throughput capacity of jetties for the Nanjing terminal and Ningbo terminal; and (ii) the total annual adjusted designed throughput capacity of the jetty for the Tianjin terminal in relation of the operating period.
- Based on the historical growth of the utilisation rate, it is expected that the utilisation rate of the jetties at our Nanjing terminal will be further increased and it is necessary for us to construct an additional jetty to cope with our future growth.
- The annual designed throughput capacity was 115,600 metric tonnes which was based on the assumption that the storage tank capacity in Tianjin was 16,000 m³ and its turnaround was 8.5 times per year. Due to the growth of the storage tank capacity in Tianjin, the storage tank capacity in Tianjin has been increased to 24,900 m³. In addition, since it is operated substantially under short-term spot rental service contracts, Associated Entities in Tianjin could efficiently improve the turnaround of the jetty facilities. As such, our Associated Entities in Tianjin have improved the annual designed throughput capacity of the jetty in Tianjin to 301,600 metric tonnes.
- The designed throughput capacity of our jetty is calculated based on the storage tanks capacity when the jetty was being constructed. During the Track Record Period, in relation to the Tianjin terminal, which was operated by our Associated Entities, the handling of liquid chemicals might be delivered directly without involving the usage of storage tanks. During the Track Record Period, in addition to the actual throughput passing through our jetty set forth above, the total actual throughput passing through our jetty without involving the usage of storage tanks in the Tianjin terminal amounted to approximately 70,290 metric tonnes, 61,360 metric tonnes, 78,000 metric tonnes and 49,380 metric tonnes, respectively.

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The following table provides an overview of terminals in Nanjing, Tianjin and Ningbo:–

Storage tanks	Number of storage tanks				Total designed storage capacity				Total actual throughput				Types of liquid chemical products handled
	As of 31 December		As of 30 June		As of 31 December		As of 30 June		For the year ended 31 December		For the six months ended 30 June		
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	
	<i>(m³)</i>								<i>(metric tonnes)</i>				
Nanjing terminal operated by our subsidiary	15	20	20	20	102,000	152,000	152,000	152,000	583,500	850,600	1,241,400	911,900	Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide
Tianjin terminal operated by our Associated Entities	15	15	15	15	24,900	24,900	24,900	24,900	297,300	250,000	164,100	81,600	ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	12	12	12	12	29,000	29,000	29,000	29,000	156,200	167,200	185,700	105,100	adiponitrile, methanol, phenol, Dimethylformamide and Diethanolamine

Our Nanjing terminal is operated by our subsidiary. During the Track Record Period, the handling of liquid chemicals in our Nanjing terminal would necessarily involve the usage of our storage tanks. As such, the total actual throughput of our terminal facilities in Nanjing was the same as the total actual throughput of our storage tanks in Nanjing. The Tianjin terminal is operated by our Associated Entities and the Ningbo terminal is operated by our Jointly-controlled Entities. The handling of liquid chemicals in the Tianjin terminal and the Ningbo terminal might be delivered directly without involving the usage of storage tanks. As such, the total actual throughputs of terminal facilities in Tianjin and Ningbo were more than the total actual throughputs of storage tanks in Tianjin and Ningbo.

We regard safety, occupational health and environmental protection as our top priority. Over the years, we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our policies also meet the standards imposed by our international and domestic customers. Further, to ensure that our staff are fully aware of and comply with our HSE policies, we provide regular trainings to all of our staff. We have also established relevant emergency action plans in case of any accidents in our production facilities. We are awarded the Certificate for Safety Production Standard Level II Enterprise by Jiangsu Administration of Work Safety in Nanjing on safety, occupational health and environmental matters and also awarded the Certificates of Compliance by Zhejiang Province of Work Safety on Chemical Enterprise Safety Standardisation in Ningbo for our achievement in maintaining high standard of safety measures. During the Track Record Period, since our HSE policies were in compliance with the national and industry standards as well as such standards imposed by our international

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and domestic customers, we had been able to maintain a high HSE standard which enables us in building our well-established reputation as a reliable and safe liquid chemical terminal service provider.

We have achieved significant growth in our revenue and net profit during the Track Record Period. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, we recorded revenue of approximately HK\$58.5 million, HK\$150.1 million, HK\$198.5 million and HK\$117.7 million, respectively. During the same periods, our net profit amounted to approximately HK\$32.5 million, HK\$72.0 million, HK\$101.9 million and HK\$66.9 million, respectively. The substantial increases in revenue and net profit during the Track Record Period were mainly attributable to (i) the growing trend of the throughput volume of liquid chemical products handled by us; and (ii) the commencement of operation of our phase II facilities in Nanjing. Our phase I facilities in Nanjing was completed in 2007 and the operation for the Celanese (Nanjing) Contract commenced in April 2007 (for Acetic Acid and Methanol). In 2007, the Celanese (Nanjing) Contract contributed revenue of approximately HK\$56.6 million, representing approximately 96.8% of our total revenue. Our phase II facilities in Nanjing was completed in 2008 and the operations for (i) the Celanese Acetyl Contract commenced in April 2008 (for Acetic Anhydride) and (ii) the Celanese Diversified Contract commenced in May 2008 (for VAM) and July 2008 (for Ethylene). In 2008, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract in aggregate contributed revenue of approximately HK\$143.2 million, representing approximately 95.4% of our total revenue. In 2009, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract were in full year operation and the total revenue contributed amounted to approximately HK\$192.0 million, representing approximately 96.7% of our total revenue.

Leveraging our specialised integrated terminal services, we are committed to becoming the leading provider of integrated terminal services for liquid chemical products in the PRC. We strive to capitalise on the development trend of the PRC liquid chemical market and continue to focus on the provision of terminal and storage services to leading liquid chemical manufacturers. We aim to maintain our established and long-term relationships with our customers, and strive to become the exclusive or primary liquid chemical terminal service provider for them.

OUR COMPETITIVE STRENGTHS

We believe that our historical success and the foundation for future growth can be attributed to our principal competitive strengths as follows:

Well-established integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products in the PRC

As the chemical terminal service industry is capital intensive and subject to strict PRC government approvals, HSE and licensing requirements, our Directors consider that our industry is characterised by a high entry barrier. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and our the designed throughput capacity 2.6 million metric tonnes of our jetties is larger than that of our competitors. Further information on the

BUSINESS

ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in “Industry Overview – Our Chemical and Storage Services” in this prospectus. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is one of the major chemical enterprises in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts. Our Nanjing terminal locates approximately 15 km away from the production facilities of Celanese. We enjoy a strategic location advantage over our competitors in the Nanjing Chemical Industry Park as we are in the shortest distance to Celanese among our competitors in the Nanjing Chemical Industry Park. In addition, we have constructed dedicated pipelines connecting our terminal to our customers’ production base inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipelines can avoid product cross-contamination. Benefited from competitive advantages arising from the strategic location of our terminal and dedicated pipelines connecting with our customers’ production base in the Nanjing Chemical Industry Park, we have an advantage in serving customers inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC.

During the Track Record Period, a substantial portion of our profit was attributable to our operation in Nanjing. Our terminal is located inside the core part of the Nanjing Chemical Industry Park. As of the Latest Practicable Date, the Nanjing Chemical Industry Park was the largest chemical industry park in the Yangtze River Delta Region in terms of actual production volume in 2009 and hence there is a strong demand for liquid chemical products inside the Nanjing Chemical Industry Park. As a result of (i) our early presence in Nanjing; and (ii) the strategic location of our terminal and storage facilities in Nanjing, we have an advantage in serving enterprises inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC. We are an integrated terminal service provider and are able to offer a comprehensive range of terminal and storage of liquid chemical services ranging from loading and discharging of liquid chemical products at our terminals and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure. We own the necessary assets and facilities, such as dedicated jetties, storage tanks and pipelines for the provision of our services. Leveraging on the geographical advantage and our expertise in the industry, we have constructed a series of dedicated pipelines connecting our storage tanks in Nanjing to our customers’ factories which is approximately 15 km away. Chemical products can then be delivered directly from our storage tanks to our customers’ destination. Such piped delivery will ensure safe and environmental friendly transfer of chemicals in a cost effective manner. Our integrated services and self-owned assets facilitate us to provide integrated service to meet our customers’ specific needs and requirements and enable us to have a better control of our

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costs and enhance our cost effectiveness, and ensure timely provision of our services. Further, as of the Latest Practicable Date, we were one of the 13 specialist chemical terminal service providers in China that are capable and qualified to handle Cryogenic Ethylene which is liquefied and stored/transported as an cryogenic (deep-cooled) liquid at -104 degree Celsius.

Entrenched relationships with high quality customers

We have established a high quality customer base. We have established stable and long-term relationships with our major customers. We have business relationships with domestic and multinational customers in the liquid chemical industry for whom we have been providing them with our specialised integrated services for many years. We have received various awards and recognitions, such as Cooperation Award (多元合作獎) from Celanese, a global leader in the chemicals industry which signify our customers' satisfaction with our services provided. We believe that our stable and long term working relationships with our customers is an invaluable asset to our business which ensures us a source of recurring revenue. In particular, we have maintained over five years of business relationship with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl. We believe that our good working relationships with our customers play an important role for us to promote and develop our business and enhance our profile in both domestic and international markets.

Sustainable and predictable earnings secured by long term service contracts

During the Track Record Period, we entered into long-term terminal service contract with (i) Celanese (Nanjing) for the provision of terminal and bulk chemical storage for Acetic Acid and Methanol for a term commencing on 1 April 2004 and extended for a period of fifteen years from 1 April 2007 to 31 March 2022 and the contract shall automatically renew for successive one year period afterwards; (ii) Celanese Diversified for the provision of terminal and bulk chemical storage for Ethylene and VAM for a term commencing on 1 June 2006 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract (which the commercial operation date for Ethylene facility is 1 July 2008 and the commercial operation date for VAM facility is 1 May 2008) and the contract shall automatically renew for successive one year period afterwards; and (iii) Celanese Acetyl for the provision of terminal and bulk chemical storage for Acetic Anhydride for a term commencing on 20 March 2007 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract which started from 15 April 2008 and the contract shall automatically renew for successive one year period afterwards, respectively. Our long-term service contracts with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl provided for a minimum contract sum subject to adjustment to be paid by each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl monthly throughout the contract term. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, (i) revenue derived from Celanese (Nanjing), one of our major customers, accounted for approximately 96.8%, 56.9%, 44.4% and 47.9% of our total revenue, respectively; (ii) revenue derived from Celanese Diversified, one of our major customers, accounted for approximately 1.7%, 29.2%, 42.3% and 40.7% of our total revenue, respectively; and (iii) revenue derived from Celanese Acetyl, one of our major customers, accounted for approximately nil, 9.2%, 10.0% and 8.6% of our total revenue, respectively.

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Our long-term service contracts with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl provided for an aggregate annual fixed contract sum, which is calculated based on a fixed fee and an operational fee based on the minimum throughput volume and which is payable monthly, of not less than approximately RMB156.3 million in 2010 subject to adjustment to be paid by each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl throughout the contract term. The adjustment terms in such long-term service contracts relate to adjustments to be made annually on changes of consumer price index, utilities charges and wages during the contract term. Any early termination of the contracts by Celanese Diversified will subject them to the payment of a termination fee comprises, inter alia, the fixed contract sum adjusted by an agreed interest discounting factor for the remaining years of the initial term of the long-term service contract. The revenue and income generated from our customers with long-term service contracts are generally more stable and less exposed to market volatilities compared to those customers who demand for our spot rental services, and hence maintain the stability of our gross profit margin.

Early mover advantage in market with high growth potential and good reputation

We have a proven track record of providing liquid chemical products terminal and storage services since our establishment in Ningbo in the early 1990s. Since our establishment, we have achieved an early-mover advantage as an integrated service provider of terminal and storage services with fewer competitors in the market. Having the early presence in the market in the early 1990s, we are able to secure coastline with geographic advantage along Nanjing, Tianjin and Ningbo, which are scarce resources in the PRC and vital for our cost management and business expansion. Through our own terminal facilities, including storage tanks, dedicated pipelines, jetties and the related exclusive coastline use right, we are able to enhance our ability to manage our operation cost and provide flexibility for our future business expansion. We have successfully implemented our expansion strategies in the PRC and established and constructed our terminals in Nanjing, Tianjin and Ningbo. Nanjing port is one of the major inner river ports in Asia and is an important hub for transshipment along the Yangtze River. The Nanjing port is a natural deep water port which is capable of accommodating large vessels of up to 50,000 dwt and our jetties in Nanjing are capable of accommodating vessels of up to 20,000 dwt. Tianjin is an important industrial base with major industries include petrochemical, textiles, car manufacturing, mechanical industries and metalworking; whereas Ningbo is another major cities in the PRC for chemicals production and processing. Our Directors believe that the strategic locations of our terminals in Nanjing, Tianjin and Ningbo are well positioned to enjoy the high potential growth for liquid chemical products of these cities. We also have a established track record for providing reliable and safe liquid chemical terminal and storage services since our establishment. We believe that our proven track record and reputation give us an important competitive advantage to strengthen our market position, enhance our profile in domestic and international market and develop new business and projects. Our good reputation also facilitates us to retain and attract customers in the industry for our future development.

Consistently achieve the national and industry standards on HSE requirements

Our business operations involve the storage and handling of liquid chemical products that are potentially dangerous. Improper handling of these products could result in damage to, or destruction of, properties or terminal facilities, personal injury, environmental damage,

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business interruption and possible legal liability. We regard safety, occupational health and environmental protection as our top priority. Over the years, we have been providing terminal services and we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our policies also meet the standards imposed by our international and domestic customers. Further, to ensure that our staff are fully aware of and comply with our HSE policies, we provide regular trainings to all of our staff. We have also established relevant emergency action plans in case of any accidents in our production facilities. Our stringent policies and achievement in meeting the national and industry standards on safety, occupational health and environmental matters have enabled us in building our reputation as a reliable and safe liquid chemical terminal and storage service providers since our establishment. Our proven track record on HSE enables us to (i) maintain business relationship with our existing customers; and (ii) replicate our success in Nanjing to other coastal regions in China through establishment of new liquid chemical terminals with existing or new customers. Since our establishment, we have been able to maintain a high safety standards and have not experienced any material accidents or injuries during our operation. We were awarded the “Certificate for Safety Production Standard Level II Enterprise” by Jiangsu Administration of Work Safety in Nanjing on safety, occupational health and environmental matters and also awarded the Certificates of Compliance by Zhejiang Province of Work Safety on Chemical Enterprise Safety Standardisation in Ningbo for our achievement in maintaining high standard of safety, occupational health and environmental measures. Details of the measures taken by us on safety control, occupational health and safety are set out in “Business – Safety Control, Occupational Health and Safety” in this prospectus.

Stable and experienced management team

Our Directors and management team have significant industry experience and in-depth knowledge in the industry. They also possess significant experience in financial management and business operations and have strong customer relationship. In particular, Mr. NG, our chairman and Mr. TING Yian Ann, our chief executive officer and an executive Director, has around 22 and 22 years of experience in the industry, respectively. Also, many members of our management team are experienced and well-equipped with the technical and specialised knowledge in the industry. A number of our Directors and senior management have been working for the Group since the commencement of our business in 1988 and are familiar with our business operations and corporate culture. We believe that such strong combination of knowledge and experience is crucial to our future business development. Further details of our Directors and senior management are set out in “Directors, senior management and staff” in this prospectus.

OUR GROWTH STRATEGIES

Leveraging our competitive strengths and with the business objective to become one of the leading integrated liquid chemical terminal service providers in China, we plan to pursue the following growth strategies:

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Further expansion on our existing terminal and storage business

We seek to capitalise on the development trend of the PRC liquid chemical market and continue to focus on the provision of terminal and storage service to leading liquid chemical manufacturers. We aim to maintain our established and long-term relationships with our customers, and strive to become the exclusive or primary liquid chemical terminal service provider for them.

Leveraging on our experience and integrated service capabilities in the terminal and storage of liquid chemical products business, we plan to continue to improve and expand our terminal and storage business. We seek opportunities to construct and expand additional jetties to increase the throughput volume for our terminal business. We intend to expand and construct additional storage tanks to capture the expected growth in the liquid chemical industry. We also seek to enhance our terminal facilities through the upgrade of our advanced equipment and sophisticated electrical data control and management information systems.

We intend to construct 10 spherical storage tanks and other associated facilities at our terminal located in the Nanjing Chemical Industry Park, of which six of them are spherical storage tanks dedicated for storage of propylene with aggregate storage capacity of 15,000 m³; and four of them are spherical storage tanks dedicated for storage of butylene and butadiene with aggregate storage capacity of 10,000 m³.

Based on the currently anticipated approval timetable, the construction of all spherical storage tanks are scheduled for completion by the fourth quarter of 2013. Through the construction of the above spherical storage tanks, we can meet customers' increasing demands for full spectrum of special liquid chemical terminal and storage services which in turn, broaden our revenue bases and strengthen our storage capability.

In addition, we intend to construct nine general purpose storage tanks with an aggregate storage capacity of 18,000 m³ and other associated facilities at our terminal located in the Nanjing Chemical Industry Park.

As of the Latest Practicable Date, we had reserved land at our Nanjing terminal, of which we are entitled to the land use right thereof, for new tanks development amounted to approximately 80,000 m² in our Nanjing terminal. As of the Latest Practicable Date, such 80,000 m² land was vacant for our future development. Such 80,000 m² land may also be utilised for the potential expansion under the Celanese Contracts, details of which are set forth in "Business – Our business – Our business in Nanjing – (iii) Our relationship with Celanese – (d) Other information" in this prospectus.

Through the construction of the above storage tanks, we can strengthen our storage capacity of liquid chemical in order to capture new spot and long term terminal business. We intend to upgrade the electrical data control and management information systems to further improve and manage our storage operations and allow information to be exchanged electronically with our customers for loading and discharging and delivery our liquid chemical products from our terminals and storage tanks and the Chinese customs for the procedures required for customs declaration.

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We intend to cooperate with Nanjing CIPC for further development of terminal and storage services in Nanjing. As of the Latest Practical Date, we were negotiating with Nanjing CIPC for the development of phase III facilities in Nanjing. Our Directors expect that the whole project of phase III facilities in Nanjing can be completed by the second quarter of 2014. We intend to construct our third jetty at our terminal located in the Nanjing Chemical Industry Park. The construction of our third jetty, which will have necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt and with an additional throughput capacity of approximately one million metric tonnes, is scheduled for completion by the fourth quarter of 2013 based on the currently anticipated approval timetable. Upon completion of the phase III facilities in Nanjing, our entire liquid chemical terminal services and business in Nanjing will have a total of three jetties. Further, we intend to construct our dedicated railway system linking our tank farm located in the Nanjing Chemical Industry Park to the private railway system of the Nanjing Chemical Industry Park. Rail connection to our terminal with the Nanjing Chemical Industry Park will be constructed and our Directors expect that the rail connection will be completed by the third quarter of 2012. Relevant licences and government approvals will be required for the construction and operation of our third jetty and the dedicated railway system. As of the Latest Practicable Date, we had completed the initial feasibility report and had applied to relevant governmental authorities for licences and government approvals for the third jetty. Based on our experience on the operation of terminal services in Nanjing and the advice from our PRC Legal Adviser, there are no obstacles for us to obtain such licences and government approvals. In relation to the private railway system, we are currently examining the feasibility and our legal and financial obligations on such project and relevant applications to relevant governmental authorities will be made in due course.

Replicate our success in Nanjing to other coastal regions in China

With the aim to becoming one of the leading integrated liquid chemical terminal and storage service providers in China, we plan to expand our business through establishing new terminal and storage bases in other areas in China.

On 18 August 2010, DC Petrochemicals entered into a non-binding memorandum of understanding (the “MOU”) with Taicang Sinochem International Xingye Petrochemical Development Company Limited (太倉中化國際興業石化開發建設有限公司), an Independent Third Party, in relation to the provision of exclusive terminal and storage services of condensed oil and liquid chemicals by our Group to Taicang Sinochem International Xingye Petrochemical Development Company Limited (太倉中化國際興業石化開發建設有限公司) in Taicang, Jiangsu Province. According to the business licence of Taicang Sinochem International Xingye Petrochemical Development Company Limited (太倉中化國際興業石化開發建設有限公司), the business scope of Taicang Sinochem International Xingye Petrochemical Development Company Limited (太倉中化國際興業石化開發建設有限公司) is the construction of port infrastructure and facilities, development of petrochemical project, production and sales of condensed oil and aromatic hydrocarbon. Pursuant to the MOU, it is proposed that we will construct a jetty and related facilities for the terminal and storage services of condensed oil and liquid chemicals with storage capacity of 300,000m³. Our services to be provided will include the loading and discharging of raw materials, terminal and storage of condensed oil and liquid chemicals and logistics services. It is expected that the

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construction work will start in 2011 and operation will commence in 2013. It is further expected that the annual throughput of condensed oil of Taicang Sinochem International Xingye Petrochemical Development Company Limited (太倉中化國際興業石化開發建設有限公司) will amount to 2,000,000 metric tonnes and the estimated production volume of diesel fuel and aromatic hydrocarbon will amount to 600,000 metric tonnes and 700,000 metric tonnes, respectively. It is the present intention of our Directors that the net proceeds from the Global Offering will not be applied for transactions contemplated under the MOU. The relevant expenditures in relation to the transactions contemplated under the MOU will be financed by our internal resources and/or external project financing, subject to the then market conditions.

Although it is expected that the construction work will start in 2011 and operation will commence in 2013, such dates are only the target timeline parties to the MOU strive to achieve and which may be subject to changes. As of the Latest Practicable Date, parties to the MOU had not decided when the formal agreement would be executed. In addition, since the MOU only set out the preliminary assessment of the project, further details, including the contract period, pricing structure and the expected cost of the construction, had not yet been determined. We are currently considering the feasibility of our expansion plan in Taicang and our legal and financial obligations in our expansion plans in such area. Our Directors believe that there will not be any material obstacles for the implementation of our expansion plans in such area.

Enhance operational efficiency and cost competitiveness through vertical integration

During the Track Record Period, our business has been substantially focused on the terminal and storage services for liquid chemical products. We intend to further enhance our operational efficiency and expand our business through vertical integration of our business. We seek opportunities to acquire relevant assets for our terminal business such as vessels, delivery trucks, etc. from third-party market players to achieve operational efficiency and cost competitiveness and enhance our business development.

As at the Latest Practicable Date, we had not yet identified any suitable assets for acquisition and accordingly there is no concrete acquisition schedule and financing method. In addition, the net proceeds from the Global Offering will not be applied for the possible acquisition of assets for our intended vertical integration.

Enhance service portfolio

Different types of liquid chemicals are required to be stored under different conditions. Some of the liquid chemicals are required to be stored at a chilling condition or a cryogenic condition while others require heating. Our storage tanks are featured with different specifications and characteristics to accommodate specific storage requirements for wide range of liquid chemicals products.

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Leveraging on our experience on the storage services of liquid chemical products and construction of new pressurised storage tank farms at our terminal located in the Nanjing Chemical Industry Park, we intend to extend our product portfolio to enhance our liquid chemical storage tanks for the storage of a wider variety of liquid chemical products, which include butylene, butadiene and propylene.

Increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities

As of the Latest Practicable Date, we were interested in (i) 88.61% equity interests in Nanjing Dragon Crown, being our non-wholly owned subsidiary; (ii) 65% equity interests in Tianjin Tianlong, being our Associated Entity; and (iii) 60% equity interests in Ningbo Xinxiang and Ningbo Ningxiang, both being our Jointly-controlled Entities. We are negotiating with our joint venture partners in such non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities to seek the opportunity in increasing our equity interests. As of the Latest Practicable Date, no legally binding agreement had been entered into in relation to such negotiations.

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OUR BUSINESS MODEL

We are an integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products. We provide terminal services in Nanjing, Tianjin and Ningbo.

Set out below is a breakdown of revenue of our principal business in Nanjing, Tianjin and Ningbo during the Track Record Period:

Revenue	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Subsidiary					
Nanjing Dragon Crown <i>(Notes 1 and 5)</i>	58,474	150,095	198,547	95,063	117,719
Associated Entities/ Jointly-controlled Entity					
Ningbo					
Ningbo Ningxiang <i>(Notes 2 and 5)</i>	1,149	1,291	1,735	719	786
Ningbo Xinxiang <i>(Notes 3 and 5)</i>	3,513	4,102	5,006	2,556	2,486
Tianjin					
Tianjin Tianlong <i>(Notes 4 and 5)</i>	13,633	15,024	10,467	5,490	5,901

Notes:

1. We owned 88.61% equity interest in Nanjing Dragon Crown as of the Latest Practicable Date.
2. We owned 60% equity interest in Ningbo Ningxiang as of the Latest Practicable Date.
3. We owned 60% equity interest in Ningbo Xinxiang as of the Latest Practicable Date.
4. We owned 65% equity interest in Tianjin Tianlong as of the Latest Practicable Date. Tianlong Haixiang is wholly owned by Tianjin Tianlong and therefore, Tianlong Haixiang's contribution to our revenue has been consolidated with that of Tianjin Tianlong.
5. Nanjing Dragon Crown, being our subsidiary, accounted for using merger basis under which its assets and liabilities, income and expenses and cash flows are combined and be included in the relevant components of our combined financial accounts. Tianjin Tianlong and Tianlong Haixiang are our Associated Entities; Ningbo Xinxiang is our Jointly-controlled Entity; and Ningbo Ningxiang was our Associated Entity (before the Dragon Bussan Reorganisation) and is our Jointly-controlled Entity (pursuant to the Dragon Bussan Reorganisation). According to our accounting policies, our interests in these Associated Entities and Jointly-controlled Entities are stated in the combined statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Our share of the results of Associated Entities and Jointly-controlled Entities is included in the combined statements of comprehensive income.

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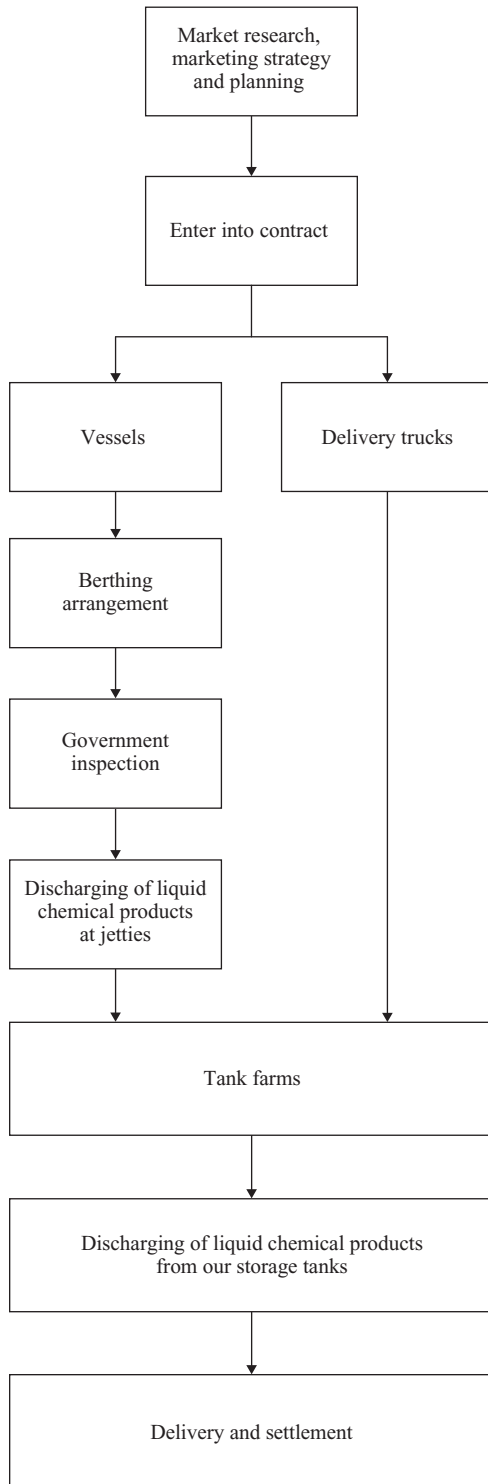
Liquid chemical products terminal and storage services

We provide liquid chemical products terminal and storage services. Liquid chemical products are loaded and discharged at our terminals located in Nanjing, Tianjin and Ningbo. The Nanjing terminal is operated by Nanjing Dragon Crown, our subsidiary, whereas (i) the Tianjin terminal is operated by Tianjin Tianlong and Tianlong Haixiang, our Associated Entities; and (ii) the Ningbo terminal is operated by Ningbo Ningxiang and Ningbo Xinxiang, our Jointly-controlled Entities. With our terminals facilities such as loading arms and flexible hoses, etc., liquid chemical products are loaded and/or unloaded from vessels at our jetties. We have marine loading/unloading pipelines which connect our tank farms to jetties at all of our Nanjing, Tianjin and Ningbo terminals. Pipelines are for dedicated chemical only so as to avoid products cross contamination. We provide storage services for liquid chemical products for our customers at our liquid chemical terminals strategically located in Nanjing, Tianjin and Ningbo. The locations of our liquid chemical terminals are close to jetties, highway and rail tracks and are easily accessible by vessels, delivery trucks and/or railcars which allow efficient and safe transportation of the liquid chemical products to our customers' factories, production facilities or other destinations in a cost effective manner. In light of bulk quantity, liquid chemical products of our customers are usually discharged from vessels at our jetties and delivered through our dedicated marine receive pipelines to our storage tanks and subsequently stored at our storage tanks. Afterwards, upon our customers' instructions, liquid chemical products are delivered to our customers' specified destinations through our dedicated pipelines or loaded into the trucks, vessels or railcars as per customers' delivering instructions. We charge our customers terminal and storage fees for our services.

Leveraging on our geographic advantages and capabilities of our terminals in Nanjing, Tianjin and Ningbo, we have adopted slightly different business model for our terminal and storage services in different locations. Further details are set out in "Our Business – Our business in Nanjing", "Our Business – Our business in Tianjin" and "Our Business – Our business in Ningbo" in this prospectus.

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The following diagram illustrates the business model for our liquid chemical products terminal and storage business:



Our business development team conducts market research and marketing activities via direct contact with our existing and potential customers. We peruse market analysis and industry report and attend international and local seminars and exhibitions regularly to ascertain market trend and latest requirements of the industry, and the needs of our customers and to promote our business.

Upon discussion and negotiation with our customers, we reach written agreement with our customers in relation to the provisions of our terminal and storage services. We enter into contract with our customers which sets out the terms, *inter alia*, the types of liquid chemical products, quantity, storage period, arrival date, loading time and services fees in relation to our terminal and storage services.

Due to bulk quantity, the majority of our customers' liquid chemical products are discharged via vessels at our jetties.

For smaller quantity of liquid chemical products, part of our customers' chemical products are transported via delivery trucks to our terminals in Ningbo and Tianjin.

We assist our customers on berthing arrangements of vessels at our jetties.

We assist our customers in relation to the governmental and customs inspections which are conducted at our jetties.

Liquid chemical products are discharged at our jetties in Nanjing, Tianjin and Ningbo. In Ningbo, apart from our own jetty, liquid chemical products of our customers are also discharged at the jetty operated by Port Authority (港務局).

Liquid chemical products are delivered to our tank farms via dedicated pipelines.

Liquid chemical products are then stored at our tank farms in accordance with the requirements of our customers.

Upon instructions from our customers, liquid chemical products may be delivered from our storage tanks to our customers' specified destinations through (i) our dedicated pipelines (Note 1); (ii) delivery trucks; (iii) rail (Note 2); (iv) drums; or (v) vessels.

We arrange delivery of the liquid chemical products to our customers according to our customers' delivering instructions. For customers which enter into long-term contracts with us, they will settle our service fees normally within 30 to 60 days from the date of invoice.

For customers which entered into spot rental contracts with us, our service fees have to be settled before the delivery of the liquid chemical products from our storage tanks.

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Notes:

- (1) As of the Latest Practicable Date, the logistics mode for the delivery of liquid chemical products from our storage tanks to our customers' destination via dedicated pipelines directly connected to our customers' manufacturing facilities was only available for our operation in Nanjing.
- (2) As of the Latest Practicable Date, the logistics mode for the delivery of liquid chemical products via rail was available for our operation in Tianjin and Ningbo only.

As of 30 June 2010, our subsidiary, Nanjing Dragon Crown, operated two jetties in Nanjing and our Associated Entities and Jointly-controlled Entity, Tianjin Tianlong, Tianlong Haixiang, Ningbo Ningxiang and Ningbo Xianxiang, operated one jetty in each of Tianjin and Ningbo. Our jetties are well-equipped with specialised facilities such as loading arms, flexible hoses and dedicated pipelines, etc. for our terminal business. After cargo are discharged from marine vessels at our jetties or others' liquid chemical jetties in Ningbo, they are transferred to our shore side tank farm via dedicated pipelines. For smaller quantity of liquid chemical to be stored at our tank farms, such liquid chemical products may be delivered to our tank farms by delivery trucks to be unloaded through dedicated pipelines at truck unloading bay(s) inside our terminals.

As of 30 June 2010, (i) our subsidiary, Nanjing Dragon Crown, had an aggregate of 20 storage tanks for liquid chemical products which had an aggregate storage capacity of approximately 152,000 m³ in our Nanjing terminal; and (ii) our Associated Entities and Jointly-controlled Entity, Tianjin Tianlong, Tianlong Haixiang, Ningbo Ningxiang and Ningbo Xianxiang, had an aggregate of 27 storage tanks for liquid chemical products which had an aggregate storage capacity of approximately 53,900 m³ in the Tianjin and Ningbo terminals. Our storage tanks, including those of our Associated Entities and Jointly-controlled Entities, are capable for storage of different liquid chemical products including those highly poisonous petrochemical products. Major types of liquid chemical products currently stored in our storage tanks include Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol, sulfuric acid and vinyl acetate.

Our storage tanks, including those of our Associated Entities and Jointly-controlled Entities, are designed and constructed to different engineering standard and specifications, so as to suit that particular chemical's physical and chemical characteristics, ranging from cryogenic condition, to ordinary cooled condition, to ambient temperature condition, to heated condition, depending on the chemicals that we handle. As of the Latest Practicable Date, we were one of the 13 specialist chemical terminal service providers in China that are capable and qualified to handle Cryogenic Ethylene which is liquefied and stored/transported as an cryogenic (deep-cooled) liquid at -104 degree Celsius.

Upon the liquid chemical being discharged from our tank farm, liquid chemical are then delivered to our customers' designated locations according to our customers' instructions. In some cases, when liquid chemical(s) is/are delivered to our customers' factories or production facilities (as input raw material) and after processing such raw material input, our customers will further instruct us to deliver their finished products (another liquid chemical) to other destinations (their end-users). Upon receiving such instructions, the finished products (liquid chemical) will be transferred via dedicated pipelines into our storage tanks for storage and subsequently loading to road trucks and marine vessels inside our terminal for delivery to our customer's designated locations.

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With different geographical advantages of our terminal and our infrastructure capabilities, we adopt different transportation modes of delivery of liquid chemical from our storage tanks to our customers' destinations in Nanjing, Tianjin and Ningbo. Liquid chemical of our customers may be transported from our terminal to the customers' factories or production base by different modes, which generally include dedicated pipelines, road track trucks, rail, vessels and drums. In particular, leveraging on our geographical advantage of our Nanjing terminal, the operation of which is through our subsidiary, Nanjing Dragon Crown, and with its strategic location inside the core part of the Nanjing Chemical Industry Park, we have constructed and dedicated pipelines connecting our storage tanks in Nanjing to our customers' factories which is approximately 15 km away. Chemical products can be delivered directly from our storage tanks to our customers' factories, production facilities or other destination. Such piped delivery will ensure safe and environmental friendly transfer of chemicals in a cost effective manner. For all of our terminals in Nanjing, Tianjin and Ningbo, our Directors consider that we own the necessary infrastructure for loading customers' road-trucks, marine vessels, as well as drums filling.

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Our business in Nanjing

We provide terminal and storage services for liquid chemical products in Nanjing, the operation of which is through our subsidiary, Nanjing Dragon Crown.

Our terminal in Nanjing is located inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in "Industry Overview – Chemical Storage and Logistics Industry" in this prospectus. The Nanjing Chemical Industry Park occupies an area of approximately 45 km² and is located along the Yangtze River with a total coastline of 14 km. The Nanjing Chemical Industry Park is one of the major acetic acid production bases in the world, and also one of the leading production bases for ethylene, aromatics, caprolactam, raw materials for Polyurethanes, oil refining and differential mucilage glue fiber in the PRC. At present, a number of multinational chemical enterprises have established production facilities in the Nanjing Chemical Industry Park. Our Directors understand that the government has the ambition to develop the Nanjing Chemical Industry Park as a petrochemical production base, logistics centre and chemical research and development base with international standard.

According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and the designed throughput capacity 2.6 million metric tonnes of our jetties is larger than that of our competitors. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in "Industry Overview – Our Chemical and Storage Services" in this prospectus. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In

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relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is one of the major chemical enterprise in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts. Our Nanjing terminal locates approximately 15 km away from the production facilities of Celanese. We enjoy a strategic location advantage over our competitors in the Nanjing Chemical Industry Park as we are in the shortest distance to Celanese among our competitors in the Nanjing Chemical Industry Park. In addition, we have constructed dedicated pipelines connecting our terminal to our customers' production base inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipelines can avoid product cross-contamination. Benefited from competitive advantages arising from the strategic location of our terminal and dedicated pipelines connecting with our customers' production base in the Nanjing Chemical Industry Park, we have an advantage in serving customers inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC.

(i) Jetties

As of 30 June 2010, we owned two jetties in Nanjing for our terminal services of liquid chemical products.

Our two jetties in Nanjing are adjacent to each other and are located at the left bank of Baguazhou Zhouwei at Nanjing river section in the lower course of Yangtze River (長江下游南京河段八卦洲洲尾左岸), approximately 380 m from the lower course of the Bayi cross-river Bridge (八儀跨江大橋) which is under construction and approximately 25 km from the upper course of Nanjing Yang Tze River Bridge (南京長江大橋), and approximately 8 km to 10 km from the Chang Lu Kai Fa Pian District (長蘆開發片區). We are entitled to the use of coastline for approximately 374 m at our Nanjing jetties. Nanjing port is one of the major inner river ports in Asia and is an important hub for transshipment along the Yangtze River of China. Our Nanjing jetties are natural deep water jetties with water depth of 10.5 m, which are capable of mooring large vessels up to 20,000 dwt.

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As of 30 June 2010, there were an aggregate of two jetties that handle liquid chemical products at our Nanjing terminal, comprising one 5,000 dwt jetty and one 20,000 dwt jetty, both of which were constructed during our Phase I Nanjing Project in 2007. The annual designed throughput capacity of our jetties amounted to approximately 2.6 million metric tonnes.



Our Terminal Facilities in Nanjing

The following table provides an overview of the berth operator, designed berthing capacity, total annual designed throughput capacity of our jetties in Nanjing as of the Latest Practicable Date:

Operator	Berth	Designed berthing capacity (dwt)	Total annual designed throughput capacity (Note 1, 2 and 3)	Total actual throughput				Utilisation rate (Note 4)			
				For the year ended 31 December		For the six months ended 30 June		For the year ended 31 December		For the six months ended 30 June	
				2007	2008	2009	2010	2007	2008	2009	2010
				(metric tonnes)				(%)			
Nanjing Dragon Crown, our subsidiary	No. 1 Jetty (Small and Jetty) and No. 2 Jetty (Big Jetty)	25,000 dwt	2,600,000 (Note 1, 2 and 3)	556,500	750,400	926,600	745,900	21.4	28.9	35.6	57.4 (Note 5)

Notes:

1. The figure represents the total annual designed throughput capacity of both No. 1 Jetty and No. 2 Jetty.
2. There were no changes to the designed throughput capacities of our jetties during the Track Record Period and of the Latest Practicable Date.

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3. The total annual designed throughput capacity is based on the assessment of loading and discharging capacities of the jetties as approved by the relevant governmental authority for the construction.
4. The utilisation rate is calculated by our record of the annual actual throughput via jetties divided by the total annual designed throughput capacity of jetties.
5. Based on the historical growth of the utilisation rate, it is expected that the utilisation rate of the jetties at our Nanjing terminal will be further increased and it is necessary for us to construct an additional jetty to cope with our future growth.

Apart from handling liquid chemical products through our jetties, we may also handle liquid chemical products at our Nanjing terminal through piped delivery and tank trucks for road delivery. We may handle liquid chemical products through our jetties or through other delivery facilities, including pipelines and/or tank trucks. The following table provides an overview of liquid chemical products we handled through jetties of our Group or other delivery facilities in Nanjing during the Track Record Period:-

Terminal	Components	Total actual throughput for the year ended 31 December			Total actual throughput for the six months ended 30 June 2010
		2007	2008	2009	
		<i>(metric tonnes)</i>			
Nanjing terminal operated by our subsidiary	Jetties	556,500	750,400	926,600	745,900
	Other delivery facilities	<u>27,000</u>	<u>100,200</u>	<u>314,800</u>	<u>166,000</u>
	Total	<u><u>583,500</u></u>	<u><u>850,600</u></u>	<u><u>1,241,400</u></u>	<u><u>911,900</u></u>

Through our dedicated pipelines, we are able to provide our customers efficient discharge and loading services which reduce in-port time for relatively expensive chemical tankers. Our pipelines are used for carrying the liquid chemicals whereas a pipe rack is a structure for holding the pipelines. We own our dedicated pipelines but not pipe racks and we lease pipe racks from Nanjing CIPC. Details of the pipe racks agreements are set forth in “Connected transactions – Continuing connected transactions – Non-exempt continuing connected transaction – Continuing connected transactions subject to the announcement, reporting and independent Shareholders’ approval requirements – 11. Pipe Racks Agreements” in this prospectus.

(ii) Storage tanks

As of the Latest Practicable Date, there were an aggregate of 20 storage tanks in our Nanjing terminal, which mainly serves our major customers, Celanese (Nanjing), Celanese Diversified, Celanese Acetyl and other customers inside the Nanjing Chemical Industry Park.

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The following table sets forth the types of storage tanks, the number of storage tanks, the features of storage tanks, the total designed capacity and total actual throughput of our storage tanks at our Nanjing terminal during the Track Record Period:

	Types of Storage Tanks	No. of Storage Tanks	Features of Storage Tanks	Total designed capacity <i>(Note 1)</i> <i>(m³)</i>	Total actual throughput <i>(Note 2)</i> <i>(metric tonnes)</i>
As of/For the year ended 31 December 2007	Carbon steel	9	Ambient temperature, electrical heating, thermal protection and low temperature	63,000	218,100
	Stainless steel	6	Low temperature and ambient temperature	39,000	365,400
As of/For the year ended 31 December 2008	Carbon steel	11	Ambient temperature, electrical heating, thermal protection and low temperature	83,000	263,100
	Stainless steel	9	Low temperature and ambient temperature and cryogenic	69,000	587,500
As of/For the year ended 31 December 2009	Carbon steel	11	Ambient temperature, electrical heating, thermal protection and low temperature	83,000	515,800
	Stainless steel	9	Low temperature and ambient temperature and cryogenic	69,000	725,600
As of/For the six months ended 30 June 2010	Carbon steel	11	Ambient temperature, electrical heating, thermal protection and low temperature	83,000	339,400
	Stainless steel	9	Low temperature and ambient temperature and cryogenic	69,000	572,500

Notes:

1. The total designed capacity is based on the size of the storage tank being constructed.
2. While each of the storage tank is designed with a storage capacity in m³ for its construction, it is impracticable to set forth its designed throughput since the designed throughput of a storage tank relies on (i) density of different liquid chemical products; and (ii) the inbound and outbound pipelines as well as other associated facilities, instead of the storage tank itself.

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During the Track Record Period, the handling of liquid chemicals in our Nanjing terminal would necessarily involve the usage of our storage tanks, the total actual throughput of our terminal facilities in Nanjing was the same as of our storage tanks in Nanjing.

Apart from entering into long-term service contract with our customers, we also enter into short-term service contract with our customers for the provision of storage of liquid chemical products for less than one year. As of 30 June 2010, approximately 1.3% (amounting to approximately 2,000 m³) of our storage tanks at our terminal in Nanjing was under spot rental arrangement. During the Track Record Period, we had spot rental arrangement with each of our customers, including Dragon Crown (Shanghai) and Ningbo FTZ Dragon Crown.

As of the Latest Practicable Date, out of our 20 storage tanks, 15 of them were occupied by our customers with long-term service contracts. In relation to our long-term service contract customers, our dedicated storage tanks are reserved for such customers during the term of their respective contracts. In relation to our short-term service contract customers, our storage tanks are provided to them based on such period, which could be daily and monthly, as agreed between parties to the contract. The following table illustrates the occupancy of storage tanks at our Nanjing terminal:–

	For the year ended 31 December			For the six
	2007	2008	2009	months ended
	<i>(Number of storage tanks)</i>			30 June 2010
Operated for Celanese	6	13	13	13
Operated for another				
long-term service contracts	2	2	2	2
Operated under short-term				
service contracts	3	1	4	1
Available for leasing	4	4	1	4
	15	20	20	20

During the Track Record Period, we stored different types of chemical products at our storage tanks in Nanjing which include Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide.

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The following table illustrates the occupancy rate of our storage tanks in Nanjing during the Track Record Period:

	Storage capacity available at our terminal (m³)	Occupancy rate (%) (Note)
For the year ended 31 December 2007	102,000	92
For the year ended 31 December 2008	152,000	95
For the year ended 31 December 2009	152,000	95
For the six months ended 30 June 2010	152,000	95

Note: The occupancy rate is calculated by:

$$\text{Storage capacity at our terminal} \times \text{days leased} / \text{storage capacity available at our terminal} \times 365 \text{ days} \times 100\%$$

We recorded a stable occupancy rate of our storage tanks in Nanjing during the Track Record Period.

All of the storage tanks at our Nanjing terminal are owned by Nanjing Dragon Crown. Nanjing Dragon Crown is responsible for the daily operation of the storage tanks and shall bear all the expenses such as utility charges in relation to the operation of the terminal.

The location of our Nanjing terminal is inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in “Industry Overview – Chemical Storage and Logistic Industries” in this prospectus. It enables us to construct dedicated pipelines with the length of up to 15 km or more connecting our terminal to our customers’ production base inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipeline will avoid product cross-contamination.

Apart from piped delivery, chemical(s) can also be off-loaded from our storage tank(s) into tank trucks for road delivery to end users. Chemical(s) can also be off-loading from our storage tanks(s) into marine vessels for sea/river transportation to end users.

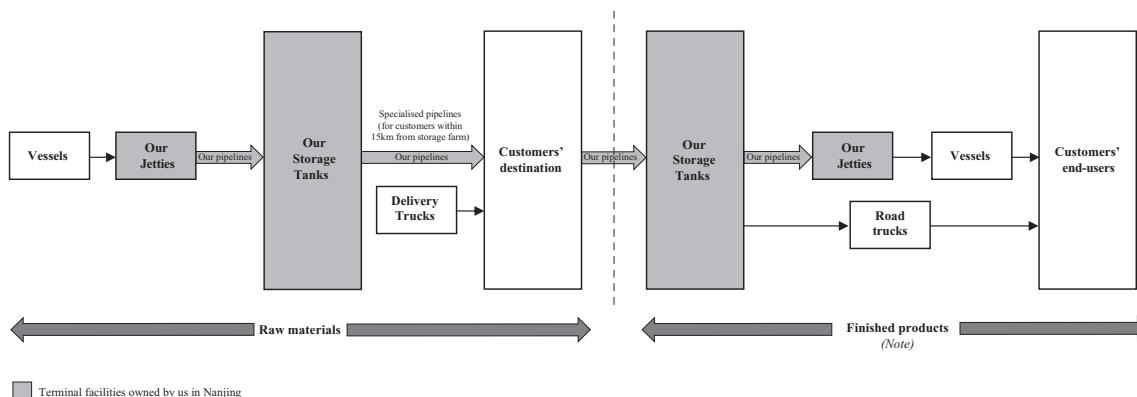
As of the Latest Practicable Date, we had reserved land at our Nanjing terminal, of which we are entitled to the land use right thereof, for new tanks development amounted to approximately 80,000 m² in our Nanjing terminal. As of the Latest Practicable Date, such 80,000 m² land was vacant for our future development. Further details of our new tanks development are set forth in “Business – Our growth strategies – Further expansion on our existing terminal and storage business” in this prospectus. Such 80,000 m² land may also be

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utilised for the potential expansion under the Celanese Contracts, details of which are set forth in “Business – Our business – Our business in Nanjing – (iii) Our relationship with Celanese – (d) Other information” in this prospectus.

The following diagram illustrates the different logistics modes of our Nanjing terminal:

Nanjing terminal operated by our subsidiary



Note: In some cases, when liquid chemical(s) is/are delivered to our customers' factories or production facilities (as input raw material) and after processing such raw material input, our customers will further instruct us to deliver their finished products (another liquid chemical) to other destinations (their end-users). Upon receiving such instructions, the finished products (liquid chemical) will be transferred via dedicated pipelines into our storage tanks for storage and subsequently loading to road trucks and marine vessels inside our terminal for delivery to our customer's designated locations.

(iii) Our relationship with Celanese

Our Directors consider that it is a common industry practice for industrial terminal service providers to sign long term service agreements, which specify the pricing terms of service, with their customers, mainly chemical product manufacturers. Through long term service agreements, terminal service providers can secure their return on substantial investment on the construction of jetties, storage tanks and/or dedicated pipelines. In addition, chemical product manufacturers can mitigate the risk of significant fluctuation in terminal service fee charged by service providers and ensure stable services provided by terminal service providers. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers, including our Nanjing terminal, inside the Nanjing Chemical Industry Park. To the best knowledge of our Directors, the other two independent terminal service providers inside the Nanjing Chemical Industry Park have similar long-term contracts with their customers. In addition, the number of customers is also limited by the restriction of distance since it will be costly to construct dedicated pipelines to serve customers in remote areas. Based on the capital and distance barriers, the Directors consider that piped terminal service providers generally provide services to a limited number of customers. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation

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to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, were our customers. In addition to our Nanjing terminal, there were two other independent terminal service providers inside the Nanjing Chemical Industry Park. These two other independent terminal service providers provided terminal services to the remaining two chemical enterprises inside the Nanjing Chemical Industry Park which required comprehensive terminal and storage services. As the Nanjing Chemical Industry Park is still expanding its business operation, it is expected that more chemical enterprises will expand their operations or establish their foundations inside the Nanjing Chemical Industry Park. Our Directors consider that such chemical enterprises will be our major potential customers for the future expansion of our Nanjing terminal.

During the Track Record Period, we entered into the long-term service contracts for a term of 15 years with (i) Celanese (Nanjing); (ii) Celanese Diversified; and (iii) Celanese Acetyl to provide chemical terminal storage and other related services for Celanese in Nanjing on a non-exclusive basis. Nonetheless, to the best knowledge of our Directors, Celanese had only engaged us for the provision of terminal and storage services in Nanjing, China as of the Latest Practicable Date. As the Celanese Contracts are on a non-exclusive basis, there could be possibility that Celanese may engage another service provider for terminal services in Nanjing. However, since such terminal services require construction of the necessary infrastructures, including the jetties, storage tanks and dedicated pipelines, which require substantial construction time and investment resources, the Directors consider that Celanese is also relying on our Group to provide the terminal services under the Celanese Contracts. The long-term nature of Celanese Contracts of the Celanese Contracts enables us to achieve a sustainable and predictable earnings during the remaining contract term. Our Directors believe that it is commercially favourable for our Group and in line with the industry practice to enter into the Celanese Contracts.

According to the annual report of Celanese Corporation, (i) Celanese Corporation is a company incorporated in 2005 under the laws of the state of Delaware, US and its shares are traded on the New York Stock Exchange; (ii) Celanese Corporation is a leading global integrated producer of chemicals and advanced materials and is one of the world's largest producers of acetyl products, which are intermediate chemicals for nearly all major industries, as well as a leading global producer of high performance engineered polymers that are used in a variety of high-value, end-use applications; and (iii) Celanese Corporation, as an industry leader, holds geographically balanced global positions and participates in diversified, end-use markets. According to the 2009 annual report of Celanese Corporation, it recorded (i) net sales of approximately US\$6,444 million, US\$6,823 million and US\$5,082 million; (ii) operating profit of approximately US\$748 million, US\$440 million and US\$290 million; and (iii) net earnings of approximately US\$426 million, US\$282 million and US\$488 million, for each of the three years ended 31 December 2009, and (i) net assets of approximately US\$1,062 million, US\$182 million and US\$584 million; and (ii) total assets of approximately US\$8,058 million, US\$7,166 million and US\$8,410 million, as of the year end of each of the three years ended 31 December 2009. The outlook of Celanese Corporation has been rated by Moody's Investors Service, Inc. as stable. Since shares of Celanese Corporation are traded on the New York Stock Exchange, further details of its financial performance and background information can be accessed through the website of the US Securities and Exchange Commission at www.sec.gov and the website of Celanese Corporation at www.celanese.com.

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Over years of cooperation, we have established stable and long-term relationships with Celanese and have maintained over five years of business relationship with Celanese. To signify our reliable services provided to Celanese, we were awarded the Co-operation Award (多元合作獎) from Celanese on 18 September 2007.

In light of our well-established relationship with Celanese and the bulk volume of liquid chemical of Celanese handled by us, we have constructed dedicated facilities pipelines connecting our Nanjing terminal directly to Celanese's manufacturing facilities inside the Nanjing Chemical Industry Park. Our pipelines are designed and dedicated for a particular chemical service only, with an ultimate intention to avoid product contamination.

In order to avoid product cross-contamination, pipelines pigging, cleaning and gas freeing should be conducted before switching over to other chemical service.

We have five dedicated pipelines (each 15 km long) serving Celanese's five different type of chemicals, hence pipeline pigging, cleaning and gas freeing is not required each time after delivery. This arrangement ensures safe, reliable and environmental friendly transfer of chemical products in a most cost effective manner.

We entered into Celanese (Nanjing) Contract, Celanese Diversified Contract and Celanese Acetyl Contract with Celanese and terms of each of them are substantially similar to each other, except for the contract party, the liquid chemicals specified and the period covered. Our Directors consider that terms under the Celanese Contracts are on normal commercial terms and in the ordinary business of our Group and which are similar to those of our Group's other independent and long-term customers. Details of the Celanese Contracts are as follows:-

(a) Our long-term service contract with Celanese (Nanjing)

On 1 April 2004, we entered into the terminal service contract with Celanese (Nanjing) to supply bulk chemical terminal and storage and other related services of Acetic Acid and Methanol for Celanese (Nanjing) in Nanjing, the PRC. The Celanese (Nanjing) Contract is supplemented by the amendment agreements dated 2 December 2005, 14 November 2007 and 18 August 2008, respectively. The terminal services provided under the Celanese (Nanjing) Contract include (i) loading and unloading of Acetic Acid and Methanol from railcars, tank trucks, barges, coastal tankers, isotanks and other modes of delivery as reasonably requested by Celanese (Nanjing); (ii) bulk marine loading and offloading of Acetic Acid and Methanol; (iii) other related jetty services; (iv) transferring Acetic Acid and Methanol to, from and between the terminal, jetty and the manufacturing facilities owned by Celanese (Nanjing) located in the Nanjing Chemical Industry Park. Celanese (Nanjing) shall have sole priority right to use our Nanjing terminal for itself or its affiliates' benefit and will enjoy priority berthing over our other customers. Pursuant to the Celanese (Nanjing) Contract, we shall provide and maintain storage tanks according to Celanese (Nanjing)'s specifications for the storage of Acetic Acid and Methanol, which shall enable loading and discharging of Acetic Acid and Methanol simultaneously from our storage tanks. We shall also provide dedicated transfer pipelines, pumps and associated equipment for the transfer of Methanol and Acetic Acid.

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The Celanese (Nanjing) Contract commenced on 1 April 2004 and extended for a period of fifteen years from 1 April 2007 to 31 March 2022 (the “Celanese (Nanjing) Contract Initial Term”) and shall automatically renew for successive one year period (the “Celanese (Nanjing) Contract Successive Term”) afterwards. Each party to the Celanese (Nanjing) Contract may terminate the Celanese (Nanjing) Contract by giving the other party at least twenty-four months written notice, of which shall be effective no earlier than the end of each of the Celanese (Nanjing) Contract Initial Term and the Celanese (Nanjing) Contract Successive Term. Either party to the Celanese (Nanjing) Contract may give written notice of its intent to terminate the Celanese (Nanjing) Contract in the event of a material breach of the Celanese (Nanjing) Contract by the other party, provided that the other party will be given sixty days to rectify such breach. Termination will be effective as per such notice unless the breach is not rectified within the sixty days, or if not rectifiable within sixty days, then within a reasonable period provided that reasonable progress is being made and continues to be made.

(b) Our long-term service contract with Celanese Diversified

On 1 June 2006, we entered into the terminal service contract with Celanese Diversified to supply bulk chemical terminal and storage and other related services of Ethylene and VAM for Celanese Diversified in Nanjing, the PRC. The Celanese Diversified Contract is supplemented by the amendment agreement dated 18 August 2008. The terminal services provided under the Celanese Diversified Contract include (i) loading and unloading of VAM and Ethylene from railcars, tank trucks, barges, coastal tankers, isotanks and other modes of delivery as reasonably requested by Celanese Diversified; (ii) bulk marine loading and offloading of VAM and Ethylene; (iii) other related jetty services; (iv) warehousing of VAM and Ethylene; (v) transferring VAM and Ethylene to, from and between the terminal, jetty and the manufacturing facilities owned by Celanese Diversified located in the Nanjing Chemical Industry Park through our transfer equipment; and (vi) access to and continuous use of the pipe racks. Celanese Diversified shall, along with Celanese (Nanjing) have sole priority right to use our Nanjing terminal for itself or its affiliates’ benefit and will enjoy priority berthing over our other customers. Pursuant to the Celanese Diversified Contract, we shall provide and maintain storage tanks according to Celanese Diversified’s specifications for the storage of VAM and Ethylene, which shall enable loading and discharging of VAM and Ethylene simultaneously from our storage tanks. We shall ensure that we have all required information for the Ethylene delivery vessel in order to properly and safely receive and store Ethylene. We shall also provide dedicated pipelines, pumps and associated equipment for the transfer of Ethylene and VAM.

The Celanese Diversified Contract commenced on 1 June 2006 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the Celanese Diversified Contract (which the commercial operation date for Ethylene facility is 1 July 2008 and the commercial operation date for VAM facility is 1 May 2008) (the “Celanese Diversified Contract Initial Term”) and shall automatically renew for successive one year period (the “Celanese Diversified Contract Successive Term”) afterwards. Each party to the Celanese Diversified Contract may terminate the

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Celanese Diversified Contract by giving the other party at least twenty-four months written notice, of which shall be effective no earlier than the end of each of the Celanese Diversified Contract Initial Term and the Celanese Diversified Contract Successive Term. Either party to the Celanese Diversified Contract may give written notice of its intent to terminate the Celanese Diversified Contract in the event of a material breach of the Celanese Diversified Contract by the other party, provided that the other party will be given sixty days to rectify such breach. Termination will be effective as per such notice unless the breach is not rectified within the sixty days, or if not rectifiable within sixty days, then within a reasonable period provided that reasonable progress is being made and continues to be made. It was further agreed by the parties to the Celanese Diversified Contract that Celanese Diversified may terminate the Celanese Diversified Contract at any time after the tenth anniversary of the Ethylene commercial operation date by providing to us not less than twelve months prior written notice of termination and by paying us the termination fee. The structure of the termination fee comprises the summation of the net present value of the monthly fixed fee for Ethylene for the number of contract months remaining in the Celanese Diversified Contract Initial Term and a third party termination fee consists of all arms length termination fees that we will incur as a direct result of Celanese Diversified terminating the Celanese Diversified Contract prior to the natural expiration of the Celanese Diversified Initial Term.

(c) Our long-term service contract with Celanese Acetyl

On 20 March 2007, we entered into the terminal service contract with Celanese Acetyl to supply bulk chemical terminal and storage and other related services of Acetic Anhydride for Celanese Acetyl in Nanjing, the PRC. The Celanese Acetyl Contract is supplemented by the amendment agreement dated 25 September 2007. The terminal services provided under the Celanese Acetyl Contract include (i) loading and unloading of Acetic Anhydride from tank trucks, barges, coastal tankers, isotanks and other modes of delivery as reasonably requested by Celanese Acetyl; (ii) bulk marine loading and offloading of Acetic Anhydride; (iii) other related jetty services; (iv) transferring Acetic Anhydride to, from and between the terminal, jetty and the manufacturing facility owned by Celanese Acetyl located in Nanjing, the PRC at the Nanjing Chemical Industry Park facility; and (v) access to and continuous of the pipe racks. Celanese Acetyl shall have sole priority right to use our Nanjing terminal for itself or its affiliates' benefit and will enjoy priority berthing over our other customers. Pursuant to the Celanese Acetyl Contract, we shall provide and maintain storage tanks according to Celanese Acetyl's specifications for the storage of Acetic Anhydride, which shall enable loading and discharging of Acetic Anhydride to be proceeded simultaneously from our storage tanks. We shall also provide dedicated transfer pipelines, pumps and associated equipment for the transfer of Acetic Anhydride.

The Celanese Acetyl Contract commenced on 20 March 2007 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the Celanese Acetyl Contract which started from 15 April 2008 (the "Celanese Acetyl Contract Initial Term") and thereafter the Celanese Acetyl Contract shall automatically renew for successive one year period (the "Celanese Acetyl Contract Successive Term"). Each party to the Celanese Acetyl Contract may terminate the

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Celanese Acetyl Contract by giving the other party at least twenty-four months written notice, of which shall be effective no earlier than the end of each of the Celanese Acetyl Contract Initial Term and the Celanese Acetyl Contract Successive Term. Either party to the Celanese Acetyl Contract may give written notice of its intent to terminate the Celanese Acetyl Contract in the event of a material breach of the Celanese Acetyl Contract by the other party, provided that the other party will be given sixty days to rectify such breach. Termination will be effective as per such notice unless the breach is not rectified within the sixty days, or if not rectifiable within sixty days, then within a reasonable period provided that reasonable progress is being made and continues to be made.

(d) Other information

In effect, under each of the Celanese Contracts, we are entitled to charge each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl a fixed fee, which is calculated with reference to our estimated return of our investments in constructing terminal facilities and is not adjustable. In addition to the monthly fixed fee, we are also entitled to charge each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl an operational fee, which is calculated with reference to the minimum throughput volume stated under the Celanese Contracts. If the actual throughput is in excess of the minimum throughput volume, any such volume shall be charged at an excess throughput rate. The minimum throughput volume and the actual throughput volume refer to the throughput volume of our Group's terminal facilities in Nanjing, including jetties, dedicated pipelines, storage tanks and the associated facilities. In addition, the operational fee is subject to an annual adjustment with reference to changes of consumer price index, utilities charges and wages under a pre-determined formula during the contract term, pursuant to which the adjusted operational fee can mirror the changes in such expenses. The operational fee of the Celanese Contracts is determined on a yearly basis and the adjustment terms will only adjust the operational fee. The following formula summarises the monthly contract sum under the Celanese Contracts:-

Monthly contract sum = Monthly fixed fee + Monthly operational fee

Whereas:-

Monthly operational fee = the higher of

- (i) minimum throughput volume x operational fee rate OR
- (ii) minimum throughput volume x operational fee rate + excess throughput volume x excess operational fee rate

During the Track Record Period, except for (i) the throughput volume of Acetic Acid for the contract period from 1 April 2007 to 31 March 2008; and (ii) the throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009, the actual throughput volume of Acetic Acid and Methanol were in excess of their minimum throughput volumes under the Celanese (Nanjing) Contract. The actual

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throughput volume of Acetic Acid for the contract period from 1 April 2007 to 31 March 2008 did not meet the minimum throughput volume because the operation was still at the early stage of development whereas the actual throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009 did not meet the minimum throughput volume because of the global financial crisis in the fourth quarter of 2008 and the first quarter of 2009 which led to a significant decline in the demand for Methanol during the said period.

In relation to Ethylene and VAM under the Celanese Diversified Contract and Acetic Anhydride under the Celanese Acetyl Contract, we recorded increasing trends of their actual throughput volumes. However, since their operations were still at the early stage of development, their actual throughput volumes did not meet the specified minimum throughput volumes under their respective contractual years during the Track Record Period.

We charged Celanese, in addition to monthly fixed fees, operational fees based on the minimum throughput volumes for such liquid chemical products which did not meet the minimum throughput volumes during the relevant periods. Under this arrangement, we are able to achieve a sustainable and predictable earnings during the terms of the Celanese Contracts notwithstanding Celanese may not be able to meet the specified minimum throughput volumes. If the actual throughput volume is higher than the minimum throughput volume, we are able to charge additional operational fees in accordance with the excess operational fee rate as specified under the Celanese Contracts.

For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively, which accounted for more than 80% of our revenue during each of the three years ended 31 December 2009. For the year ending 31 December 2010, it is expected that the annual fixed contract sum of the Celanese Contracts will be approximately RMB156.3 million. The annual fixed contract sum of RMB156.3 million, subject to the annual adjustments of the operational fee, represented the sum of the fixed fee and the operational fee based on the minimum throughput volume under the Celanese Contracts. Since commercial operations of our terminal and storage services for Ethylene and VAM under the Celanese Diversified Contract only commenced on 1 July 2008 and 1 May 2008, respectively, whereas the commercial operation of our terminal and storage services for Acetic Anhydride under the Celanese Acetyl Contract commenced on 15 April 2008, our aggregate revenue from the Celanese Contracts during the financial year ended 31 December 2008 was lower than the annual fixed contract sum of RMB156.3 million because contributions from Celanese Diversified Contract and Celanese Acetyl Contract for the year ended 31 December 2008 were not recorded on full year basis.

Except for (i) adjustment terms in Celanese Contracts relating to annual adjustments to be made on changes of consumer price index, utilities charges and wages during the contract term; and (ii) normal and standard adjustment terms,

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including parties' mutual consent and force majeure circumstances, there are no other terms in each of the Celanese Contracts to revise the monthly fixed contract sum payable by Celanese to us.

Under the Celanese Contracts, if Celanese expands the production capacity of its manufacturing facility, we may be required to construct additional storage tanks for Celanese. Such provision is to facilitate the future cooperation opportunity between Celanese and us and we have reserved adequate land at our Nanjing terminal to facilitate such expansion. Details of the future cooperation, including the timing for the expansion, are to be negotiated and there are no provisions as to the legal consequence of non-compliance if we are not able to reach a final consensus. Our Directors have been in discussion with the management of Celanese on its future plan from time to time. However, as of the Latest Practicable Date, there was no confirmed indication under the expansion provision of the Celanese Contracts. It is the present intention of our Directors that the net proceeds from the Global Offering will not be applied for the potential expansion under the Celanese Contracts. The relevant expenditures in relation to the potential expansion under the Celanese Contracts will be financed by our internal resources and/or project financing, subject to the then market conditions.

(e) Factors mitigating the reliance in Celanese

Our Directors considered that our Group is capable of maintaining its revenue in the future despite our reliance on Celanese because of (i) the long-term nature and fee structure of the Celanese Contracts which enable us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts; and (ii) the reputation of Celanese Corporation as a leading and global integrated producer of chemicals and advanced materials as well as its financial strength as illustrated in its financial reports which indicate the ability of Celanese to fulfill its obligations under the Celanese Contracts. While the Directors consider that it would be difficult to predict whether the chemical industry is on a downward or upward trend, the long-term nature and fee structure of the Celanese Contracts and the reputation of Celanese could shelter our Group from the fluctuation of market.

We intend to cooperate with Nanjing CIPC for further development of terminal and storage services in Nanjing. As of the Latest Practicable Date, we were negotiating with Nanjing CIPC for the development of phase III facilities in Nanjing. Our Directors expect that the whole project of phase III facilities in Nanjing can be completed by the second quarter of 2014. We intend to construct our third jetty at our Nanjing terminal. The construction of our third jetty, which will be equipped with the necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt and with an additional throughput capacity of approximately one million metric tonnes, is scheduled for completion by the fourth quarter of 2013 according to the currently anticipated timetable. Upon completion of the phase III facilities in Nanjing, our Nanjing terminal will have a total of three jetties. Further, we intend to construct our dedicated railway system linking our Nanjing tank farm to the private railway system of the Nanjing Chemical Industry Park. Rail connection to our terminal with the Nanjing Chemical Industry Park will be constructed and our Directors expect that the rail connection will be completed by the

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third quarter of 2012. Our proposed development of phase III facilities in Nanjing, including our third jetty at our Nanjing terminal, is for projects with chemical enterprises inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region. Such chemical enterprises include Celanese but it is expected that a majority of the projects will be with other chemical enterprises. With the completion of the development of phase III facilities in Nanjing, it is expected that our reliance on Celanese can be mitigated accordingly.

The total investment for phase III facilities in Nanjing is expected to amount to approximately HK\$437 million which will be funded through (i) the proceeds arising from the Global Offering; and (ii) our internal resources and/or project financing. Please refer to “Business – Our Growth Strategies” and “Financial Information – Capital Expenditure” in this prospectus for further information. However, as of the Latest Practicable Date, we had not entered into any legally binding cooperation agreement with Nanjing CIPC for the development of phase III facilities in Nanjing. Further details of the project, including the throughput volume of phase III facilities in Nanjing, have not yet been finalised. We cannot guarantee that phase III facilities in Nanjing, which are still at the planning stage, will be completed on time or within our original budgets. Further details of such risk factor has been set forth in “Risk factors – Risks relating to our Group – If our major expansion plans and projects are not completed within our anticipated time frame or budgets or our major expansion plans and projects do not achieve our objectives, our future profitability could be materially and adversely affected” in this prospectus.

As of the Latest Practicable Date, out of our 20 storage tanks at the Nanjing terminal, 13 of them were reserved for Celanese during the term of the Celanese Contracts. If Celanese was to terminate its business relationship with us entirely or in breach of its obligations under the Celanese Contracts, there could be a risk that we might not be able to obtain business from other customers to occupy these dedicated storage tanks or if we were able to obtain such business, it might not be on commercially reasonable terms, or we might not be able to successfully claim for damages against Celanese for its breach of contract. As such, our operating results, financial condition and business would be harmed. However, our Directors consider that our Group is able to secure new storage contracts as these dedicated storage tanks for Celanese can be widely applied to different corrosive and non-corrosive products. Our Directors further consider that, leveraging our competitive strengths, details of which are set forth in “Business – Our competitive strengths” in this prospectus, our Group is able to procure customers for our storage tanks if Celanese ceases to use our terminal services for whatever reasons.

In addition, Nanjing Dragon Crown has recently entered into a non-binding memorandum of understanding (the “**Business MOU**”) with an Independent Third Party (the “**Potential Customer**”) in the Nanjing Chemical Industry Park in relation to Nanjing Dragon Crown’s provision of terminal and storage services of Cryogenic Ethylene, which is a raw material for the production of Ethylene Oxide. According to the Business MOU, the Potential Customer would establish its production plant of Ethylene Oxide with an annual production capacity of 60,000 metric tonnes in the Nanjing Chemical Industry Park and it was expected to commence operation in June

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2011. Pursuant to the Business MOU, the Potential Customer intends to engage Nanjing Dragon Crown as the terminal service provider for Cryogenic Ethylene for a period of ten years upon signing of the formal agreement. It is expected that the minimum annual throughout volume of Cryogenic Ethylene to be handled by Nanjing Dragon Crown will be approximately 50,000 metric tonnes. As of the Latest Practicable Date, both parties of the Business MOU had not decided when the formal agreement would be executed. In addition, since the Business MOU only set out the preliminary information of the project, further details, including the pricing structure, had not yet been determined.

Our business in Tianjin

We provide terminal and storage services for liquid chemical products in Tianjin through our Associated Entities, Tianjin Tianlong and Tianlong Haixiang.

(i) Jetty

As of 30 June 2010, our Associated Entities in Tianjin had one jetty for terminal services of liquid chemical products of approximately 110 m in length. The jetty in Tianjin is located at Tianjin Bin Hai Xin Qu (天津濱海新區) and along inner river with a water depth of approximately 5.5m, which is capable of accommodating large vessels up to 3,000 dwt.

The following table provides an overview of the berth operator, designed berthing capacity, total annual designed throughput capacity of the jetty in Tianjin as of the Latest Practicable Date:

Operator	Berth	Designed berthing capacity (dwt)	Total annual designed throughput capacity	Total actual throughput				Utilisation rate (Note 3)			
				For the year ended 31 December		For the six months ended 30 June		For the year ended 31 December		For the six months ended 30 June	
				2007	2008	2009	2010	2007	2008	2009	2010
Tianjin Tianlong, our Associated Entity	Tianlong jetty	3,000	301,600 (Notes 1 and 3)	297,310 (Note 4)	250,040 (Note 4)	164,100 (Note 4)	79,620 (Note 4)	98.6	82.9	54.4	52.8

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Notes:

1. There were no changes to the designed berthing capacities of our jetty during the Track Record Period and as of the Latest Practicable Date.
2. The utilisation rate is calculated by our record of the annual actual throughput via the jetty divided by the total annual adjusted designed throughput capacity of the jetty.
3. The annual designed throughput was 115,600 metric tonnes which was based on the assumption that our storage tank capacity was 16,000 m³ and its turnaround was 8.5 times per year. Due to the growth of our storage tank capacity, our storage tank capacity has been increased to 24,900 m³. In addition, since it is operated substantially under short-term spot rental service contracts, we could efficiently improve the turnaround of the jetty facilities. As such, we have improved the annual designed throughput capacity of our jetty in Tianjin to 301,600 metric tonnes.
4. The designed throughput capacity of jetty is calculated based on the storage tanks capacity when the jetty was being constructed. During the Track Record Period, in relation to the Tianjin terminal, which was operated by our Associated Entities, the handling of liquid chemicals might be delivered directly without involving the usage of storage tanks. During the Track Record Period, in addition to the actual throughput passing through our jetty set forth above, the total actual throughput passing through our jetty without involving the usage of storage tanks in the Tianjin terminal amounted to approximately 70,290 metric tonnes, 61,360 metric tonnes, 78,000 metric tonnes and 49,380 metric tonnes, respectively.

We may handle liquid chemical products through the jetty owned by our Associated Entity in Tianjin or through other delivery facilities, including delivery trucks, and/or rail. The following table provides an overview of liquid chemical products we handled through the jetty or other delivery facilities in Tianjin during the Track Record Period:-

Terminal	Components	Total actual throughput for the year ended 31 December			Total actual throughput for the six months ended 30 June 2010
		2007	2008	2009	
		<i>(metric tonnes)</i>			
Tianjin terminal operated by our subsidiary	Jetty	367,600	311,400	242,100	129,000
	Other delivery facilities	—	—	—	1,900
	Total	<u>367,600</u>	<u>311,400</u>	<u>242,100</u>	<u>130,900</u>

(ii) Storage tanks

Storage tanks in Tianjin are located at Tianjin Bin Hai Xin Qu (天津濱海新區), which mainly serves customers engaging in liquid chemical industry nearby. The Tianjin storage tanks are close to jetty, highway and rail tracks and are easily accessible by vessels, delivery trucks and/or rail.

As of the Latest Practicable Date, there were an aggregate of 15 storage tanks in Tianjin terminal.

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The following table sets forth the types of storage tanks, the number of storage tanks, the features of storage tanks, the total designed capacity and total actual throughput of storage tanks in our Tianjin terminal during the Track Record Period:

	Types of Storage Tanks	No. of Storage Tanks	Features of Storage Tanks	Total designed capacity <i>(Note 1)</i> <i>(m³)</i>	Total actual throughput <i>(Note 2)</i> <i>(metric tonnes)</i>
As of/For the year ended 31 December 2007	Carbon steel	12	Ambient temperature, aluminum inner wall, steam heating and thermal protection	20,500	255,700
	Stainless steel	3	Steam heating and thermal protection	4,400	41,600
As of/For the year ended 31 December 2008	Carbon steel	12	Ambient temperature, aluminum inner wall, steam heating and thermal protection	20,500	207,500
	Stainless steel	3	Steam heating and thermal protection	4,400	42,500
As of/For the year ended 31 December 2009	Carbon steel	12	Ambient temperature, aluminum inner wall, steam heating and thermal protection	20,500	152,800
	Stainless steel	3	Steam heating and thermal protection	4,400	11,300
As of/For the six months ended 30 June 2010	Carbon steel	12	Ambient temperature, aluminum inner wall, steam heating and thermal protection	20,500	67,400
	Stainless steel	3	Steam heating and thermal protection	4,400	14,200

Notes:

1. The total designed capacity is based on the size of the storage tank being constructed.
2. While each of the storage tank is designed with a storage capacity in m³ for its construction, it is impracticable to set forth its designed throughput since the designed throughput of a storage tank relies on (i) density of different liquid chemical products; and (ii) the inbound and outbound pipelines as well as other associated facilities, instead of the storage tank itself.

During the Track Record Period, since the handling of liquid chemicals in the Tianjin terminal, which was operated by our Associated Entities, might be delivered directly without involving the usage of storage tanks, the annual total actual throughput of terminal facilities in Tianjin was more than that of storage tanks in Tianjin.

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During the Track Record Period, storage tanks in Tianjin were operated under long-term service contracts with customers with contract term of a year and short-term service contracts with contract term of less than a year. The following table illustrates the occupancy of storage tanks in the terminal of Tianjin:–

	For the year ended 31 December			For the six
	2007	2008	2009	months ended
	<i>(Number of storage tanks)</i>			30 June 2010
Operated under long-term service contract	4	4	2	8
Operated under short-term service contracts	11	11	13	5
Available for leasing	–	–	–	2
	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>

During the Track Record Period, our Associated Entities in Tianjin stored different types of chemical products which include ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol, etc.

The following table illustrates the occupancy rate of storage tanks in the terminal of Tianjin during the Track Record Period:

	Storage capacity available at our terminal (m³)	Occupancy rate (%) (Note)
For the year ended 31 December 2007	24,900	63
For the year ended 31 December 2008	24,900	68
For the year ended 31 December 2009	24,900	35
For the six months ended 30 June 2010	24,900	51

Note: The occupancy rate is calculated by:

Storage capacity at our terminal x days leased / storage capacity available at our terminal x 365 days x 100%

Our Associated Entities in Tianjin recorded a stable occupancy rate of storage tanks during each of the two years ended 31 December 2008. Due to the global financial crisis in the fourth quarter of 2008 and the first quarter of 2009, our Associated Entities in Tianjin recorded a drop of the occupancy rate of storage tanks in Tianjin from approximately 68% to 35% for the years ended 31 December 2009. With the gradual recovery of the global financial market during the six months ended 30 June 2010, our Associated Entities in Tianjin recorded an increase of the occupancy rate of storage tanks in Tianjin from approximately 35% to 51%.

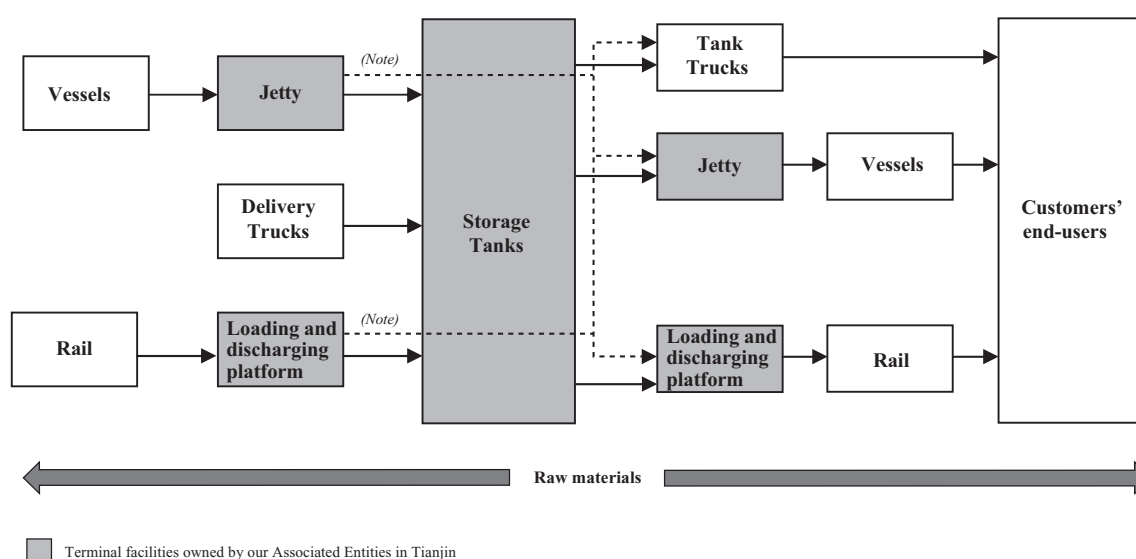
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All storage tanks in our Tianjin terminal are owned by Tianjin Tianlong. Tianjin Tianlong, our Associated Entity, is responsible for the daily operation of the storage tanks and shall bear all the expenses such as utility charges in relation to the operation of the terminal.

Liquid chemical from storage tanks in Tianjin are off-loaded and delivered to customers' destinations via different logistics modes which generally include marine vessels for sea/river transportation to end users, tank trucks and drums for road delivery to end users and rail.

The following diagram illustrates the different logistics modes of our Tianjin terminal:

Tianjin terminal operated by our Associated Entities



Note: The handling of liquid chemicals in the Tianjin terminal may be delivered directly (i) from the jetty to tank trucks, another vessel at the jetty and/or rail; and (ii) from the rail to tank trucks and/or the jetty without involving the usage of storage tanks.

Our business in Ningbo

We provide terminal and storage services for liquid chemical products in Ningbo through our Jointly-controlled Entities, Ningbo Ningxiang and Ningbo Xianxiang.

(i) Jetty

As of 30 June 2010, our Associated Entity/Jointly-controlled Entity in Ningbo had one jetty for terminal services of liquid chemical products. The jetty in Ningbo is located at Zhenhai Port Working Area, Zhenhai District, Nignbo City, Zhejiang Province, the PRC. Our Jointly-controlled Entities in Ningbo are entitled to the use of coastal line for approximately 101 m at the Ningbo jetty.

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Apart from the jetty owned by our Jointly-controlled Entities in Ningbo, customers may unload their liquid chemical products at the public terminal operated by Port Authority (港務局) which is approximately 1.5 km from the Ningbo terminal.

The public terminal usage arrangement is governed by the discharging agreement between Ningbo Ningxiang and Ningbo Zhenhai, details of which are set forth in “Connected transactions – Continuing connected transactions – Exempt continuing connected transactions – Continuing connected transactions exempt from the reporting, announcement and independent Shareholders’ approval requirements – 5. Discharging Agreement” in this prospectus. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid by Ningbo Ningxiang to Ningbo Zhenhai under the arrangement amounted to approximately RMB24,200, RMB37,500, RMB108,900 and RMB113,200, respectively.

The following table provides an overview of the berth operators, designed berthing capacity, total annual designed throughput capacity of the berth in Ningbo as of the Latest Practicable Date:

Operator	Berth	Designed berthing capacity (dwt)	Total annual designed throughput capacity (Notes 1 and 2)	Total actual throughput				Utilisation rate (Note 3)			
				For the year ended 31 December			For the six months ended 30	For the year ended 31 December			For the six months ended 30
				2007	2008	2009	June	2007	2008	2009	June
				(metric tonnes)				(%)			
Ningbo Ningxiang and Ningbo Xinxiang, our Associated Entity/ Jointly-controlled Entity	Jetty No. 16-2	3,000	100,000 (Notes 1 and 2)	42,100	26,200	23,800	9,700	42.1	26.2	23.8	19.4

Notes:

- There were no changes to the designed berthing capacities of the jetty during the Track Record Period and as of the Latest Practicable Date.
- The total throughput capacity is based on the assessment of loading and discharging capacities of the jetty as approved by the relevant governmental authority for the construction.
- The utilisation rate is calculated by our record of the annual actual throughput via the jetty divided by the total annual designed throughput capacity of the jetty.

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We may handle liquid chemical products through the jetty owned by our Jointly-controlled Entities in Ningbo or through other delivery facilities, including jetties owned of Port Authority (港務局), delivery trucks and/or rail. The following table provides an overview of liquid chemical products we handled through the jetty owned by our Associated Entity/Jointly-controlled Entity in Ningbo and other delivery facilities in Ningbo during the Track Record Period:–

Terminal	Components	Total actual throughput for the year ended 31 December			Total actual throughput for the six months ended 30 June 2010
		2007	2008	2009	
		<i>(metric tonnes)</i>			
Ningbo terminal operated by our Associated Entity/Jointly-controlled Entity	Jetty	42,100	26,200	23,800	9,700
	Other delivery facilities	<u>114,100</u>	<u>167,900</u>	<u>254,900</u>	<u>152,500</u>
	Total	<u><u>156,200</u></u>	<u><u>194,100</u></u>	<u><u>278,700</u></u>	<u><u>162,200</u></u>

Note: Other delivery facilities in Ningbo include the jetty operated by Port Authority (港務局) in Ningbo.

The jetty operated by Port Authority (港務局) is capable of accommodating large vessels up to 50,000 dwt; whereas the jetty owned by our Jointly-controlled Entity at Ningbo is capable of accommodating vessels up to 3,000 dwt.

There are dedicated marine receiving pipelines connecting the jetty in Ningbo and the tank farm. Our Jointly-controlled entities in Ningbo have marine loading/unloading pipelines which connect the jetty to tank farms at the Ningbo terminal. Pipelines are for dedicated chemical services only so as to avoid products cross contamination.

For liquid chemical products which are unloaded at the terminal of Port Authority (港務局), our Jointly-controlled Entities in Ningbo have dedicated pipelines connected to the jetty of Port Authority (港務局) located at their terminal. Liquid chemical products are then delivered to the storage tanks through the pipelines. Pipelines are for dedicated chemical services only so as to avoid cross contamination.

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(ii) *Storage tanks*

As of the Latest Practicable Date, there were an aggregate of 12 storage tanks in our Ningbo terminal.

The following table sets forth the types of storage tanks, the number of storage tanks, the features of storage tanks, the total designed capacity and total actual throughput of storage tanks in our Ningbo terminal during the Track Record Period:

	Types of Storage Tanks	No. of Storage Tanks	Features of Storage Tanks	Total designed capacity (Note 1) (m ³)	Total actual throughput (Note 2) (metric tonnes)
As of/For the year ended 31 December 2007	Carbon steel	9	Ambient temperature,, steam heating and thermal heating	24,500	138,000
	Stainless steel	3	Thermal heating	4,500	18,200
As of/For the year ended 31 December 2008	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	138,100
	Stainless steel	3	Thermal heating	4,500	29,100
As of/For the year ended 31 December 2009	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	155,000
	Stainless steel	3	Thermal heating	4,500	30,700
As of/For the six months ended 30 June 2010	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	92,200
	Stainless steel	3	Thermal heating	4,500	12,900

Notes:

1. The total designed capacity is based on the size of the storage tank being constructed.
2. While each of the storage tank is designed with a storage capacity in m³ for its construction, it is impracticable to set forth its designed throughput since the designed throughput of a storage tank relies on (i) density of different liquid chemical products; and (ii) the inbound and outbound pipelines as well as other associated facilities, instead of the storage tank itself.

During the Track Record Period, the handling of liquid chemicals in the Ningbo terminal, which was operated by our Associated Entity/Jointly-controlled Entity, might be delivered directly without involving the usage of storage tanks, the annual total actual throughput of terminal facilities in Ningbo were more than that of storage tanks in Ningbo.

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During the Track Record Period, storage tanks in Ningbo were operated under long-term contracts with customers with contract term of a year or more and short-term service contracts with contract term of less than a year. The following table illustrates the occupancy of storage tanks in the terminal of Ningbo:-

	For the year ended 31 December			For the
	2007	2008	2009	six months
	<i>(Number of storage tanks)</i>			ended
				30 June
				2010
Operated under long-term contract customers	7	9	8	6
Operated under short-term service contracts	5	3	4	6
Available for leasing	—	—	—	—
	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

During the Track Record Period, our Associated Entity/Jointly-controlled Entity in Ningbo had stored different types of chemical products at storage tanks which include adiponitrile, methanol, phenol, Dimethylformamide and Diethanolamine.

The following table illustrates the occupancy rate of storage tanks in Ningbo during the Track Record Period:

	Storage capacity available at our terminal	Occupancy rate
	<i>(m³)</i>	<i>(%)</i>
		<i>(Note)</i>
For the year ended 31 December 2007	29,000	88
For the year ended 31 December 2008	29,000	92
For the year ended 31 December 2009	29,000	87
For the six months ended 30 June 2010	29,000	85

Note: The occupancy rate is calculated by:

Storage capacity leased at our terminal x days leased/storage capacity available at our terminal x 365 days x 100%

Our Associated Entity/Jointly-controlled Entity in Ningbo recorded a stable occupancy rate of storage tanks during the Track Record Period.

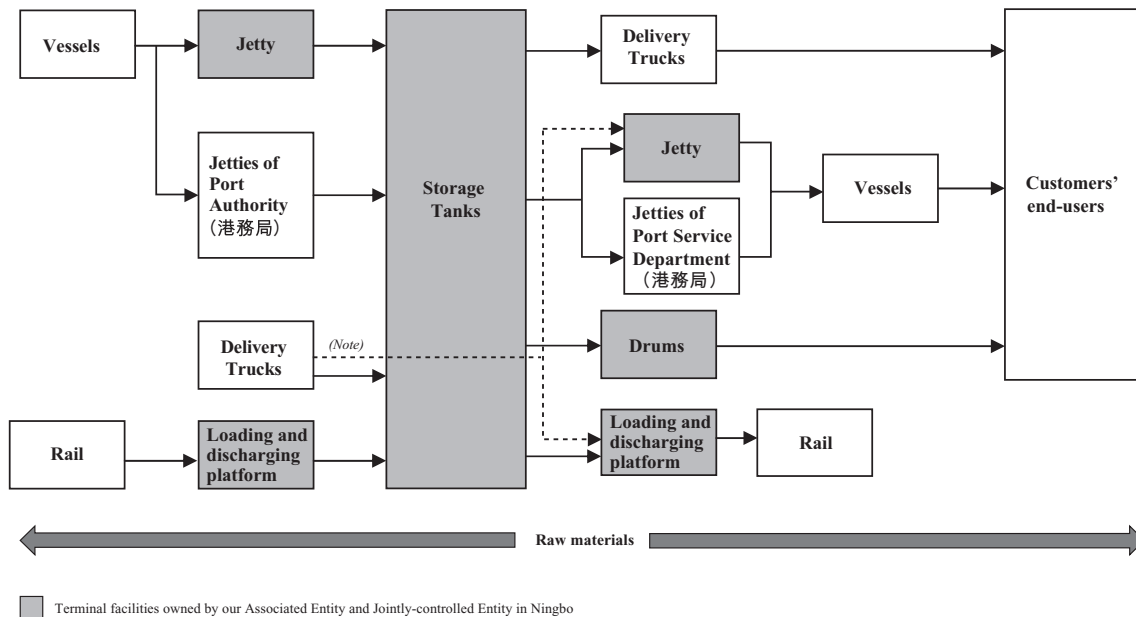
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All of the storage tanks at our Ningbo terminal are owned by Ningbo Ningxiang and Ningbo Xinxiang, our Jointly-controlled Entities, both of which are responsible for the daily operation of the storage tanks and shall bear all the expenses such as utility charges in relation to the operation of the terminal.

Liquid chemical products from storage tanks in Ningbo are off-loaded and delivered to customers' destinations via different modes of transportation which generally include marine vessels for sea/river transportation to end users, tank truck and drums for road delivery to end users.

The following diagram illustrates the different logistics modes of the terminal in Ningbo:

Ningbo terminal operated by our Jointly-controlled Entities



Note: The handling of liquid chemicals in the Ningbo terminal may be delivered directly from delivery trucks to the jetty and/or the rail without involving the usage of storage tanks.

Our Jointly-controlled Entities in Ningbo have installed information system to monitor and manage all storage tanks in the Ningbo terminal. Such information system is approved by the Chinese customs and creates an electronic data interchange platform which facilitates direct data exchange with the Chinese customs for the procedures required for customs declaration. Hence, all storage tanks in Ningbo are capable of bonded storage.

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INFORMATION SYSTEMS

We believe a comprehensive and advanced information system is integral to our goal to consolidate and further strengthen our position as the leading integrated liquid chemical terminal service provider in the PRC. In the past decade, we have made substantial investments in information technology and related equipment and have actively acquired and developed various information systems for our business operations. Our information systems enable us to manage and monitor our terminal and storage services efficiently and effectively.

We have information systems to facilitate our business operations. We acquired information systems to monitor and manage our terminal activities. These systems allow us to efficiently arrange berthing, the loading and unloading of liquid chemical products and other operating activities at our terminals. We have control rooms located at our terminals connecting to such information system which enable us to manage our terminal operations effectively. We have also acquired and installed the DCS system, which is an advanced and efficient data control and management information systems in the chemical products storage industry in the PRC, to monitor and manage our storage activities. Our DCS system, which connects to our central control rooms, is an electronic data interchange platform which facilitates convenient and direct data exchange with our customers and relevant government authorities and enable us to efficiently manage our storage operations and allow information to be exchanged electronically with our customers for loading and discharging and delivery of our liquid chemical products from our terminals and storage tanks and the Chinese customs for the procedures required for customs declaration. Our systems manage operation information of our storage tanks, such as the type of liquid chemical products stored, the quantity, the condition, the pressure level and the temperature of storage tanks. We operate and control our daily terminal activities via our DCS system to monitor both the inbound and outbound cargo quantity, as well as monitoring the liquid level, pressure and temperature alarms to ensure the safe operation. Our DCS system also enable our customers and the relevant government authorities to retrieve information in relation to the storage and delivery and also simplify the procedures required for customs declaration and clearance of the products at our terminals.

LICENCE, PERMITS AND REGULATIONS

Our business is subject to various laws and regulations enacted by the PRC government, including but not limited to the Law of the PRC on Production Safety (中華人民共和國安全生產法), the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on the Management of Port Operation (港口經營管理規定) and the Regulations on the Management of Hazardous Goods at Ports (港口危險貨物管理規定).

As advised by our PRC Legal Adviser, we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC and has complied in all material aspects with all applicable laws and regulations in the PRC since our establishment.

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As of the Latest Practicable Date, we had obtained the following licences and permits to operate our business:

Subsidiary	Date of grant	Certificate/Licence	Issuing body	Valid until
Nanjing Dragon Crown	29 September 2010	Port Operation Permit (港口經營許可證)	Bureau of Port Transportation of Nanjing (南京市交通運輸局)	29 September 2013
Nanjing Dragon Crown	21 September 2007	Approval for the operation of the terminal of Nanjing Dragon Crown Liquid Chemical Terminal Co., Ltd. from the Province Government (省政府關於同意南京龍翔液體化工儲運碼頭有限公司碼頭對外開放的批覆)	People's Government of Jiangsu Province of China (江蘇省人民政府)	No validity term
Nanjing Dragon Crown	20 October 2009	Hazardous Chemicals Storage Registration Certificate (危險化學品儲存單位備案證明)	Bureau of Work Safety of Nanjing (南京市安全生產監督管理局)	19 October 2011
Nanjing Dragon Crown	7 May 2010	Port Operation of Hazardous Goods Permit (危險貨物港口作業認可證)	Bureau of Port Administration of Nanjing (南京市港口管理局)	31 December 2012
Associated Entities/ Jointly-controlled Entities	Date of grant	Certificate/Licence	Issuing body	Valid until
Tianjin Tianlong	11 November 2009	Statement of Compliance of a Port Facility (港口設施保安符合證書)	The Ministry of Transport of the PRC (中華人民共和國交通運輸部)	12 November 2012
Tianjin Tianlong	30 September 2010	Port Operation Permit (港口經營許可證)	Transportation and Port Authority of Tianjin (天津市交通運輸和港口管理局)	30 September 2013
Tianjin Tianlong	2 July 2006	Port Operation of Hazardous Goods Permit (危險貨物港口作業認可證)	Communications Commission of Tianjin (天津市交通委員會)	1 July 2011
Tianjin Tianlong	6 March 2008	Hazardous Chemicals Storage Registration Certificate (危險化學品儲存單位登記證)	Chemicals Registration Certificate of the State Administration of Work Safety (國家安全生產監督管理總局化學品登記)	5 March 2011
Tianjin Tianlong	17 November 2009	Hazardous Chemicals Operation Permit (危險化學品經營許可證)	Bureau of Work Safety of Tianjin (天津市安全生產監督管理局)	16 November 2012
Tianjin Tianlong	26 April 2010	Hazardous Chemicals Approval Certificate (危險化學品批准證書)	Bureau of Work Safety of Tianjin (天津市安全生產監督管理局)	1 August 2011

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Associated Entities/ Jointly-controlled Entities	Date of grant	Certificate/Licence	Issuing body	Valid until
Ningbo Xinxiang	16 August 2006	Zhejiang Province Approval Certificate for Hazardous Chemicals Production and Storage (浙江省危險化學品生產儲存批准證書)	Zhejiang Administration of Work Safety (浙江省安全生產監督管理局)	No validity term
Ningbo Xinxiang	25 August 2009	Safety Production Permit (安全生產許可證)	Zhejiang Administration of Work Safety (浙江省安全生產監督管理局)	28 August 2012
Ningbo Ningxiang	14 August 2010	Port Operation Permit (港口經營許可證)	Bureau of Port Administration of Nanjing (寧波市港口管理局)	13 August 2013
Ningbo Ningxiang	16 August 2006	Zhejiang Province Approval Certificate for Hazardous Chemicals Production and Storage (浙江省危險化學品生產儲存批准證書)	Zhejiang Administration of Work Safety (浙江省安全生產監督管理局)	No validity term
Ningbo Ningxiang	30 June 2009	Port Operation of Hazardous Goods Permit (危險貨物港口作業認可證)	Bureau of Port Administration of Nanjing (寧波市港口管理局)	29 June 2012
Ningbo Ningxiang	25 August 2009	Safety Production Permit (安全生產許可證)	Zhejiang Administration of Work Safety (浙江省安全生產監督管理局)	28 August 2012

The above licence and permits require renewal upon expiry except for those that have no validity term. As of the Latest Practicable Date, did not have any difficulties, nor had we received any notice from relevant governmental authorities or third parties showing or indicating any difficulties in respect of the future renewal of such licence and permits upon expiry.

SALES AND MARKETING

We provide our services to both domestic and multinational customers. Our domestic and multinational customers comprise both manufacturers and trading companies of liquid chemical products. Our principal domestic customers include enterprises located in Zhejiang, Hebei and Tianjin, whereas our principal multinational customers include enterprises headquartered in the United States and the North Asia. Our business development department, comprising six members, engages marketing activities for the services we provide and has established close relationships with our customers. Our team is highly mobile and able to respond quickly to market opportunities. To keep abreast the ever-changing demand of our customers, we have established different channels to ascertain market information, information on our customers and competitors. Our business development department promotes our services and enhances our brand recognition in the industry through: (i) direct contact with our existing and potential customers on a monthly

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basis to obtain in-depth understanding of their needs and preferences; (ii) attend monthly meetings with the relevant division of the Nanjing Chemical Industry Park to obtain information of the existing and potential investors in the Nanjing Chemical Industry Park; (iii) participate and attend domestic and international professional exhibitions in relation to liquid chemical industry such as conferences and seminars organised by CBI China Co., Limited, which specializes in the information service chain's of energy, chemical, etc.; and (iv) promote our services through our group website. Further, we conduct regular customer surveys in order to obtain feedback from our customers so as to improve our services. To ensure that our personnel constantly update their knowledge of our services, we provide our personnel with regular training. Our solid ongoing relationships with our customers and our effective marketing activities often result in our winning of new contracts.

MAJOR CUSTOMERS

Our major customers include domestic and multinational manufacturers and traders of liquid chemical products with internationally recognised brand names including Celanese (Nanjing), Celanese Diversified, Celanese Acetyl, etc..

We have maintained good relationships with our major customers. We received, among others, various awards and recognitions from our customers, such as Co-operation Award (多元合作獎) from Celanese, which signify our customers' satisfaction with our services during the Track Record Period.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales to our top five customers (taking Celanese (Nanjing), Celanese Diversified and Celanese Acetyl as three individual customers) , as measured by revenue, accounted for approximately 100%, 100%, 99.8% and 100% of our total revenue, respectively, and sales to our largest customer, as measured by revenue, accounted for approximately 96.8%, 56.9%, 44.4% and 47.9% of our total revenue, respectively. For each of the three years ended 31 December 2009 and the six months ended 30 June 2010, our top five customers (taking Celanese (Nanjing), Celanese Diversified and Celanese Acetyl as a group and as our single largest customer), as measured by revenue and in aggregate, accounted for approximately 100%, 100%, 100% and 100% of our total revenue, respectively, and our largest customer (being Celanese), as measured by revenue, accounted for approximately 98.5%, 95.4%, 96.7% and 97.1% of our total revenue, respectively. Except for Dragon Crown (Shanghai) which we provided terminal services for Phenol at our terminal in Nanjing during the Track Record Period, details of which are set forth in “Connected transactions – Continuing connected transactions – Non-exempt continuing connected transactions – continuing connected transactions subject to the announcement and reporting requirements but exempt from the independent shareholders' approval requirements – 9(a). Phenol Storage Agreement” in this prospectus and Ningbo FTZ Dragon Crown, all of the above top five customers are Independent Third Parties and none of our Directors, their respective associates or any Shareholders who own more than 5% of our issued share capital, to the knowledge of our Directors, had any interest in any of the above top five customers during the Track Record Period. We offer our top five customers, as measured by revenue, credit terms ranging from 30 to 60 days. For other customers, payments are settled either on a monthly basis or upon the retrieval of the liquid chemical(s). Payments are settled by bank acceptances, or telegraphic transfer.

BUSINESS

MAJOR SUPPLIERS

The core materials and utilities we require for the our operation include diesel fuel and consumables, electricity, water and vapour.

For the year ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, services obtained from our top five suppliers, as measured by the cost of services provided, accounted for approximately 41.2%, 37.9%, 43.4% and 48.9% of our total cost of services provided, respectively, and services obtained from our largest supplier, as measured by total cost of services provided, accounted for approximately 12.4%, 12.9%, 15.3% and 21.6% of our total cost of services provided, respectively. Except for (i) Nanjing CIPPS which provided water supply, waste water treatment and security services to our Group during the Track Record Period, as measured by the cost of services provided, accounted for approximately 5.6%, 3.6%, 2.4% and 2.1% of our total cost of services provided respectively during the Track Record Period, details of which are set forth in “Connected transactions – Continuing connected transactions – Exempt continuing connected transactions – Continuing connected transactions exempt from the reporting, announcement and independent Shareholders’ approval requirements – 1. Water Supply Agreement and Waste Treatment Agreement” in this prospectus; and (ii) Nanjing CIPC and Nanjing CIPPS which provided pipe racks services and security services to our Group during the Track Record Period, details of which are set forth in “Connected transactions – Continuing connected transactions – Non-exempt continuing connected transactions – Continuing connected transactions subject to the announcement and reporting requirements but exempt from the independent Shareholders’ approval requirements – 11. Pipe Racks agreement” in this prospectus, all of the above top five suppliers are Independent Third Parties and none of our Directors, their respective associates or any Shareholders who own more than 5% of our issued share capital, to the knowledge of our Directors, had any interest in any of the above top five suppliers during the Track Record Period. Our top five suppliers granted us credit terms ranging from 0 to 30 days. Payments are settled by bank acceptances or telegraphic transfer.

IMPACTS OF FLUCTUATION IN CONSUMER PRICE INDEX, UTILITIES CHARGES AND WAGES

Our Directors consider that the fluctuation in consumer price index, utilities charges (including diesel fuel) and wages will not adversely affect our Group’s gross profit margin as any such fluctuation will be compensated under the operational fee which is subject to an annual adjustment with reference to changes of consumer price index, utilities charges and wages during the contract term pursuant to the Celanese Contracts. Since the Celanese Contracts accounted for more than 90% of our Group’s revenue during the Track Record Period, our Group’s exposure to price fluctuation in consumer price index, utilities charges and wages is minimal.

PRICING

The major revenue derived from our business including the provision of terminal and storage of liquid chemical.

BUSINESS

Regarding the general pricing policy of our services, our services are not subject to the State's Fixed Price Items Catalogue (《國家政府產品定價目錄》).

In general, we charge the terminal and storage services provided to our customers based on factors including the pricing structure, types of products and relationship with our customers. In relation to long-term service contracts, we generally charge our customers a fixed fee, based on the estimated capital return on our investment amount on the project, and an operational fee, based on the actual throughput volume. As pricing terms under long-term service contracts are negotiated between our customers and us on a project basis, the determination of the fixed fee and operational fee may vary subject to the composition of the pricing structure, including the amount of investment estimated and the minimum throughput volume required. In relation to our short term service contracts, we generally charge our customers a fee based on the actual throughput volume. Our pricing terms under short term service contracts may also vary as the determination is subject to a number of factors, including length of services required and types of products.

For our business in Nanjing, a substantial portion of our revenue was derived from our major customers, Celanese (Nanjing), Celanese Diversified and Celanese Acetyl. Our long-term service contracts with Celanese provided for a minimum fixed contract sum subject to annual adjustment with reference to changes of consumer price index, utilities charges and wages, throughout the contract term. Details of the major terms of the Celanese Contracts are set out in “Business – Our relationship with Celanese” in this prospectus.

SEASONALITY

Our terminal and storage services rely on the volume of the shipping of and the demand of liquid chemical products and may be affected by the seasonality cycles of the liquid chemical industry. However, there are generally no seasonality cycles of our services. Notwithstanding our terminal and storage services may be affected by the weather conditions of where our terminals are located, such as heavy fog, rains, wind, typhoon and strong waves, the impact of such weather conditions has not been substantial to our operation during the Track Record Period. During the Track Record Period, our terminal services were affected by the weather condition on (i) four days, four days, three days and nil at our Nanjing terminal; (ii) 26 days, 16 days, 15 days and 7 days at our Tianjin terminal Tianjin; and (iii) nil days, nil days, 58 days and 49 days at our Ningbo terminal as a result of bad weather conditions, respectively. Further, over 90% of our revenue was derived from our customers which have entered into long-term service contracts with us. The payment of such fixed contract sum would not be affected by the seasonality cycles of our customers' industry nor the temporary suspension of our services due to bad weather conditions.

COMPETITION

We are an integrated terminal service provider specialised in the storage and handling of various liquid chemical products in the PRC. Over the Track Record Period, we operated our business in the PRC through (i) Nanjing Dragon Crown, our operating subsidiary located in Nanjing; and (ii) our operating Associated Entities and Jointly-controlled Entity located in Tianjin and Ningbo.

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Due to the nature of the liquid chemical terminal and storage business and the need for proximity to the chemical producers, our Directors consider that it is commercially feasible to provide terminal and storage service to customers located within a radius of 150 km of our terminals and storage infrastructures.

Our storage infrastructures in Nanjing terminal mainly provide integrated terminal service to chemical producers located in the Nanjing Chemical Industry Park. As the chemical terminal service industry is capital intensive and subject to strict PRC government approvals, HSE and licensing requirements, our Directors consider that our industry is characterised by a high entry barrier. According to the CNCC Report, as of 30 September 2010, there were only three independent terminal service providers inside the Nanjing Chemical Industry Park and the designed throughput capacity 2.6 million metric tonnes of our jetties is larger than that of our competitors. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in “Industry Overview – Our Chemical and Storage Services” in this prospectus. To the best knowledge of our Directors and as of the Latest Practicable Date, there were more than 50 chemical enterprises located inside the Nanjing Chemical Industry Park. Among these chemical enterprises, six of them were chemical enterprises which required comprehensive terminal and storage services, including jetties, pipelines and storage tanks, for their liquid chemical raw materials and products. In relation to these six chemical enterprises, four of them, including Celanese (Nanjing), Celanese Diversified and Celanese Acetyl, are our customers. Celanese is the one of the major chemical enterprises in the Nanjing Chemical Industry Park in terms of the total investment amount and sales in 2009. Being its service provider, we are able to secure a stable revenue from the Celanese Contracts. Our Nanjing terminal locates approximately 15 km away from the production facilities of Celanese. We enjoy a strategic location advantage over our competitors in the Nanjing Chemical Industry Park as we are in the shortest distance to Celanese among our competitors in the Nanjing Chemical Industry Park. In addition, we have constructed dedicated pipelines connecting our terminal to our customers’ production bases inside the Nanjing Chemical Industry Park. Our dedicated pipelines allow bulk volume of chemical(s) to be delivered to our customers continuously in a safe, environmental friendly, efficient and cost effective manner. Also, dedicated pipelines can avoid product cross-contamination. Benefited from competitive advantages arising from the strategic location of our terminal and dedicated pipelines connecting with our customers’ production bases in the Nanjing Chemical Industry Park, we have an advantage in serving customers inside the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region, which is one of the major liquid chemical consumption regions in the PRC.

The Yangtze River Delta is one of the leading heavy industrial bases in China, and it is also a main logistics hinge for the large inland industrial cities with strong demand for petroleum and chemical products. Therefore, many refineries and chemical complex are located along the Yangtze River and coastal region.

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According to the CNCC Report, there are approximately 94 industrial parks in China, amongst seven of them are major industry parks located along the coastal line of the Yangtze River Delta region. The following table illustrates the seven major industry parks in the Yangtze River Delta region in terms of actual production volume of petroleum and chemical and the investment amount in petroleum and chemical industry:–

Name of Chemical Industry Parks	2009	
	Actual production volume Million Tons	Total Investment Amount RMB Billion
Nanjing Chemical Industry Park	9.70	38.00
Shanghai Chemical Industry Park	7.50	104.23
Yangzhou Chemical Industry Park	6.61	21.80
Jiangsu Yangtze River International Chemical Industrial Park	4.40	30.00
Ningbo Chemical Industry Zone	2.10	15.00
Jiangsu Province Taixing Economic Development Zone	1.88	7.00
Jiaxing Port Economic Development Zone Chemical Park	0.70	3.00

Source: CNCC Report

Our Directors consider that chemical enterprises which wish to expand their operations or establish their foundations inside or near industry parks along the Yangtze River Delta region are our Nanjing terminal's potential customers. Independent terminal service providers inside or near the seven major industry parks along the Yangtze River Delta region are our Group's major competitors. According to the CNCC Report, there were 15 independent terminal service providers with similar mode of our Nanjing terminal's operation inside or near the seven major industry parks along the Yangtze River Delta region as of 30 September 2010. In addition, the Nanjing Chemical Industry Park was the largest industry park along the Yangtze River Delta region in term of the actual production volume in 2009. As the service reliability and safety are major criteria for chemical enterprises in selecting their terminal service providers, our solid operating history in the Nanjing Chemical Industry Park and proven track record on HSE give us advantage in (i) maintaining business relationship with our existing customers; and (ii) securing service contracts with new chemical enterprises or production facilities.

Compared with Nanjing, our operation in Tianjin and Ningbo face fiercer competition from our competitors, including local and international chemical terminal service providers because (i) the markets in Tianjin and Ningbo are more fragmented and competitive; and (ii) our Associated Entities and Jointly-controlled Entities located in Ningbo and Tianjin do not have an anchor customer which can secure minimum contract sum with predictable earnings.

We consider that the major competitors to our Associated Entities and Jointly-controlled Entities located in Ningbo and Tianjin include Jinghai Petrochemical Limited Company (京海石化公司), Bohaichemical Vopak Co., Ltd. (渤化孚寶有限公司), Ningbo Vopak Co., Ltd. (寧波孚寶公司) and Ningbo Huaning Chemical Storage & Transportation Company (寧波華寧化工儲運公司), some of them have longer operating histories, greater financial resources or closer business relationships with local chemical producers and other users of terminal services than us.

BUSINESS

We believe, there are certain barriers to entry into the liquid chemical terminal and storage industry, including:

(1) PRC government approvals and strict licensing requirements

Our business operations involve the storage and handling of liquid chemical products that are potentially dangerous. Improper handling of these products could result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

The principal laws and regulations applicable to our business include the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on the Management of Port Operation (港口經營管理規定) and the Regulations on the Management of Hazardous Goods at Ports (港口危險貨物管理規定). New entrants must obtain relevant PRC government approvals and fulfil strict licensing requirements.

(2) Capital intensive

New entrants will need to invest substantial capital for the construction of liquid chemical terminals and storage infrastructure, as well as to regularly inspect and upgrade their information system, equipment and facilities to ensure continued competitiveness in terms of efficiency and safety. A chemical terminal and storage operator must also ensure that it has a sufficient number of experienced management staff and skilled operational employees.

(3) Industry experience and track record

In general, chemical producers exercise great care in selecting terminal service provider and historical performance and safety record are perceived as reliable indicators of service quality and capabilities of a liquid chemical terminal service provider.

New entrants without solid industry experience and proven track record may be difficult to compete with the existing market players in liquid chemical terminal and storage industry.

In addition to the above industry entry barriers, (i) our proven track record in serving chemical producers located in the Nanjing Chemical Industry Park and various chemical customers nearby, as well as along the Yangtze River Delta region; and (ii) our long-term terminal service contract between our major customers which provide us a stable and predictable service income during the contract terms, all these factors avail our Directors to consider that our business does not subject to fierce competition with existing market players or new entrants.

We distinguish ourselves from our competitors through (i) proven record of successfully constructing and operating various liquid chemical terminals and storage infrastructures to meet the needs of our customers; and (ii) stringent policies and achievement in meeting the national and industry standards on safety, occupational

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health and environmental matters have enabled us in building our reputation as a reliable and safe liquid chemical terminal service providers since our establishment. In addition, we believe that our commitment to providing flexible, reliable and customised solutions to meet our customers' needs sets us apart from our competitors.

AWARDS

As one of the leading integrated liquid chemical terminal and storage services providers in the PRC, we have received various awards and recognitions from various organisations in signifying of our achievements and contributions to the industry.

The following table sets forth some of the significant awards/certificates granted to us during the Track Record Period:

Awards/Certificates	Awarded by	Capacity of awarding Organisation	Awarded to	Date of Award	Expiry Date
Subsidiary					
Major logistics enterprise (市重點物流企業)	Nanjing City Economic Committee (南京市經濟委員會)	a governmental body directly under the People's Government of Nanjing City	Nanjing Dragon Crown	November 2009	N/A
Award for contribution to the economic development of the Nanjing Chemical Industry Park in 2009 (2009年度為南京化學工業園區經濟發展做出了顯著貢獻獎狀)	Nanjing Chemical Industry Park Management Committee (南京化學工業園區管理委員會)	a governmental body directly under the People's Government of Nanjing City	Nanjing Dragon Crown	22 January 2010	N/A
Award for 2009 tax contribution in the Nanjing Chemical Industry Park (南京化學工業園區2009年度稅收貢獻獎勵)	Nanjing Chemical Industry Park Management Committee (南京化學工業園區管理委員會)	a governmental body directly under the People's Government of Nanjing City	Nanjing Dragon Crown	22 January 2010	N/A
Certificate for safety production standard Level II Enterprise (安全生產標準化二級企業證書)	Jiang Su Administration of Work Safety (江蘇省安全生產監督管理局)	a governmental body directly under the People's Government of Jiangsu Province	Nanjing Dragon Crown	February 2010	February 2013
Associated Entity/ Jointly-controlled Entity					
Certificate of Compliance on Chemical Enterprise Safety Standardisation (安全標準化省級企業達標證書)	Zhejiang Administration of Work Safety (浙江省安全生產監督管理局)	a governmental body directly under the People's Government of Zhejiang Province	Ningbo Ningxiang	March 2008	March 2011
Certificate of Compliance on Chemical Enterprise Safety Standardisation (安全標準化省級企業達標證書)	Zhejiang Province of Work Safety (浙江省安全生產監督管理局)	a governmental body directly under the People's Government of Zhejiang Province	Ningbo Xinxiang	March 2010	March 2013

ENVIRONMENTAL PROTECTION

We place strong emphasis on environmental protection in the course of our operation. Although the nature of our business does not constitute us a heavy polluting industry, we take all necessary internal and external measures to prevent pollution of the environment. We are strongly committed to environmental protection and have established the HSE department to monitor waste disposal. Our facilities used in our business are designed to minimise the effect of their discharge of waste materials (including air, water, noise and other materials) on the environment. We constantly review our operation process, with a view to avoiding or reducing damage to the environment and controlling our energy consumption. For our waste gas emission management, our storage tanks are specially designed to minimise the effect of gas emission. We use storage tanks with internal floating roof, coupled with nitrogen sealing blanket to minimise the impact on the environment due to chemical vapour emission from those highly volatile cargos, such as Methanol, toluene, etc. Our pipelines are also specially designed to minimise the emission of chemicals during the loading and unloading of chemicals on or from the vessels at our terminals. To manage our waste water discharge, we deploy specific procedures to separate the treatment of rain water and industrial waste water. To avoid contamination of our tank water and industrial waste water, waste water is channelled through special sewage pipes to the waste water treatment plant. To minimise the effect of our noise impact, we employ low noise equipment inside our terminal and adopt applicable noise control policy to minimise noise emission from our operation.

We are subject to the relevant environmental protection laws and regulations enacted by the State and local governmental environmental protection departments. The major relevant laws are the Law of the PRC on Environmental Protection (中華人民共和國環境保護法), the Law of the PRC on Prevention of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Implementary Rules of the Law of the PRC on Prevention of Water Pollution (中華人民共和國水污染防治法實施細則), the Law of the PRC on Prevention of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) and the Law of the PRC on Prevention of Air Pollution (中華人民共和國大氣污染防治法). Our treatments of pollutants are subject to regular inspections by the local environmental authority. During the Track Record Period, we had never been charged for or incurred any penalties or fines as a result of material violation of these laws and regulations. As advised by our PRC Legal Adviser, we had complied with these environmental laws and regulations in all material aspects during the Track Record Period.

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During the Track Record Period, we incurred the following direct expenditure on environmental protection:–

	For the year ended 31 December			For the six months ended
	2007	2008	2009	30 June
	<i>(HK\$)</i>			2010
				<i>(HK\$)</i>
Nanjing terminal operated by our subsidiary	62,000	706,000	2,558,000	435,000
Tianjin terminal operated by our Associated Entities	3,000	2,000	800	3,000
Ningbo terminal operated by our Associated Entities/ Jointly-controlled Entity	199,000	234,000	439,000	208,000

It is expected that we will incur the following direct expenditure on environmental protection for the year ending 31 December 2010:–

	<i>(HK\$)</i>
Nanjing terminal operated by our subsidiary	884,000
Tianjin terminal operated by our Associated Entities	117,000
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	415,000

SAFETY CONTROL, OCCUPATIONAL HEALTH AND SAFETY

Our business operations involve the storage and handling of chemicals that are potentially dangerous. Improper handling of these chemicals could result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

We regard safety, occupational health and environmental protection as our top priority. Over the years, we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our policies also meet the standards imposed by our international and domestic customers. Further, to ensure that our staff are fully aware of and comply with our HSE policies, we provide regular trainings to all of our staff. We have also established relevant emergency action plans in case of any accidents in our production facilities. We are awarded the Certificate for Safety Production Standard Level II Enterprise by Jiangsu Administration of Work Safety in Nanjing on safety, occupational health and environmental matters and also awarded the Certificates of Compliance by Zhejiang Province of Work Safety on Chemical Enterprise Safety Standardisation in Ningbo for our achievement in maintaining high standard of safety measures. During the Track Record Period, since our HSE policies were in compliance with the national and industry standards as well as such standards imposed by our international

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and domestic customers, we had been able to maintain a high HSE standard which enables us in building our well-established reputation as a reliable and safe liquid chemical terminal service provider.

We have formulated and implemented a number of stringent health and safety measures and policies. These policies are clearly regarded as an integral part of our Group's general policy and are of paramount importance. Our management and staff at all levels are fully aware of the commitments and involved in the pursuit of the objectives. We have consistently applied and enforced these stringent measures and policies and quality control systems and procedures to ensure our business is safely operated and our operations and services fully comply with all applicable laws and regulations, the national and industry standards and the standards imposed by our customers. We have also established safety management systems that set out the safety procedures for the operation of our business. We adopt detailed safety procedures based on the different characteristics of each kind of chemicals in compliance with relevant laws and regulations. We continuously evaluate the current and potential impact of our operational activities on health and safety and regularly review and update our health and safety measures and policies and management systems to support and guarantee continuous performance improvement. Details of our health and safety measures and policies are available to all staff at all times.

We appreciate the importance on our staff's health and safety awareness. We support and nurture a culture that promotes staff wellness and raises our staff's health and safety awareness. We provide regular and sufficient safety trainings to our staff at all levels. We trained our instructors, managers and supervisors for occupational health and safety to raise their awareness of any potential risks and learn lesson from occurred accidents in our industry. Our instructors, managers and supervisors carry out regular safety trainings on our staff at different levels, in particular in key positions and technicians directly involve in the handling of chemical products in the course of their employment. We furnish all necessary information concerning health and safety to all of our staff and ensure commitments from all staff and all levels of management. Detailed training materials covering all safety, quality control, health and environment topics are furnished to the attendees of our safety training programmes. A recording system is in place to document attendance and results of our training programmes. Apart from our internal training programmes, we have also actively participated in safety seminars organised by the relevant authorities and customers to enhance our safety awareness and to facilitate us to define and develop measures and policies.

Our terminals and facilities are built in compliance with applicable regulatory requirements. All the related occupational safety measures are considered at initial stages of feasibility studies for our construction projects. These measures are then implemented at our terminals during the construction. All our construction projects are designed and constructed by qualified contractors. All the constructions have been inspected and approved for fire and work safety by relevant authorities prior to and upon completion of the construction projects. All our terminals and storage facilities, including tanks and pipelines, are designed and provided by qualified contractors and engineers according to safety standards. We adopt a series of stringent procedures and standards to select and examine our suppliers to ensure

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they have the relevant qualifications and experience to design and construct such facilities. All these facilities, if required by domestic laws and regulations, are examined and approved by the relevant authorities on work safety and fire safety.

We take all necessary internal measures to ensure our operation meet the safety requirements and to minimise the occurrence of accidents. Exposure in the workplace to very toxic or hazardous chemical products require closed system handling procedures. It is compulsory for the relevant staff to use protective equipment and strictly following the required procedures when handling these chemical products. We have installed fire alarm systems, computer surveillance systems and other safety devices at our terminals. We have established relevant emergency action plans in case of accidents taking place in our operation and have our own emergency reaction team trained by professional instructors. Our terminals are well-equipped to cope with possible accidents. Regular fire drill or other exercises are organised with local fire and work safety authorities. We have also established internal investigation and audits system to collect information on the causes of accidents and suggest corrective solutions so as to prevent reoccurrence of accidents and guarantee continuous improvement.

We actively participate in safety certification programme. We are awarded the Certificate for Safety Production Standard Level II Enterprise by Jiangsu Administration of Work Safety in Nanjing on HSE matters and also awarded the Certificates of Compliance by Zhejiang Province of Work Safety on Chemical Enterprise Safety Standardisation in Ningbo for our achievement in maintaining high standard of safety measures. Our stringent policies and achievement in meeting the national and industry standards on safety, occupational health and environmental matters have enabled us to provide reliable services to our customers and in building our reputation as a reliable and safe liquid chemical terminal service provider since our establishment.

We have a dedicated HSE department for our HSE matters. Our HSE department comprises five staff, out of which, three have qualifications of China national level registered safety engineer. The safety standards and measures adopted by us are subject to regular reviews and inspections internally and by the relevant authorities and our customers. Our management and supervisors of the HSE department conduct daily inspection at our operation sites to ensure that all our staff fully comply with our HSE measures and policies and to suggest corrective measures in case of any discrepancies. The relevant authorities and our customers regularly attend our terminals and conduct safety inspections. During the Track Record Period, we had not received any complaints from our customers in relation to material non-compliance of HSE requirements and standards. We strive for improvement and value the feedback from customers on safety matters. Regular meetings are conducted with our customers for improving our performance.

During the Track Record Period, we had been able to maintain a very high safety standard and we had not experienced any material accidents or injuries during our operation. We have also maintained personal injury and medical insurance coverage for our employees.

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During the Track Record Period, we had never been charged for or incurred any penalties or fines or subject to any administrative punishment which would materially affect our operation due to violation of the applicable safety regulations and laws. As advised by our PRC Legal Adviser, we had complied with these safety laws and regulations in all material aspects during the Track Record Period.

During the Track Record Period, we incurred the following direct expenditure on safety and health matters:–

	For the year ended 31 December			For the six months ended
	2007	2008	2009	30 June 2010
	(HK\$'000)			(HK\$'000)
Nanjing terminal operated by our subsidiary	1,031	1,655	2,336	1,246
Tianjin terminal operated by our Associated Entities	86	103	254	74
Ningbo terminal operated by our Associated Entities/ Jointly-controlled Entity	1,263	1,507	1,851	504

It is expected that we will incur the following direct expenditure on safety and health matters for the year ending 31 December 2010:–

	(HK\$'000)
Nanjing terminal operated by our subsidiary	2,410
Tianjin terminal operated by our Associated Entities	271
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	1,780

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had also applied for registration of one and two trademarks in the PRC and Hong Kong, respectively. Particulars of our intellectual property rights are set out in the paragraph headed “Intellectual Property Rights” in Appendix VI in this prospectus.

In order to maintain quality, knowledge and skill levels of our employees, we place a strong emphasis on training. We provide training to our employees periodically, including introductory training for new employees, training on safety, health and environmental protection, technical training, professional and management training, team-building and communications training.

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INSURANCE

We maintain comprehensive insurance policies in the PRC to cover our landed properties, operation facilities, machinery, terminals, equipment, office facilities and inventory against loss and damage caused by accidents or natural perils. We maintain insurance to cover loss caused by breakdown of machinery and equipment. To better protect our Group against operational risks, we also maintain insurance to cover any direct/indirect losses such as loss of profits or other economic loss caused by suspension or termination of business. Further, we maintain third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations. We also maintain policy to cover direct economic losses arising from employees' fraud or dishonesty.

We have provided social insurance for our employees, such as retirement insurance, medical insurance and accident insurance, as stipulated under the statutory requirement of the local government in the PRC. We also maintain group insurance for employees to protect employees in case of any workplace accidents.

The following table sets forth the total insurance premium paid by us during the Track Record Period:–

	For the year ended 31 December			For the six months ended
	2007	2008	2009	30 June
	<i>(HKD'000)</i>			2010
				<i>(HKD'000)</i>
Nanjing terminal operated by our subsidiary	632	1,279	1,487	822
Tianjin terminal operated by our Associated Entities	103	122	102	100
Ningbo terminal operated by our Associated Entities/ Jointly-controlled Entity	649	859	575	218

During the Track Record Period, we had not experienced any material accidents or injuries during our operation. In addition, we did not make material insurance claim for accidents and we had not experienced material product liability claims, third party liability claims or disruptions to business operations in relation to any services provided by us or our facilities or assets leased and used by us which would materially affect our operation.

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The following table sets forth our maximum aggregate insurance coverage as of the Latest Practicable Date:–

(RMB' million)

Nanjing terminal operated by our subsidiary	1,911.3
Tianjin terminal operated by our Associated Entities	87.7
Ningbo terminal operated by our Jointly-controlled Entities	83.4

Details of the maximum insurance coverage per incident or claim under our Group's insurance policies as of the Latest Practicable Date are as follows:

Incident or claim under our Group's polices	Fixed asset	Inventory	Loss of profit	Public liability	Environmental pollution liability	Employer's liability
	<i>(approximately to RMB' million)</i>	<i>(approximately to RMB' million)</i>	<i>(approximately to RMB' million)</i>	<i>(approximately to RMB' million)</i>	<i>(approximately to RMB' million)</i>	<i>(approximately to RMB' million)</i>
Nanjing terminal operated by our subsidiary	524.8	538.5	169.0	50.0	15.0	5.0
Tianjin terminal operated by our Associated Entities	43.4	–	–	5.0	–	–
Ningbo terminal operated by our Jointly-controlled Entities	30.9	50.0	–	1.3	–	2.5

We believe that our insurance coverage is adequate for our operation and is in line with the industry practice in the PRC.

PROPERTIES

Owned properties

As of 30 September 2010, we and our Associated Entities and Jointly-controlled Entity owned 10 parcels of land with an aggregate gross floor area of approximately 254,386.69 sq.m and 26 buildings with an aggregate gross floor area of approximately 11,689.33 sq.m., all of which are situated in the PRC. Our PRC Legal Adviser has confirmed that we hold valid land use right certificates and building ownership certificates with respect to all of our owned properties. Details of the property interests held by us, including our Associated Entities and Jointly-controlled Entities, are set out in “Appendix IV – Property Valuation” in this prospectus.

BUSINESS

Leased properties

As of 30 September 2010, we, including our Associated Entities and Jointly-controlled Entity, leased four parcels of land with an aggregate gross floor area of approximately 11,013.71 sq.m and four buildings with an aggregate gross floor area of approximately 437.92 sq.m. in the PRC and one property, with an aggregate gross floor area of approximately 2,227 square feet in Hong Kong. One of our leased properties in the PRC, with a total site area of approximately 1,013 sq.m which is situated at No.10 Xinhua Road, Tanggu District, Tianjin City, the PRC (Property No. 9 of the Valuation Report of Appendix IV in this Prospectus) and is currently occupied by our Group for industrial use, is subject to the tenancy agreement entered into by Tianjin Changlu Haijing Group Co., Ltd. (天津長蘆海晶集團有限公司) as landlord and Tianjin Tianlong, as tenant.

As advised by our PRC Legal Adviser, Tianjin Changlu Haijing Group Co., Ltd. (天津長蘆海晶集團有限公司) has obtained the Realty Title certificate in relation to the property but may not have carried out the necessary procedures with the relevant authorities in the PRC required for leasing out the property. As a result, Tianjin Changlu Haijing Group Co., Ltd. (天津長蘆海晶集團有限公司) may not have the right to lease the property to Tianjin Tianlong. As of the Latest Practicable Date, the use and occupation of the property had not been challenged by third party. According to our Legal Adviser, if Tianjin Tianlong is to be prevented from occupying the property due to the landlord's failure to conduct the necessary procedures with the relevant authorities, Tianjin Tianlong can seek compensation against Tianjin Changlu Haijing Group Co., Ltd. (天津長蘆海晶集團有限公司) pursuant to relevant provisions of the PRC Contract Law whereas, as confirmed by our PRC Legal Adviser, no penalty will be imposed on Tianjin Tianlong as the tenant.

Alternatively, Tianjin Tianlong can seek to lease similar office properties elsewhere. Our Directors believe that there is minimal risk that our ability to continue to use the property will be challenged or that we will be required to vacate from the property. In addition, our Directors believe that the property is not crucial to our operation and there will be no material adverse effect on our business operations of financial condition even in the event we are required to vacate from the property. Our Directors do not foresee any obstacles to relocate to similar properties elsewhere.

Details of the property interests rented by us, including our Associated Entities and Jointly-controlled Entities, are set out in "Appendix IV – Property Valuation" in this prospectus.

INTERNAL CONTROLS

We are committed to strictly implementing our policies on financial budgeting, financial reporting and internal control. We have established an audit committee and a remuneration committee. We also conduct feasibility studies for our expansion projects, covering issues such as the market for our additional terminal and storage business, new services, the efficiencies generated by our intended expansion, new services, as well as the expected rate of return for such new projects.

BUSINESS

We plan to enhance the monitoring of our cash flow, accounts receivable and capital expenditures. We intend to follow our development strategy and investment return requirements when evaluating investment opportunities. We also plan to improve project management of our investments and improve our investment skills, reduce risks and seek higher returns.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We conduct our operations and carry out our business in material compliance with relevant PRC laws and regulations. Details of the relevant laws and regulations applicable to our operations are set out in “Regulations” in this prospectus.

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, we had complied in all material aspects with relevant PRC laws and regulations, and all of our PRC subsidiaries had not been operating their respective business in material violation of PRC laws and regulations or in excess of the business scope stated in their respective business licence since their establishment.

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or administrative proceedings pending or threatening against us or any of our Directors that could have a material adverse effect on our financial condition or results of operation.

We have complied in all material aspects with the relevant regulatory requirements and have obtained all relevant permits/licenses for our operations.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

The following connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties, and are expected to continue in the foreseeable future.

Except for the Water Supply Agreement, Ningbo Water Supply Agreement I, Ningbo Water Supply Agreement II, Ningbo Electricity Supply Agreement I, Ningbo Electricity Supply Agreement II (all as defined below), the pricing terms of which were determined in accordance with prices set by the government, the pricing term of each of the following connected transactions was not subject to the State's Fixed Price Items Catalogue (《國家政府產品定價目錄》) and was determined at market rates which are on normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties.

Exempt continuing connected transactions

Continuing connected transactions exempt from the reporting, announcement and independent Shareholders' approval requirements

We entered into the following transactions with Nanjing CIPPS, Tianjin Changlu, Ningbo Port, Ningbo Beicang and Ningbo Zhenhai.

Nanjing CIPPS is a wholly-owned subsidiary of Nanjing CIP. Nanjing CIP is a substantial shareholder of Nanjing Dragon Crown, a non-wholly owned subsidiary of the Company, owning approximately 11.39% equity interests in such subsidiary. Nanjing CIPPS is thus a connected person of our Company since it is a wholly-owned subsidiary of Nanjing CIP, a substantial shareholder of Nanjing Dragon Crown. The principal business of Nanjing CIP includes investment and management of high-tech industry, the development of public infrastructure projects, consultancy services on property development, supply of ancillary materials and facilities for enterprises, sales of electrical products, apparatus, telecommunications facilities, research and development of high-tech products.

Tianjin Changlu is a substantial shareholder of Tianjin Tianlong, our Associated Entity, owning approximately 22.5% equity interests in such Associated Entity. Our investments in Tianjin Tianlong are not consolidated into our financial statements. However, since Tianjin Tianlong is considered as a subsidiary undertaking as defined in the twenty-third schedule to the Companies Ordinance by virtue of our Company holding 65% of voting rights and could appoint four out of the seven directors to the board of Tianjin Tianlong, it is deemed to be a subsidiary of our Company under the Listing Rules. Tianjin Changlu, being a substantial shareholder of a subsidiary of our Company, is considered as our connected person under the Listing Rules. The principal business of Tianjin Changlu includes the exploration of salt, production and sale of chemical products.

Ningbo Port is a substantial shareholder of Ningbo Xinxiang and Ningbo Ningxiang, our Jointly-controlled Entities, owning 40% equity interests in each of Ningbo Xinxiang and Ningbo Ningxiang. Our investments in Ningbo Xinxiang and Ningbo Ningxiang are not consolidated into our financial statements. However, since each of Ningbo Xinxiang and

CONNECTED TRANSACTIONS

Ningbo Ningxiang is a subsidiary undertaking as defined in the twenty-third schedule to the Companies Ordinance by virtue of our Company holding 60% of voting rights and could appoint three out of the five directors to the board of each of Ningbo Xianxiang and Ningbo Ningxiang, each of them is deemed to be a subsidiary of our Company under the Listing Rules. Ningbo Port, being a substantial shareholder of a subsidiary of our Company, is considered as our connected person under the Listing Rules. Since Ningbo Beicang is a water plant of Ningbo Port whereas Ningbo Zhenhai is a branch company of Ningbo Port, each of Ningbo Beicang and Ningbo Zhenhai is also considered as a connected person of our Company. The principal business of Ningbo Port includes the development, operation and management of terminal; loading and discharging, storage, packaging of goods at port, international logistics agency services; port information and technical consultancy services, etc.

Since each of Nanjing CIPPS, Tianjin Changlu, Ningbo Port, Ningbo Beicang and Ningbo Zhenhai is considered as a connected person of our Company whereas each of the percentage ratios (other than the profits ratio) of the following transactions on an annual basis is (i) less than 0.1%, or (ii) is less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of our Company by virtue of its relationship with our Company's subsidiary or subsidiaries; or (iii) less than 5% and the annual consideration is less than HK\$1.0 million, the following de minimis transactions will constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules. The Directors (including the independent non-executive Directors) consider that the terms of the following connected transactions are conducted on an arms' length basis and on normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties.

Our Directors recognise the risk that if any of these connected persons were to terminate its business relationship with us entirely or in breach of its obligations under the continuing connected transaction contracts with us, there can be no assurance that we would be able to obtain services from other suppliers to replace their services originally provided to us, or if we were to be able to obtain such services, that it would be on commercially reasonable terms. Nonetheless, our Directors consider that such reliance will not have material impacts to our Group's operation in practice because (i) all of them are de minimis transactions under the Listing Rules; (ii) all of the connected persons are owned and/or controlled by the PRC government and the terms were determined on normal commercial terms, pursuant to which if our Group is able to afford such terms as the connected persons charge the Independent Third Parties, the connected persons will continuously provide our Group the relevant services. As such, the Directors consider that it is not necessary to implement any plans or measures to reduce the reliance on the connected persons under the exempt continuing connected transactions.

1. Water Supply Agreement and Waste Water Treatment Agreement

In January 2010, Nanjing Dragon Crown and Nanjing CIPPS entered into a water supply agreement (the "Water Supply Agreement") and in April 2009, Nanjing Dragon Crown and Nanjing CIPPS entered into a waste water treatment agreement (the "Waste Water Treatment Agreement").

CONNECTED TRANSACTIONS

Details of each of the Water Supply Agreement and the Waste Water Treatment Agreement are set forth as follows:-

	Parties	Term	Services	Consideration
Water Supply Agreement	Nanjing Dragon Crown and Nanjing CIPPS	Signed in January 2010 and supplemented by a supplemental agreement dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for the daily operation of Nanjing Dragon Crown	Determined by the volume of water consumed or the minimum charges as stipulated in the Water Supply Agreement
Waste Water Treatment Agreement	Nanjing Dragon Crown and Nanjing CIPPS	Signed in April 2009 and supplemented by a supplemental agreement dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of waste water treatment services in relation to the waste water discharged during the daily operation of Nanjing Dragon Crown	Calculated with reference to the actual volume of waste water which required to be processed and the level of pollution of the water processed

Historical transaction value

The historical transaction values of each of the Water Supply Agreement and the Waste Water Treatment Agreement are as follows:-

	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the six months ended 30 June 2010
Water Supply Agreement	RMB649,870 (equivalent to approximately HK\$666,800)	RMB675,630 (equivalent to approximately HK\$757,200)	RMB634,610 (equivalent to approximately HK\$720,100)	RMB317,300 (equivalent to approximately HK\$361,200)
Waste Water Treatment Agreement	Nil (<i>Note</i>)	RMB6,900 (equivalent to approximately HK\$7,700)	RMB32,500 (equivalent to approximately HK\$36,900)	RMB4,500 (equivalent to approximately HK\$5,100)

CONNECTED TRANSACTIONS

Note: Our Group did not record any expenses under the Waste Water Treatment Agreement for the year ended 31 December 2007 because our Group has only engaged Nanjing CIPPS to provide the relevant services since 2008.

Annual caps

The proposed cap amounts payable by us under each of the Water Supply Agreement and the Waste Water Treatment Agreement for each of the three years ending 31 December 2012 are as follows:–

	For the year ending 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
Water Supply Agreement	RMB633,600 (equivalent to approximately HK\$728,280	RMB666,000 (equivalent to approximately HK\$765,520	RMB698,400 (equivalent to approximately HK\$802,760
Waste Water Treatment Agreement	RMB41,000 (equivalent to approximately HK\$47,100	RMB141,000 (equivalent to approximately HK\$162,100	RMB41,000 (equivalent to approximately HK\$47,100

The proposed cap amounts of each of the Water Supply Agreement and the Waste Water Treatment Agreement are determined based on factors as follows:–

Factors for determining the proposed cap amounts

Water Supply Agreement	<ul style="list-style-type: none"> (i) the actual volume of water consumed by Nanjing Dragon Crown during the Track Record Period; and (ii) the expected volume of water to be consumed for the operation of Nanjing Dragon Crown's business in Nanjing under the Water Supply Agreement during the three years ending 31 December 2012.
Waste Water Treatment Agreement	<ul style="list-style-type: none"> (i) the actual volume of waste water processed by Nanjing CIPPS during the Track Record Period; and (ii) the expected volume of waste water to be processed for the operation of Nanjing Dragon Crown's business in Nanjing under the Waste Water Treatment Agreement during the three years ending 31 December 2012.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Water Supply Agreement and the Waste Water Treatment Agreement have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the

CONNECTED TRANSACTIONS

Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under the Water Supply Agreement and the Waste Water Treatment Agreement is expected to be less than 5% and the total consideration is less than HK\$1.0 million. Accordingly, the transactions contemplated under the Water Supply Agreement and the Waste Water Treatment Agreement constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

2. *Preliminary Land Use Agreement*

On 1 July 2010, a preliminary land use agreement (the "Land Use Agreement") was entered into between Tianjin Changlu as landlord and Tianjin Tianlong as tenant in respect of a parcel of land located at No.10 Xinhua Road, Tanggu District, Tianjin City, the PRC (the "Xinhua Premises"), being property numbered 9 as referred to in the property valuation report as set out in Appendix IV to this prospectus, with a total gross floor area of approximately 1,013 square metres for a term commencing on 1 July 2010 and expiring on 27 August 2014. The property is used as an industrial land by our Group. Pursuant to the Land Use Agreement, Tianjin Tianlong shall pay Tianjin Changlu an annual rent in the sum of RMB20,868 (equivalent to approximately HK\$24,000).

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the rent paid by our Group in respect of the Xinhua Premises amounted to nil, nil, nil and approximately RMB10,400 (equivalent to approximately HK\$11,800), respectively. We did not record any rent in respect of Xinhua Premises for each of the three years ended 31 December 2009 because the Land Use Agreement was only entered into in July 2010.

Annual caps

Pursuant to the Land Use Agreement, the annual rental for the Xinhua Premises for each of the three years ending 31 December 2012 is approximately RMB20,868 (equivalent to approximately HK\$24,000), RMB20,868 (equivalent to approximately HK\$24,000) and RMB20,868 (equivalent to approximately HK\$24,000), respectively. The annual rent payable to Tianjin Tianlong was determined at arm's length negotiation between the parties to the Land Use Agreement.

3. *Ningbo Port Agreements*

We entered into eight agreements (the "Ningbo Port Agreements") with Ningbo Beicang and Ningbo Zhenhai for the provision of various services.

CONNECTED TRANSACTIONS

Details of each of the Ningbo Port Agreements are set forth as follows:–

	Parties	Term	Services	Consideration
Ningbo Water Supply Agreement I	Ningbo Xinxiang and Ningbo Beicang	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for Ningbo Xinxiang	Calculated with reference to the actual volume of water consumed
Ningbo Water Supply Agreement II	Ningbo Ningxiang and Ningbo Beicang	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for Ningbo Ninxiang	Calculated with reference to the actual volume of water consumed
Ningbo Electricity Supply Agreement I	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of electricity for Ningbo Xinxiang	Calculated with reference to the actual quantity of electricity consumed
Ningbo Electricity Supply Agreement II	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of electricity for Ningbo Ninxiang	Calculated with reference to the actual quantity of electricity consumed
Public Services Agreement I	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of various public services, including fire services, environmental protection facilities, waste water treatment and cleaning services for Ningbo Xinxiang	Calculated with reference to the actual costs of the services provided
Public Services Agreement II	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of various public services, including fire services, environmental protection facilities, waste water treatment and cleaning services for Ningbo Ninxiang	Calculated with reference to the actual costs of the services provided
Vapour Supply Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of vapour services for Ningbo Ningxiang	Calculated with reference to the actual quantity of vapour consumed and the annual vapour fees
Pipelines Usage Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 30 December 2009 and for a term from 1 January 2010 to 31 December 2012	Grant of pipelines usage right in Ningbo to Ningbo Ninxiang for the loading and delivery of liquid chemical products	Rental fees calculated with reference to the frequency of pipelines used

CONNECTED TRANSACTIONS

Historical transaction value

The historical transaction values of relevant services are as follows:–

	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the six months ended 30 June 2010
Ningbo Water Supply Agreement I	Nil (<i>Note 1</i>)	Nil (<i>Note 1</i>)	RMB6,800 (equivalent to approximately HK\$7,700)	RMB4,670 (equivalent to approximately HK\$5,320)
Ningbo Water Supply Agreement II	Nil (<i>Note 1</i>)	Nil (<i>Note 1</i>)	RMB13,700 (equivalent to approximately HK\$15,500)	RMB9,300 (equivalent to approximately HK\$10,600)
Ningbo Electricity Supply Agreement I	RMB58,600 (equivalent to approximately HK\$60,100)	RMB51,200 (equivalent to approximately HK\$57,400)	RMB87,900 (equivalent to approximately HK\$99,700)	RMB60,800 (equivalent to approximately HK\$69,200)
Ningbo Electricity Supply Agreement II	RMB49,780 (equivalent to approximately HK\$51,100)	RMB70,100 (equivalent to approximately HK\$78,600)	RMB122,750 (equivalent to approximately HK\$139,300)	RMB70,780 (equivalent to approximately HK\$80,600)
Public Services Agreement I	RMB93,680 (equivalent to approximately HK\$96,100)	RMB74,520 (equivalent to approximately HK\$83,500)	RMB79,540 (equivalent to approximately HK\$90,300)	RMB48,030 (equivalent to approximately HK\$54,700)
Public Services Agreement II	RMB84,780 (equivalent to approximately HK\$87,000)	RMB51,220 (equivalent to approximately HK\$57,410)	RMB67,940 (equivalent to approximately HK\$77,100)	RMB103,230 (equivalent to approximately HK\$117,500)
Vapour Supply Agreement	RMB67,500 (equivalent to approximately HK\$69,300)	RMB139,000 (equivalent to approximately HK\$155,800)	RMB160,000 (equivalent to approximately HK\$181,600)	Nil (<i>Note 2</i>)
Pipelines Usage Agreement	RMB4,000 (equivalent to approximately HK\$4,100)	RMB4,000 (equivalent to approximately HK\$4,500)	RMB18,000 (equivalent to approximately HK\$20,400)	RMB14,000 (equivalent to approximately HK\$15,900)

CONNECTED TRANSACTIONS

Notes:

1. Before Ningbo Beicang provided us the water services in the first quarter of 2009, water services for Ningbo Xinxiang and Ningbo Ninxiang were provided by another associated entity of Ningbo Port, namely Ningbo Zhenhai. The transaction values for such water services amounted to approximately RMB10,992 (equivalent to approximately HK\$11,280), RMB10,108 (equivalent to approximately HK\$11,330) and RMB1,717 (equivalent to approximately HK\$1,950) for Ningbo Xinxiang and approximately RMB23,069 (equivalent to approximately HK\$23,670) and RMB20,216 (equivalent to approximately HK\$22,660) and RMB3,435 (equivalent to approximately HK\$3,900) for Ningbo Ninxiang for each of the two years ended 31 December 2008 and in the first quarter of 2009 before the replacement.
2. Since Ningbo Zhenhai only charges us vapour fee in the second half of each year, we did not record any historical transaction value for vapour for the six months ended 30 June 2010.

Annual caps

The proposed cap amounts payable by us under each of the Ningbo Port Agreements for each of the three years ending 31 December 2012 are as follows:–

	For the year ending 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
Ningbo Water Supply Agreement I	RMB11,000 (equivalent to approximately HK\$12,600)	RMB12,000 (equivalent to approximately HK\$13,800)	RMB13,500 (equivalent to approximately HK\$15,500)
Ningbo Water Supply Agreement II	RMB22,000 (equivalent to approximately HK\$25,300)	RMB24,300 (equivalent to approximately HK\$27,900)	RMB26,700 (equivalent to approximately HK\$30,700)
Ningbo Electricity Supply Agreement I	RMB130,000 (equivalent to approximately HK\$149,400)	RMB140,000 (equivalent to approximately HK\$160,900)	RMB160,000 (equivalent to approximately HK\$183,900)
Ningbo Electricity Supply Agreement II	RMB132,000 (equivalent to approximately HK\$151,700)	RMB150,000 (equivalent to approximately HK\$172,400)	RMB160,000 (equivalent to approximately HK\$183,900)
Public Services Agreement I	RMB118,900 (equivalent to approximately HK\$136,700)	RMB138,000 (equivalent to approximately HK\$158,600)	RMB158,000 (equivalent to approximately HK\$181,600)
Public Services Agreement II	RMB105,700 (equivalent to approximately HK\$121,500)	RMB123,000 (equivalent to approximately HK\$141,400)	RMB141,000 (equivalent to approximately HK\$162,100)
Vapour Supply Agreement	RMB160,000 (equivalent to approximately HK\$183,900)	RMB200,000 (equivalent to approximately HK\$229,900)	RMB250,000 (equivalent to approximately HK\$287,400)
Pipelines Usage Agreement	RMB32,000 (equivalent to approximately HK\$36,800)	RMB36,000 (equivalent to approximately HK\$41,400)	RMB38,000 (equivalent to approximately HK\$43,700)

CONNECTED TRANSACTIONS

The proposed cap amounts of each of the Ningbo Port Agreements are determined based on factors as follows:–

Factors for determining the proposed cap amounts

Ningbo Water Supply Agreement I & Ningbo Water Supply Agreement II	(i) the actual volume of water consumed by our Group during the Track Record Period; and (ii) the expected volume of water to be consumed for the operation of our Group's business in Ningbo under the Ningbo Water Supply Agreement I and the Ningbo Water Supply Agreement II during the three years ending 31 December 2012.
Ningbo Electricity Supply Agreement I & Ningbo Electricity Supply Agreement II	(i) the actual quantity of electricity consumed during the Track Record Period; and (ii) the expected quantity of electricity to be consumed for the operation of our Group's business in Ningbo under the Ningbo Electricity Supply Agreement I and the Ningbo Electricity Supply Agreement II for the three years ending 31 December 2012.
Public Services Agreement I & Public Services Agreement II	(i) the actual services provided during the Track Record Period; and (ii) the expected services to be required by Ningbo Xinxiang for the operation of our Group's business in Ningbo under the Public Services Agreement I and the Public Services Agreement II for the three years ending 31 December 2012.
Vapour Supply Agreement	(i) the actual amount paid under the Vapour Supply Agreement during the Track Record Period; and (ii) the expected quantity of vapour to be consumed for the operation of our Group's business in Ningbo and the annual vapour fee under the Vapour Supply Agreement for the three years ending 31 December 2012.
Pipelines Usage Agreement	the expected usage of pipelines for the operation of our Group's business in Ningbo under the Pipelines Usage Agreement.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Ningbo Port Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under each of the Ningbo Port Agreements is expected to be less than 5% and the total consideration is less than HK\$1.0 million. Accordingly, the transactions contemplated under the Ningbo Port Agreements constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTIONS

4. *Ningbo Port Loading and Discharging Agreement*

On 28 August 2010, Ningbo Ningxiang and Ningbo Zhenhai entered into a loading and discharging agreement (the “Ningbo Port Loading and Discharging Agreement”) pursuant to which Ningbo Zhenhai will provide loading and discharging services to Independent Third Parties at Jetty No. 16-2 located at Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC which is owned by Ningbo Ningxiang and the income to be received by Ningbo Zhenhai for the provision for such loading and discharging services shall be shared among Ningbo Ningxiang and Ningbo Zhenhai as to 60% and 40%, respectively. The income sharing ratio was determined based on commercial negotiation between Ningbo Ningxiang and Ningbo Zhenhai with reference to the contributions from parties to the Ningbo Port Loading and Discharging Agreement. The contribution of Ningbo Ningxiang under the Ningbo Port Loading and Discharging Agreement is the provision of the jetty for Ningbo Zhenhai to utilise. The Ningbo Port Loading and Discharging Agreement was supplemented by a supplemental agreement dated 30 December 2009. The term of the Ningbo Port Loading and Discharging Agreement commences from 1 January 2010 to 31 December 2012.

Pursuant to the Ningbo Port Loading and Discharging Agreement, the income to be shared between Ningbo Ningxiang and Ningbo Zhenhai under the Ningbo Port Loading and Discharging Agreement shall be calculated based on the quantity of loading services provided by Ningbo Zhenhai to Independent Third Parties and the income received for such services and to be shared among Ningbo Ningxiang and Ningbo Zhenhai as to 60% and 40%, respectively.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the amount of Ningbo Ningxiang’s portion of shared income paid by Ningbo Zhenhai to Ningbo Ningxiang under the arrangement with Ningbo Zhenhai amounted to approximately RMB590,250 (equivalent to approximately HK\$605,600), RMB346,360 (equivalent to approximately HK\$388,200), RMB168,390 (equivalent to approximately HK\$191,100) and RMB66,300 (equivalent to approximately HK\$75,480), respectively.

Annual caps

The proposed cap amounts of the amount of Ningbo Ningxiang’s portion of shared income to be payable to Ningbo Ningxiang for the use of its jetty to discharge chemical products under the Ningbo Port Loading and Discharging Agreement for each of the three years ending 31 December 2012 are RMB170,000 (equivalent to HK\$195,400), RMB180,000 (equivalent to HK\$206,900) and RMB185,000 (equivalent to HK\$212,600), respectively. Such proposed cap amounts are determined based on (i) the historical value during the Track Record Period; and (ii) the expected income to be shared between Ningbo Ningxiang and Ningbo Zhenhai under the Ningbo Port Loading and Discharging Agreement.

CONNECTED TRANSACTIONS

5. *Discharging Agreement*

On 30 December 2009, Ningbo Ningxiang and Ningbo Zhenhai entered into a discharging agreement (the “Discharging Agreement”) pursuant to which Ningbo Zhenhai agreed to provide discharging services to Ningbo Ningxiang. The term of the Discharging Agreement commences from 1 January 2010 to 31 December 2012.

Pursuant to the Discharging Agreement, the discharging services fees shall be calculated based on the quantity of loading services provided for different types of liquid chemicals.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid by Ningbo Ningxiang to Ningbo Zhenhai for the provision of loading services amounted to approximately RMB24,200 (equivalent to approximately HK\$24,800), RMB37,500 (equivalent to approximately HK\$42,000), RMB108,900 (equivalent to approximately HK\$123,600) and RMB113,200 (equivalent to approximately HK\$128,900), respectively.

Annual caps

The proposed cap amounts of the fees to be payable to Ningbo Zhenhai for the provision of loading services under the Discharging Agreement for each of the three years ending 31 December 2012 are RMB140,000 (equivalent to HK\$161,000), RMB150,000 (equivalent to HK\$172,400) and RMB160,000 (equivalent to HK\$184,000), respectively. Such proposed cap amounts are determined based on the historical value and the expected services to be required from Ningbo Ningxiang under the Discharging Agreement.

CONNECTED TRANSACTIONS

6. *Ningbo Senior Management Service Agreements*

We entered into two senior management service agreements (the “Ningbo Senior Management Service Agreements”) with Ningbo Zhenhai in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai pursuant to the joint venture agreement and articles of association of each of Ningbo Xinxiang and Ningbo Ninxiang.

The services provided by the senior management staff under the Ningbo Senior Management Services Agreements include management over the operations of Ningbo Xinxiang and Ningbo Ninxiang and supervision over the financial matters of Ningbo Xinxiang and Ningbo Ninxiang. The arrangement was made pursuant to the request of Ningbo Zhenhai because the senior management delegated by Ningbo Zhenhai can be taken as employees of Ningbo Zhenhai continuously and their employee benefits as staff of Ningbo Zhenhai can be continued and accumulated under the arrangement. Without the Ningbo Senior Management Service Agreements, our Group would have remunerated such senior management as its staff cost with similar level of expenses under the Ningbo Senior Management Service Agreements.

Details of each of the Ningbo Senior Management Services Agreements are set forth as follows:–

	Parties	Term	Services	Consideration
Ningbo Xinxiang Senior Management Service Agreement	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Fees payable by our Group in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai	Determined with reference to the remuneration policy of Ningbo Zhenhai
Ningbo Ninxiang Senior Management Service Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Fees payable by our Group in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai	Determined with reference to the remuneration policy of Ningbo Zhenhai

CONNECTED TRANSACTIONS

Historical transaction value

The historical transaction values of relevant services are as follows:–

	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the six months ended 30 June 2010
Ningbo Xinxiang Senior Management Service Agreement	RMB247,600 (equivalent to approximately HK\$254,000)	RMB286,400 (equivalent to approximately HK\$321,000)	RMB296,000 (equivalent to approximately HK\$335,900)	RMB141,000 (equivalent to approximately HK\$160,500)
Ningbo Ninxiang Senior Management Service Agreement	RMB108,700 (equivalent to approximately HK\$111,500)	RMB119,000 (equivalent to approximately HK\$133,380)	RMB120,000 (equivalent to approximately HK\$136,170)	RMB58,670 (equivalent to approximately HK\$66,800)

Annual caps

The proposed cap amounts payable by us under each of the Ningbo Senior Management Service Agreements for each of the three years ending 31 December 2012 are as follows:–

	For the year ending 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
Ningbo Xinxiang Senior Management Service Agreement	RMB336,000 (equivalent to approximately HK\$386,000)	RMB380,000 (equivalent to approximately HK\$436,800)	RMB425,000 (equivalent to approximately HK\$488,500)
Ningbo Ninxiang Senior Management Service Agreement	RMB134,000 (equivalent to approximately HK\$154,000)	RMB151,000 (equivalent to approximately HK\$173,560)	RMB169,000 (equivalent to approximately HK\$194,300)

The proposed cap amounts of each of the Ningbo Port Agreements are determined based on factors as follows:–

Factors for determining the proposed cap amounts

Ningbo Xinxiang Senior Management Service Agreement & Ningbo Ninxiang Senior Management Service Agreement	(i) fees paid during the Track Record Period under the Ningbo Xinxiang and Ningbo Ninxiang Senior Management Service Agreement; and (ii) the remuneration package of Ningbo Zhenhai.
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Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Ningbo Senior Management Service Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under the Ningbo Senior Management Service Agreements is expected to be less than 5%

CONNECTED TRANSACTIONS

and the total consideration is less than HK\$1.0 million. Accordingly, the transactions contemplated under the Ningbo Senior Management Service Agreements constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

7. Jetty Lease and Safety Management Agreement

On 25 December 2009, a jetty lease and safety management agreement (the "Jetty Lease Agreement") was entered into between Ningbo Ningxiang as lessor and Ningbo Zhenhai as lessee in respect of Jetty No. 16-2 located at Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC (the "Jetty No. 16-2"), pursuant to which Ningbo Ningxiang leased to Ningbo Zhenhai the Jetty No. 16-2 for the berthing of the marine vessels of Ningbo Zhenhai. The Jetty Lease Agreement was supplemented by a supplemental agreement dated 1 January 2010. The term of the Jetty Lease Agreement is for the period from 1 January 2010 to 31 December 2012.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the rent received by our Group pursuant to relevant services amounted to RMB100,000 (equivalent to approximately HK\$102,600), RMB200,000 (equivalent to approximately HK\$224,200), RMB150,000 (equivalent to approximately HK\$170,200) and nil, respectively. Since our Group only charges Ningbo Zhenhai the rent under the Jetty Lease Agreement in the second half of each year, we did not record any historical transaction value for the rent under the Jetty Lease Agreement for the six months ended 30 June 2010.

Annual caps

Pursuant to the Jetty Lease Agreement, the annual rental for the Jetty No. 16-2 for each of the three years ending 31 December 2012 is approximately RMB150,000 (equivalent to approximately HK\$172,400), RMB150,000 (equivalent to approximately HK\$172,400) and RMB150,000 (equivalent to approximately HK\$172,400), respectively. The annual rent receivable by Ningbo Ningxiang was determined at arm's length negotiation between the parties to the Jetty Lease Agreement.

8. Ningbo Property Agreements

On 18 July 2005, a lease agreement (the "Lease Agreement") was entered into between Ningbo Port as landlord and Ningbo Xinxiang as tenant in respect of a parcel of industrial storage-used land, Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC (the "Zhenhai Port Premises"), being property numbered 10 as referred to in the property valuation report as set out in Appendix IV to this prospectus, with a site area of approximately 9,969.24 square metres for a term for 15 years commencing on 1 January 2004. The property is used as an industrial storage-used land by our Group.

CONNECTED TRANSACTIONS

In addition, pursuant to the joint venture agreement of Ningbo Ningxiang dated 4 July 1993 (the “Ningbo Ningxiang JV Agreement”), Ningbo Ningxiang shall pay to Ningbo Port the land use right fee in respect of two parcels of land at Zhenhai Port Working Area, Zhenhai District, Ningbo City, Zhejiang Province, the PRC (the “Zhenhai Port Land”), being property numbered 5 as referred to in the property valuation report as set out in Appendix IV to this prospectus, with a site area of approximately 7,061 square metres for a period of 10 years from 1 January 2009 to 19 October 2018. The property is used as storage-used land by our Group.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the rent paid by our Group pursuant to the Lease Agreement amounted to RMB418,700 (equivalent to approximately HK\$429,600), RMB418,700 (equivalent to approximately HK\$469,000), RMB418,700 (equivalent to approximately HK\$475,100) and RMB209,300 (equivalent to approximately HK\$238,300), respectively.

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the rent paid by our Group pursuant to the Ningbo Ningxiang JV Agreement for the use of the Zhenhai Port Land amounted to nil, nil, RMB176,500 (equivalent to approximately HK\$200,300) and RMB176,500 (equivalent to approximately HK\$200,900), respectively. Under the Ningbo Ningxiang JV Agreement, Ningbo Ningxiang is free to use the Zhenhai Port Land for a period of 15 years from 20 October 1993 to 31 December 2008. Accordingly, our Group did not record any rent payables for each of the two years ended 31 December 2008.

Annual caps

Pursuant to the Lease Agreement, the annual rental for the Zhenhai Port Premises for each of the three years ending 31 December 2012 is approximately RMB418,700 (equivalent to approximately HK\$481,300), RMB418,700 (equivalent to approximately HK\$481,300) and RMB418,700 (equivalent to approximately HK\$481,300), respectively. The annual rent payable by Ningbo Xinxiang was determined at arm’s length negotiation between the parties to the Lease Agreement. Our Directors (including the independent non-executive Directors) consider that the Lease Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

In addition, pursuant to the Ningbo Ningxiang JV Agreement, the annual rental for the Zhenhai Port Land for the years ending 31 December 2012 is RMB176,500 (equivalent to approximately HK\$202,900), RMB176,500 (equivalent to approximately HK\$202,900) and RMB176,500 (equivalent to approximately HK\$202,900), respectively. The annual rent payable by Ningbo Ningxiang was determined at arm’s length negotiation between the parties to the Ningbo Ningxiang JV Agreement.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Lease Agreement and the land use right under the Ningbo Ningxiang JV Agreement have been aggregated.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Continuing connected transactions subject to the announcement and reporting requirements but exempt from the independent Shareholders' approval requirements

9. *Related Party Terminal Service Agreements*

We entered into three related party terminal service agreements (the “Related Party Terminal Service Agreements”) which constitute continuing connected transactions under the Listing Rules. Details of the Related Party Terminal Service Agreements are as follows:–

(a) Phenol Storage Agreement

On 1 September 2010, Nanjing Dragon Crown and Dragon Crown (Shanghai) entered into a Phenol storage agreement (the “Phenol Storage Agreement”), pursuant to which Nanjing Dragon Crown agreed to provide Dragon Crown (Shanghai) with terminal and storage services for Phenol at the terminal of Nanjing Dragon Crown. The term of the Phenol Storage Agreement is for the period from 1 September 2010 to 31 December 2012.

Dragon Crown (Shanghai) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, Dragon Crown (Shanghai) is an associate of Mr. NG and thus a connected person.

As Dragon Crown (Shanghai) is a connected person of the Company, the Phenol Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

The fees payable by Dragon Crown (Shanghai) to our Group for the services provided are principally determined by (i) the quantity of Phenol handled by our Group; (ii) the ancillary services provided by our Group such as the provisions of vapour, drums, loading services and nitrogen, etc.; and (iii) the duration for the storage of Phenol at our Group’s terminal in Nanjing with reference to the market price. The terms offered by Dragon Crown (Shanghai) to Nanjing Dragon Crown are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid by Dragon Crown (Shanghai) to our Group for the provision of terminal and storage services for Phenol at the terminal of Nanjing Dragon Crown amounted to approximately RMB130,940 (equivalent to approximately HK\$134,000), RMB407,090 (equivalent to approximately HK\$456,000), RMB138,420 (equivalent to approximately HK\$157,100) and RMB810,550 (equivalent to approximately HK\$922,800), respectively. Since Phenol is a market-driven chemical product, the fluctuation of the historical transaction value during the Track Record Period was mainly due to different amounts of orders procured by Dragon Crown (Shanghai) in the market during the Track Record Period and the drop for the year ended 31 December 2009 as compared to the year ended 31 December 2008 was mainly due to the financial crisis in the fourth quarter of 2008 and the first quarter of 2009.

CONNECTED TRANSACTIONS

Annual caps

The proposed cap amounts of the fees to be payable to our Group by Dragon Crown (Shanghai) for the provision of services under the Phenol Storage Agreement for each of the three years ending 31 December 2012 are RMB1,620,000 (equivalent to approximately HK\$1,862,100), RMB2,400,000 (equivalent to approximately HK\$2,758,600) and RMB2,400,000 (equivalent to approximately HK\$2,758,600), respectively. Such proposed cap amounts are determined based on (i) the actual quantity of Phenol handled by our Group during the Track Record Period, which was approximately 820 metric tonnes, 3,622 metric tonnes, 1,050 metric tonnes and 8,103 metric tonnes, respectively; (ii) the expected growth in quantity of Phenol handled by our Group during the three years ending 31 December 2012, which is expected to be more than 22,000 metric tonnes, 28,600 metric tonnes and 31,800 metric tonnes for each of the three years ending 31 December 2010; and (iii) the expected growth in rental rate to be charged by our Group during the three years ending 31 December 2012, which is expected to be over nil%, 5% and 5% of increase when comparing to the rental rate as of 30 June 2010. The expected growth in quantity of Phenol handled by our Group for the three years ending 31 December 2012 is based on the indication from Dragon Crown (Shanghai) in relation to its estimation of terminal and storage services it will require with reference to the market condition in 2010.

(b) Ningbo Ningxiang Storage Agreement

On 1 January 2010, Ningbo Ningxiang and Ningbo FTZ Dragon Crown entered into a storage agreement (the “Ningbo Ningxiang Storage Agreement”) pursuant to which Ningbo Ningxiang agreed to provide Ningbo FTZ Dragon Crown with terminal and storage services for Methanol at our Group’s terminal in Ningbo. The term of the Ningbo Ningxiang Storage Agreement is for a period from 1 January 2010 to 31 December 2012. It is expected that the Ningbo Ningxiang Storage Agreement will be renewed on substantially the same terms for another one year to 31 December 2013.

Ningbo FTZ Dragon Crown is wholly-owned by DC Investments which is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, Ningbo FTZ Dragon Crown is an associate of Mr. NG and thus a connected person.

As Ningbo FTZ Dragon Crown is a connected person of the Company, the Ningbo Ningxiang Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

The fees payable by Ningbo FTZ Dragon Crown to our Group for the services provided are principally determined by (i) the quantity of the liquid chemical products handled by our Group; and (ii) the period for the storage of the liquid chemical products at our Group’s terminals with reference to the market price. The terms offered by Ningbo FTZ Dragon Crown to Ningbo Ningxiang are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid by Ningbo FTZ Dragon Crown to our Group for the provision of terminal and storage services at our Group’s terminal in Ningbo amounted to approximately RMB303,970 (equivalent to approximately HK\$312,000), RMB207,850 (equivalent to approximately HK\$232,960), RMB1,130,970 (equivalent to approximately HK\$1,283,300) and

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RMB1,769,510 (equivalent to approximately HK\$2,014,590), respectively. Since Methanol is a market-driven chemical product, the fluctuation of the historical transaction value during the Track Record Period was mainly due to different amounts of orders procured by Ningbo FTZ Dragon Crown in the market during the Track Record Period and the drop for the year ended 31 December 2008 as compared to the year ended 31 December 2007 was mainly due to the financial crisis in the fourth quarter of 2008 and the first quarter in 2009.

Annual caps

The proposed cap amounts of the fees to be payable to our Group for the provision of services under the Ningbo Ningxiang Storage Agreement for each of the three years ending 31 December 2012 are RMB3,600,000 (equivalent to HK\$4,138,000), RMB3,620,000 (equivalent to HK\$4,161,000) and RMB3,650,000 (equivalent to HK\$4,195,000), respectively. Such proposed cap amounts are determined based on (i) the actual quantity of liquid chemical products to be handled by our Group during the Track Record Period, which was approximately 3,260 metric tonnes, 4,981 metric tonnes, 21,246 metric tonnes and 30,026 metric tonnes, respectively; (ii) the expected growth in quantity of liquid chemical products handled by our Group during the three years ending 31 December 2012; and (iii) the expected growth in rental rate to be charged by our Group during the three years ending 31 December 2012. The expected growth in quantity of Methanol handled by our Group for the three years ending 31 December 2012 is based on the indication from Ningbo FTZ Dragon Crown in relation to its estimation of terminal and storage services it will require with reference to the market condition in 2010.

(c) DC Investments Storage Agreement

On 1 January 2010, Ningbo Ningxiang and DC Investments entered into a storage agreement (the “DC Investments Storage Agreement”), pursuant to which Ningbo Ningxiang agreed to provide DC Investments with terminal and storage services for Phenol at our Group’s terminal in Ningbo. The term of the DC Investments Storage Agreement is for the period from 1 January 2010 to 31 December 2012. It is expected that the DC Investments Storage Agreement will be renewed on substantially the same terms for another one year to 31 December 2013.

DC Investments is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, DC Investments is an associate of Mr. NG and thus a connected person.

As DC Investments is a connected person of the Company, the DC Investments Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

The fees payable by DC Investments to our Group for the services provided are principally determined by (i) the quantity of the liquid chemical products handled by our Group; and (ii) the period for the storage of the liquid chemical products at the terminal with reference to the market price. The terms offered by DC Investments to Ningbo Ningxiang are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

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Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid by DC Investments to our Group for the provision of terminal and storage services at our Group's terminal in Ningbo amounted to nil, RMB1,613,270 (equivalent to approximately HK\$1,808,200), RMB1,601,940 (equivalent to approximately HK\$1,817,700) and RMB1,151,990 (equivalent to approximately HK\$1,311,500), respectively. We did not record any fees paid by DC Investments under the DC Investments Storage Agreement for the year ended 31 December 2007 because DC Investments did not utilise our terminal and storage services for Phenol at our Group's terminal in Ningbo during the year ended 31 December 2007.

Annual caps

The proposed cap amounts of the fees to be payable to our Group for the provision of services under the DC Investments Agreement for each of the three years ending 31 December 2012 are RMB1,800,000 (equivalent to HK\$2,069,000), RMB1,850,000 (equivalent to HK\$2,126,000) and RMB1,900,000 (equivalent to HK\$2,184,000), respectively. Such proposed cap amounts are determined based on (i) the actual quantity of liquid chemical products to be handled by our Group during the Track Record Period; (ii) the expected growth in quantity of liquid chemical products handled by our Group during the three years ending 31 December 2012; and (iii) the expected growth in rental rate to be charged by our Group during the three years ending 31 December 2012.

Waiver from announcement requirements

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Related Party Terminal Service Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transactions under the Related Party Terminal Service Agreements are expected to be less than 5% or 25% and the annual consideration is less than HK\$10,000,000, and such transactions will require satisfaction of reporting and announcement requirements under the Listing Rules.

In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with the transactions under the Related Party Terminal Service Agreements after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from other Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

On the above basis, the Company has applied to the Stock Exchange for waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above continuing connected transactions under the Related Party Terminal Service Agreements from strict compliance with the announcement requirements subject to (i) our Directors undertaking that our

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Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

10. Office Lease Agreement

On 12 November 2010, an office lease agreement (the “Office Lease Agreement”) was entered into between DC Investments as landlord and DC Petrochemicals as tenant in respect of the premises located at Unit No. 3 on the 18th Floor of Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong (the “Hong Kong Premises”), being property numbered 12 as referred to in the property valuation report as set out in Appendix IV in this prospectus, with a gross floor area of approximately 2,227 square feet for a term commencing on 1 August 2010 and expiring on 31 December 2012. The property is currently occupied by our Group for office use.

DC Investments is owned as to 98% by Mr. NG, our Director and Controlling Shareholder. According to the Listing Rules, DC Investments is an associate of Mr. NG and thus a connected person.

As DC Investments is a connected person of the Company, the Office Lease Agreement will constitute a continuing connected transaction of the Company under 14A.14 of the Listing Rules.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the rent paid by our Group in respect of the Hong Kong Premises amounted to nil, nil, nil and nil, respectively. We did not record any rental expenses in relation to the Hong Kong Premises during the Track Record Period because DC Investments did not charge our Group any rents during the Track Record Period and we were able to occupy the Hong Kong Premises without incurring any rental expenses.

Annual caps

Pursuant to the Office Lease Agreement, the annual rental for the Hong Kong Premises for each of the three years ending 31 December 2012 is approximately HK\$622,500, HK\$1,494,000 and HK\$1,494,000, respectively, payable by the Company in advance on or before the first day of each calendar month. Hence, the proposed cap amounts of the rental fees to be payable by our Group to DC Investments under the Offer Lease Agreement in each of the three years ending 31 December 2012 are HK\$622,500, HK\$1,494,000 and HK\$1,494,000, respectively. The annual rent payable to DC Investments was determined at arm’s length negotiation between the parties to the Office Lease Agreement. The independent property valuer of our Company, CB Richard Ellis, has also confirmed that the terms of the Office Lease Agreement are fair and reasonable and the rental payment under the Office Lease Agreement reflects the current market rate. Our Directors consider that the Office Lease Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

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Waiver from announcement requirements

The expected cap amount of the transaction under the Office Lease Agreement described above will constitute our Company's continuing connected transactions under the Listing Rules after the Listing. The applicable percentage ratios (other than profits ratio) as defined in rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transaction under the Office Lease Agreement are expected to be less than 5% or 25% and the annual consideration is less than HK\$10,000,000, and such transactions will require satisfaction of reporting and announcement requirements under the Listing Rules.

In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from other Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

On the above basis, the Company has applied to the Stock Exchange for waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above continuing connected transaction with DC Investments from strict compliance with the announcement requirements subject to (i) our Directors undertaking that the Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

Continuing connected transactions subject to the announcement, reporting and independent shareholders' approval requirements

11. Pipe Racks Agreements

In March 2007, Nanjing Dragon Crown and Nanjing CIPC entered into a pipe racks services agreement (the "Pipe Racks Services Agreement") pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Acetic Acid pipelines and Methanol pipelines at the Nanjing Chemical Industry Park. The Pipe Racks Services Agreement was supplemented by (i) a supplemental agreement dated 28 September 2007, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Vinyl acetate and Acetic Anhydride pipelines at the Nanjing Chemical Industry Park; (ii) a supplemental agreement dated 12 October 2007, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Ethylene pipelines at the Nanjing Chemical Industry Park; and (iii) a supplemental agreement dated June 2008, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the sub-pipelines of our Group connecting to the pipelines of Ling Tian Company (菱天公司) and Dynamic Chemical Industry Co., Ltd. (德納公司), both are Independent Third Parties and, to the best knowledge of our Directors, both are customers of Celanese. The arrangement of sub-pipelines was made to facilitate the direct delivery of liquid chemicals to the customers of Celanese under the direction of Celanese.

CONNECTED TRANSACTIONS

The Pipe Racks Services Agreement is for a period of 15 years from 15 March 2007 to 14 March 2022 and can be extended for a further five years upon expiry unless the parties thereto terminate the Pipe Racks Services Agreement.

In addition, in March 2007, Nanjing Dragon Crown and Nanjing CIPPS, a wholly-owned subsidiary of Nanjing CIPC, entered into a security services agreement (the “Security Services Agreement”), pursuant to which Nanjing CIPPS agreed to provide security services for the pipe racks rented by our Group at the Nanjing Chemical Industry Park. Nanjing CIPPS shall provide security, patrol and monitor services of our Group’s pipelines at the Nanjing Chemical Industry Park. The Security Services Agreement is for a period of 15 years from 15 March 2007 to 14 March 2022.

The expiry date of each of the Pipe Racks Services Agreement and the Security Services Agreement in March 2022 is to mirror the first Celanese Contract, being the Celanese (Nanjing) Contract, which will also expire in March 2022. Even though the other Celanese Contracts will expire at a later date, our Directors are of the view that our Group will not be materially affected because they consider that there will be no difficulties in renewing the Pipe Racks Services Agreement and the Security Services Agreement upon their expiry dates in March 2022. Our Group did not operate the pipe rack services under the Pipe Racks Service Agreement and the security services under the Security Services Agreement itself because (i) our Group does not have the expertise in such operations; and (ii) Nanjing CIPC is the operator of Nanjing Chemical Industrial Park which provides such services, through itself or Nanjing CIPPS, to all relevant enterprises.

As required by Rule 14A.35(1) of the Listing Rules, the period of the Pipe Racks Services Agreement must not exceed three years, except in special circumstances which are limited to cases where the nature of the transactions requires the contract to be of a duration longer than three years.

The Company and the Sponsor consider that the nature of the transactions under the Pipe Racks Services Agreement require the Pipe Racks Services Agreement to be of a duration of longer than three years owing to the following principal factors and reasons:

- (i) we have significantly invested for our terminal in Nanjing and it is one of the important competitive advantages of our Group to have dedicated pipelines connecting our terminal and our customers in the Nanjing Chemical Industry Park. Pipe racks are the essential facilities for our Group’s dedicated pipelines connecting the jetties, tank farm and the destinations of our Group’s customers in the Nanjing Chemical Industry Park. Dedicated pipelines together with the pipe racks are crucial facilities for our Group’s operation and business expansion of business in Nanjing;
- (ii) the Celanese Contracts entered into between our Group and Celanese are for a term of fifteen years commencing from the respective commercial operation dates, pursuant to which our Group has agreed to provide dedicated pipelines connecting our Group’s terminal and Celanese’s manufacturing base in the Nanjing Chemical Industry Park. Our Group’s business with Celanese in Nanjing provides a stable

CONNECTED TRANSACTIONS

and profitable business to our Group. The Pipe Racks Services Agreement for a term of 15 years mirrors the contract terms of the Celanese Contracts and ensures our Group's performance of our obligations under the Celanese Contracts;

- (iii) Nanjing CIPC is the developer and operator of the Nanjing Chemical Industry Park, and the sole owner of the pipe racks in the Nanjing Chemical Industry Park. Prior approval from Nanjing CIPC is required for any operating activities and construction work involving the pipe racks. Therefore, it is necessary for our Group to enter into the Pipe Racks Services Agreement with Nanjing CIPC. As confirmed by Nanjing CIPC, it is a normal practice to enter into long-term rental contracts with the rentees given the importance of pipe racks. In addition, the rental rate under the Pipe Racks Services Agreement is comparable with other rental agreement entered into with other independent rentees; and
- (iv) it is commercially favourable for our Group and in line with the industry practice to enter into the long-term rental contracts with pre-determined rental rate for the pipe racks rental services to ensure that the operation would not be interrupted.

In addition, the Company and the Sponsor consider that the nature of the transactions under the Security Services Agreement require the Security Services Agreement to be of a duration of longer than three years owing to the following principal factors and reasons:

- (i) our Group entered into the Pipe Racks Services Agreement with Nanjing CIPC for a term of 15 years;
- (ii) Nanjing CIPC, the parent company of Nanjing CIPPS is the sole owner of the pipe racks in the Nanjing Chemical Industry Park and prior approval from Nanjing CIPC is required for any operating activities involving the pipe racks. In order to ensure the safety and security management of our Group's pipelines at the Nanjing Chemical Industry Park, it is commercially favourable for our Group to enter into the Security Services Agreement for a duration consistent with the term of the Pipe Racks Services Agreement; and
- (iii) it is common for industrial concerns to enter into long-term Security Services Agreement with pre-determined terms for the pipelines to ensure our Group's operation in Nanjing would not be interrupted.

The fees payable for the pipe racks rental by our Group are principally determined by the occupied area of pipelines in the pipe racks rented to our Group by Nanjing CIPC subject to adjustment with reference to the bank lending interest rate, consumer price index, inflation, etc.. The terms offered by Nanjing CIPC to Nanjing Dragon Crown are no less favourable than those offered by other Independent Third Parties in the ordinary course of business. The fees for the pipe racks rental are standard charges applicable to all enterprises inside the Nanjing Chemical Industry Park.

In addition, the fees payable for the security services by our Group under the Security Services Agreement are principally determined by the length of pipe racks which requires the provision of security services by Nanjing CIPPS. The terms offered by Nanjing CIPPS to

CONNECTED TRANSACTIONS

Nanjing Dragon Crown are no less favourable than those offered by other Independent Third Parties in the ordinary course of business. The fees for the security services are standard charges applicable to all enterprises inside the Nanjing Chemical Industry Park.

The Directors (including the independent non-executive Directors) confirm that the rental fees under the Pipe Racks Services Agreement and the service fees under the Security Services Agreement are agreed in arm's length terms and on the market price and they are of the view that the long-term Pipe Racks Services Agreement and the Security Services Agreement has been entered into in the usual and ordinary course of business of our Group and are in the interest of the Company and its Shareholders as a whole.

Nanjing CIPC is a substantial shareholder of Nanjing Dragon Crown, a non-wholly owned subsidiary of the Company, owning 11.39% interest in such subsidiary. Nanjing CIPC is thus a connected person of the Company solely by reason that it is a substantial shareholder of Nanjing Dragon Crown. In addition, since Nanjing CIPPS is a wholly-owned subsidiary of Nanjing CIPC. Accordingly, Nanjing CIPPS is thus a connected person of the Company by reason that it is a wholly-owned subsidiary of Nanjing CIPC, a substantial shareholder of Nanjing Dragon Crown.

As each of Nanjing CIPC and Nanjing CIPPS is a connected person of our Company, each of the Pipe Racks Services Agreement and the Security Services Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Historical transaction value

For the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid to Nanjing Dragon Crown to Nanjing CIPC for leasing the pipe racks under the Pipe Racks Services Agreement amounted to approximately RMB2,662,200 (equivalent to approximately HK\$2,731,400), RMB6,436,400 (equivalent to approximately HK\$7,213,900), RMB7,786,660 (equivalent to approximately HK\$8,835,500) and RMB3,893,330 (equivalent to approximately HK\$4,432,600), respectively.

In addition, for the three years ended 31 December 2009 and the six months ended 30 June 2010, the fees paid to Nanjing CIPPS by Nanjing Dragon Crown for the security services under the Security Services Agreement amounted to approximately RMB677,600 (equivalent to approximately HK\$695,200), RMB1,101,000 (equivalent to approximately HK\$1,234,000), RMB913,770 (equivalent to approximately HK\$1,036,900) and RMB444,480 (equivalent to approximately HK\$506,040), respectively. For the year ended 31 December 2009 and the six months ended 30 June 2010, we recorded a decreasing historical transaction value under the Security Services Agreement because more enterprises joined the Nanjing Chemical Industry Park during the period and they shared the pipe racks which diluted the security patrolling service charges.

CONNECTED TRANSACTIONS

Annual caps

The proposed cap amounts of the fees to be payable to Nanjing CIPC for leasing the pipe racks under the Pipe Racks Services Agreement for each of the three years ending 31 December 2012 are RMB8,000,000 (equivalent to HK\$9,195,400), RMB8,200,000 (equivalent to HK\$9,425,300) and RMB8,400,000 (equivalent to HK\$9,655,200), respectively. Such proposed cap amounts are determined based on the expected increase of rental fee (subject to adjustment) under the Pipe Racks Services Agreement.

The proposed cap amounts of the fees to be payable to Nanjing CIPPS for the security services under the Security Services Agreement for each of the three years ending 31 December 2012 are RMB889,200 (equivalent to approximately HK\$1,022,100), RMB889,200 (equivalent to approximately HK\$1,022,100) and RMB799,320 (equivalent to approximately HK\$918,800), respectively. Such proposed cap amounts are determined based on the expected length of pipelines which will require the provision of security services by Nanjing CIPPS and the agreed fixed rate for the provision of security services for each km of pipelines. The fees payable to Nanjing CIPPS for the security services under the Security Services Agreement will decrease from RMB889,200 for the year ending 31 December 2011 to RMB799,320 for the year ending 31 December 2012 because Nanjing CIPPS expected that more enterprises will join the Nanjing Chemical Industrial Park and the relevant expenses can be shared with more enterprises in the future.

Waiver from announcement and independent Shareholders' approval requirements

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Pipe Racks Services Agreement and the Security Services Agreement have been aggregated. The expected aggregate cap amounts of the transactions under the Pipe Racks Services Agreement and the Security Services Agreement for each of the three years ending 31 December 2012 exceed HK\$10,000,000 and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable and on an annual basis, is higher than 5%. As such, the transactions under the Pipe Racks Services Agreement and the Security Services Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

On the above basis, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above non-exempt continuing connected transactions under the Pipe Racks Services Agreement and the Security Services Agreement from strict compliance with the announcement requirements and the independent

CONNECTED TRANSACTIONS

Shareholders' approval requirements under Chapter 14A of the Listing Rules subject to (i) our Directors' undertaking that the Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company, under Rule 14A.42 of the Listing Rules, has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to the continuing connected transactions above from the announcement and/or independent shareholders' approval requirements requirement under Rule 14A.47 of the Listing Rules, provided that the said continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the Stock Exchange.

CONFIRMATION FROM THE SPONSOR AND OUR DIRECTORS

The Sponsor and our Directors (including the independent non-executive Directors) are of the view that:

- (i) the above continuing connected transactions for which waivers are sought have been entered into in the ordinary and usual course of the business of the Company on normal commercial terms and the terms of such transactions are fair and reasonable as far as the Company is concerned and are in the interests of the Shareholders as a whole;
- (ii) it is in the interest of the Company and the Shareholders to have a term of each of the Pipe Racks Services Agreement and the Security Services Agreement in excess of three years and it is a normal business practice for contracts of these types to be of such duration after having considered the principal factors and reasons as provided by the Company as set forth in “– Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Continuing connected transaction subject to the announcement, reporting and independent Shareholders' approval requirements” in this prospectus; and
- (iii) that the proposed annual caps for the above continuing connected transactions referred to above are fair and reasonable and in the interests of the Shareholders taken as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, our Controlling Shareholders will own an aggregate of 776,050,000 Shares (representing 70.55% of the Shares then in issue, assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). Other than their interest in our Group, as of the Latest Practicable Date, our Controlling Shareholders and their associates were also interested in the following entities principally engaging in the chemical product trading business or oil products railway logistics and storage business in Xinjiang (the “**Excluded Business**”):

- *DC Investments* – DC Investments is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Upon completion of the Reorganisation, DC Investments will focus on the trading of chemical products.

As of the Latest Practicable Date, DC Investments was in the process of applying from the relevant government authorities for the land use rights of a parcel of land (the “**Dongguan Land Parcel**”) in Dongguan. The proposed grant of the land use rights is a compensation under the government’s land acquisition scheme provided by the relevant government authority for the surrender of another land use rights owned by DC Investments and/or its subsidiaries in its liquid chemical product terminal in Dongguan which ceased operation in 2007. As of the Latest Practicable Date, the location and details of Dongguan Land Parcel were not yet finalised by the relevant government authority.

In order to prevent possible business competition between our Group and DC Investments, on 30 November 2010, we and DC Investments entered into an option agreement. Pursuant to the option agreement, DC Investments has granted to our Group an option (the “**Option**”) to acquire Dongguan Land Parcel from DC Investments, at a reasonable and mutually agreeable price, subject to the necessary governmental approvals, board approvals and shareholders approvals (as required under the Listing Rules, if applicable).

In addition, the following additional corporate measures will be adopted by our Company to protect the minority Shareholders’ rights:–

1. decision for the exercise or non-exercise of the Option shall be determined by our independent non-executive Directors only;
2. our independent non-executive Directors are empowered to engage professional advisors at our costs for advices on matters relating to the Option; and
3. our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the exercise of the Option.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As the Dongguan Land Parcel is expected to be restricted for the construction of terminal, subject to the necessary governmental approvals, board approvals and shareholders approvals (as required under the Listing Rules, if applicable), we intend to exercise the Option and acquire the Dongguan Land Parcel from DC Investments and develop our liquid chemical product terminal at the Dongguan Land Parcel.

If we cannot acquire Dongguan Land Parcel from DC Investments, DC Investments undertakes that it will not compete with our business through the development of the Dongguan Land Parcel.

- *Ningbo FTZ Dragon Crown* – Ningbo FTZ Dragon Crown is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Ningbo FTZ Dragon Crown is focusing on the trading of chemical products.
- *Dragon Crown (Shanghai)* – Dragon Crown (Shanghai) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Dragon Crown (Shanghai) is focusing on the trading of chemical products.
- *Beijing Gang Long Run Import and Export Company Limited* (北京港龍潤進口有限公司) – Beijing Gang Long Run Import and Export Company Limited (北京港龍潤進口有限公司) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Beijing Gang Long Run Import and Export Company Limited (北京港龍潤進口有限公司) is focusing on trading of chemical products.
- *Guangzhou Dragon Crown Chemical Trade Company Limited* (廣州龍翔化工貿易有限公司) – Guangzhou Dragon Crown Chemical Trade Company Limited (廣州龍翔化工貿易有限公司) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Guangzhou Dragon Crown Chemical Trade Company Limited (廣州龍翔化工貿易有限公司) is focusing on trading of chemical products.
- *Dragon Crown Chemicals Macao Commercial Offshore Ltd.* (龍翔化工澳門離岸商業服務有限公司) – Dragon Crown Chemicals Macao Commercial Offshore Ltd. (龍翔化工澳門離岸商業服務有限公司) is owned as to 98% by Dragon Apex Holdings Inc. which is wholly-owned by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Dragon Crown Chemicals Macao Commercial Offshore Ltd. (龍翔化工澳門離岸商業服務有限公司) is focusing on the trading of chemical products.
- *Dragon Crown (SEA) Pte. Ltd.* – Dragon Crown (SEA) Pte. Ltd. is owned as to 60% by Mr. NG and is therefore an associate of our Controlling Shareholder. Dragon Crown (SEA) Pte. Ltd. is focusing on the trading of chemical products.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- Xinjiang Xinlong Storage Co. Ltd. (新疆新龍儲運有限公司) – Xinjiang Xinlong Storage Co. Ltd. (新疆新龍儲運有限公司) (“**Xinjiang Xinlong**”) is owned as to 51% by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Xinjiang Xinlong is principally engaged in the provision of loading and unloading service for imported crude oil and heavy oil in A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan.

As the width of railroad tracks is different in the PRC and the Republic of Kazakhstan, railroad cars from the Republic of Kazakhstan need to unload crude products at A La Shan Kou (阿拉山口), and then load the same crude products into the PRC domestic railroad cars before they enter into the PRC railway system.

Through its rail transfer and switch platform equipped with pumps for unloading and re-loading crude products, Xinjiang Xinlong is capable to provide loading and unloading service for its customers, which mainly include local and national oil product importers.

According to the articles of associations of Xinjiang Xinlong, the number of directors of Xinjiang Xinlong is nine, five of them are nominated by DC Investments and four of them are nominated by the minority shareholders of Xinjiang Xinlong. According to unaudited management accounts of Xinjiang Xinlong, its revenue amounted to approximately RMB34 million, RMB27 million and RMB22 million during each of the three years ended 31 December 2009. Its unaudited net profit reached approximately RMB16 million, RMB8.6 million and RMB5.7 million during the same period, respectively. During each of the three years ended 31 December 2009, the total quantities of crude oil and heavy oil handled by Xinjiang Xinlong amounted to approximately 860,000 metric tonnes, 578,000 metric tonnes and 249,000 metric tonnes, respectively.

Set out below is a table summarising the difference in business natures, geographic locations, customer segments and business operation of our Group and Xinjiang Xinlong:

	Xinjiang Xinlong	The Group
Business natures:	Provision of unloading and re-loading service for imported crude oil and heavy oil	Provision of terminal and storage services for liquid chemical products
Geographic locations:	A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan	Eastern coastal regions including Nanjing, Tianjin and Ningbo
Customer segments:	Local and national oil product importers	Mainly chemical manufacturers located in the proximity of our terminals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Xinjiang Xinlong	The Group
Business operations:	Mainly unload crude products at A La Shan Kou (阿拉山口), and then load the same crude products into the PRC domestic railroad cars before they enter into the PRC railway system	Mainly unload and load liquid chemical products from/ to vessels at our jetties, and deliver liquid chemical products to our customers' specified destinations through (i) dedicated pipelines; (ii) delivery trucks; (iii) rail; (iv) drums; or (v) vessels.

COMPETITION

No competing business

We are an integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products. We principally provide our terminal and storage services in Nanjing, Ningbo and Tianjin. Our Directors have confirmed that currently there is no direct or indirect competition between our business and that of our Controlling Shareholders. The principal activities of our Controlling Shareholders or their respective associates and their subsidiaries are clearly delineated and different from ours in either customer segment, service, business nature or geographical location. Our Directors have further confirmed that none of our Controlling Shareholders is interested in any business which competes either directly or indirectly with, or is it otherwise materially relevant to, our business.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, DC Investments and executive Directors (collectively, the "Covenantors") has entered into the deed of non-competition with our Company to the effect that each of them jointly and severally, irrevocably and unconditionally, undertakes with our Company (on behalf of itself and our Group) that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and our Controlling Shareholders individually or collectively with their associates are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders, or remain as an executive Director, each of the relevant Covenantors shall, and shall procure that their respective associates shall:-

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with our Group in any business activities which our Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group; and
- (c) keep our Directors informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (including its associates) and our Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes with the Company (on behalf of itself and our Group) that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than members of our Group), he or she or it will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity.

None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until we decide not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our prevailing business and financial resources, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

Save as disclosed in this section of this prospectus, none of the Covenantors is interested in any business apart from the business operated by members of our Group which competes or is likely to compete, directly or indirectly, with our Group’s business under Rule 8.10 of the Listing Rules.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that it or he or she will (i) provide to us all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether it or he or she has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:-

- (a) our Company becomes wholly-owned by the Covenantors and/or their associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Controlling Shareholders and/or their associates in our Shares falls below 30% of the number of Shares in issue or the relevant Covenantor shall cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) in the case of any executive Director who is not a Controlling Shareholder, ninety (90) days from the date of resignation or termination of his or her service contract with our Company as a result of his or her breach of the relevant service contract, provided that if the relevant service contract is terminated by our Company without any breach on the part of the relevant executive Director, the date of termination of the relevant service contract; or
- (d) our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from competing businesses and to safeguard the interests of our Shareholders, including:–

- (a) review by our independent non-executive Directors on an annual basis on the compliance with the deed of non-competition by the Covenantors, the options, the pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses;
- (b) undertakings by the Covenantors that they will provide to us all information necessary for the enforcement of the deed of non-competition, and confirm to us on an annual basis as to whether he or she or it has complied with the above non-competition undertakings;
- (c) decision for the exercise or non-exercise of the right of first refusal for the Business Opportunity shall be determined by our independent non-executive Directors only;
- (d) our independent non-executive Directors are empowered to engage professional advisors at our costs for advises on matters relating to any Business Opportunities;
- (e) our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the Business Opportunities;
- (f) disclosure by us on decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition in our annual report; and
- (g) the Covenantors making an annual statement on compliance with the deed of non-competition in our annual report, including the disclosure on how the deed of non-competition was complied with and enforced, which is consistent with the principles of making voluntary disclosure in the corporate governance report of the annual report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that we can carry on our business independent of and without financial reliance on our Controlling Shareholders (and the associates of our Controlling Shareholders) following the Listing, and that we satisfy the relevant requirements under the Listing Rules.

Management independence

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. One of our executive Directors is our Controlling Shareholder.

Each of our Directors is fully aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefit and in our best interests and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In addition, members of our senior management are also independent from our Controlling Shareholders and their respective associates.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our organisation structure is made of various departments and divisions, each with specific areas of responsibility. Our management team is also independent from our Controlling Shareholders. We have obtained all necessary qualifications for us to operate our current businesses. Our Group has established independent accounting and financial reporting systems. Our Group has independent access to source of supplies and also to customers. We have also established various internal control procedures to facilitate the effective operation of our business. We have our own investment committee which assesses business opportunities and makes investment decisions.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. During the Track Record Period, Mr. NG, our Controlling Shareholder has provided guarantees to the extent of approximately HK\$68,965,500 as of 31 December 2007, HK\$86,943,000 as of December 2008, HK\$41,379,000 as of December 2009 and HK\$41,379,000 as of 30 June 2010, respectively relating to bank credit facilities granted to us. The guarantees granted by Mr. NG for the credit facilities of approximately HK\$41,379,000 as of the Latest Practicable Date will be released upon the Listing. On this basis, our Directors believe that we are financially independent from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-INCLUSION OF THE EXCLUDED BUSINESS

Our Group's operation which principally engaging in the terminal and storage services of liquid chemical products in Nanjing, Tianjin and Ningbo is established as a distinct line of the Excluded Business which mainly focuses on trading of chemical products or provision of loading and unloading service for imported crude oil and heavy oil in A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan. Since our Group's inception, our Group and the Excluded Business are independent of each other in various aspects, including our Group is financially and operationally independent from the Excluded Business and the Controlling Shareholders with a separate management team, geographical focus, sales and marketing channels and the overall management strategies of operating the Excluded Business were determined by the board of directors of the respective associates of our Controlling Shareholders.

Taking into account of the foregoing and given the different business natures, geographical locations, customer segments and mode of business operation of the Excluded Business, our Directors consider that, our operational efficiency may be affected as significant financial and managerial resources would be deployed to coordinate and assimilate the Excluded Business if the Excluded Business, which operations are currently in a different nature and in different geographical location, is to be included into our Group.

Further, our Directors believe that the listing of our Group without the inclusion of the Excluded Business will provide more diversified funding sources and management resource for our Group to develop its more focused line of business operations, namely the terminal and storage services of liquid chemical products in Nanjing, Tianjin and Ningbo, and that a listing of our Group without the inclusion of the Excluded Business will enable us to achieve our valuation potential which, in turn, will be beneficial to our Shareholders as a whole.

Taking into account of the above, our Directors believe that it will be in the best interests of our Company and its Shareholders if our Group maintains its focus in the business and we are to exclude the Excluded Business from our Group.

Our Directors believe that with the Deed of Non-Competition and the corporate governance measures as mentioned above put into place after the Listing, any potential competition between our Group and the Excluded Business operated by our Controlling Shareholders will be minimised and monitored.

On the basis of the above, the Excluded Business was not included in our Group and our Directors currently have no intention to inject the Excluded Business into our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:–

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:–

- (a) when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters referred to above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board is responsible and has general powers for the management and the conduct of our business. The table below shows certain information in respect of members of our Board.

Name	Age	Position in our Group	Date of appointment	Responsibilities in our Group
Mr. NG Wai Man	54	Chairman and executive Director	16 July 2010	Operation for our Board and is the key decision-maker of our Group
Mr. TING Yian Ann	50	Chief Executive Officer and executive Director	30 November 2010	Overall management and strategic development, major decision-making and communications with our key customers
Mr. CHONG Yat Chin	49	Executive Director	30 November 2010	Business and strategic development, major decision-making and communications with major customers
Ms. CHAN Wan Ming	45	Executive Director	30 November 2010	Our Group's day-to-day management, administration as well as human resources management
Mr. KWAN Chun Yuen	37	Executive Director	30 November 2010	Financial and accounting management of our Group
Mr. LUO Shijie	64	Independent non-executive Director	30 November 2010	Supervising and providing independent judgement to the Board, the audit committee, the remuneration committee and the nomination committee
Mr. ZHU Wujun	61	Independent non-executive Director	30 November 2010	Supervising and providing independent judgement to the Board, the audit committee, the remuneration committee and the nomination committee
Mr. LAU Sik Yuen	43	Independent non-executive Director	30 November 2010	Supervising and providing independent judgement to the Board, the audit committee, the remuneration committee and the nomination committee

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Mr. NG, Wai Man (吳惠民), aged 54, is an executive Director and the chairman of our Group. Mr. NG is the founder of our Group and is principally responsible for operation of our Board and is the key decision-maker of our Group. He is responsible for formulating the overall business strategic development for our Group. Mr. NG has accumulated around 22 years of management and operation experience in the terminal and storage of liquid chemical products industry. Mr. NG is the founder of Dragon Source and its invested entity, Ningbo Haixiang Liquid Chemical Store Co., Ltd. (寧波海翔液體化工倉儲有限公司) (the predecessor of Ningbo Xinxiang), and has managed its operation since 1988. Mr. NG was the president and legal representative of Nanjing Dragon Crown Liquid Chemicals Terminal Co., Ltd (南京龍翔液體化工儲運碼頭有限公司) from April 2004 to 2007 responsible for overseeing strategic development and management of resources. From December 1993 to September 2004, Mr. NG was a director of Ningbo Huaxiang Inspection Co., Ltd (寧波華翔檢驗有限公司), a company which provides inspection, certification and testing services. He served as the chairman and general manager from October 1997 to October 2006 and legal representative from October 1997 to October 2007 for Ningbo FTZ Dragon Crown, a trading company, responsible for strategic business management. Mr. NG did not hold any directorship in any listed companies during the Track Record Period. Mr. NG was appointed as our Director on 16 July 2010 and was re-designated as our executive Director on 30 November 2010.

Mr. TING Yian Ann (陳言安), aged 50, is an executive Director and the chief executive officer of our Group. Mr. TING is principally responsible for overall management and strategic development, major decision-making and communications with our key customers. Mr. TING joined our Group in 2003. Since 2007, Mr. TING has served as the president and legal representative of Nanjing Dragon Crown Liquid Chemicals Terminal Co., Ltd (南京龍翔液體化工儲運碼頭有限公司). He has accumulated around 22 years of management and operation experience in the terminal and storage of liquid chemical products industry. Prior to joining our Group, Mr. TING was a regional budget coordinator of Astra Asia Regional Office, a pharmaceutical company, in Singapore from 1986 to 1988, his major duties included coordinating and preparing budget for all regional offices within Asia and reporting to managing director. He served as an account executive from 1988 to 1990, a senior account manager, sales and marketing department from 1990 to 1992, an assistant vice president, sales and marketing department from 1992 to 1993, a vice president, regional development and marketing department from 1993 to 1995, a senior vice president, regional development and marketing from 1995 to 1997, and president and chief executive officer from 1997 to 2001 of GATX (Jurong) Terminals Pte Ltd., a company providing global networks in bulk liquid storage, packaging, distribution and logistic services in Singapore. His major duties in GATX (Jurong) Terminals Pte Ltd. covered overall planning and operation of the company in the region, formulating strategies, cultivating relationship with customers and authorities and developing internal controls system. Mr. TING was the deputy chairman of the Singapore Chemical Industry Council from 1997 to 2001 and also served as the chairman of the Logistics & Distribution Committee established under the Singapore Chemical Industry Council from 1997 to 2001. Mr. TING graduated from University of Southern California in 1985 with a Bachelor of Science degree in Business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Administration. Mr. TING did not hold any directorship in any listed companies during the Track Record Period. Mr. TING was appointed as an executive Director on 30 November 2010.

Mr. CHONG, Yat Chin (莊日青), aged 49, is an executive Director. Mr. CHONG joined our Group in 1994. Mr. CHONG is principally responsible for business and strategic development, major decision-making and communications with major customers. He has accumulated around 16 years of experience in the liquid chemical products terminal and storage industry. Prior to joining our Group, Mr. CHONG worked for Mitsui & Company (Hong Kong) Limited, an international conglomerate engaging in various businesses, including worldwide logistics and financing, development of infrastructure, for over seven years. He was in the chemicals division and undertook business support centered around petrochemical products chain for logistics and distribution. He was also responsible for developing strategic partnerships and customer relations. Mr. CHONG graduated from The Chinese University of Hong Kong in 1986 with a Degree of Bachelor of Business Administration. Mr. CHONG did not hold any directorship in any listed companies during the Track Record Period. Mr. CHONG was appointed as an executive Director on 30 November 2010.

Ms. CHAN Wan Ming (陳芸鳴), aged 45, is an executive Director. Ms. CHAN is responsible for our Group's day-to-day management, administration as well as human resources management. She joined our Group in 1988. Ms. CHAN has accumulated around 22 years of management and operation experience in the terminal and storage of liquid chemical products industry. Prior to joining our Group, Ms. CHAN worked for Wai Hing Company, a trading company, from November 1986 to July 1988 responsible for arrangements in trading of chemicals. Ms. CHAN did not hold any directorship in any listed companies during the Track Record Period. Ms. CHAN was appointed as an executive Director on 30 November 2010.

Mr. KWAN Chun Yuen (關振遠), aged 37, is an executive Director. Mr. KWAN joined our Group in 2003. He is principally responsible for the financial and accounting management of our Group. Mr. KWAN has over 15 years of experience in accounting and finance field and has accumulated around seven years of experience in the terminal and storage of liquid chemical products industry since his joining our Group in 2003. Prior to joining our Group, Mr. KWAN worked for Pannell Kerr Foster, an accounting firm, from 1995 to 1997 as audit senior responsible for auditing works, and Ernst & Young as audit senior responsible for audit planning and providing supervision of auditing staff from 1997 to 2003. Mr. KWAN graduated from The Chinese University of Hong Kong in 1995 with a Degree of Bachelor of Business Administration (Major in Professional Accountancy). He has been a member of Hong Kong Institute of Certified Public Accountants since 2003 and a fellow member of the Association of Chartered Certified Accountants. Mr. KWAN did not hold any directorship in any listed companies during the Track Record Period. Mr. KWAN was appointed as an executive Director on 30 November 2010.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent Non-executive Directors

Mr. LUO Shijie, aged 64, was appointed as an independent non-executive Director on 30 November 2010. Mr. LUO is also a member of the audit committee, remuneration committee and nomination committee of our Board. He was deputy factory director of SINOPEC Sichuan Vinylon Works (中國石化四川維尼綸廠) from 1988 to 1996. Mr. LUO was deputy general manager of SINOPEC Sales Company (中國石油化工總公司銷售公司) from 1996 to 1999, deputy director of SINOPEC Chemical Department (中國石化股份有限公司化工事業部) from 2000 to 2003, and director of SINOPEC Chemical Department (中國石化股份有限公司化工事業部) from 2003 to 2006. From 2005 to 2006, he also was general manager of SINOPEC Chemical Products Sales Company (中國石化股份有限公司化工產品銷售分公司). Mr. LUO graduated from Tianjin University (天津大學) in 1968, majored in Precision Instrument. He obtained the qualification as an engineer from Chongqing City Government in 1981. He was appointed as senior engineer by SINOPEC (中國石油化工總公司) in 1987. Mr. LUO did not hold any directorship in any listed company during the Track Record Period.

Mr. ZHU Wujun (朱武軍), aged 61, was appointed as an independent non-executive Director on 30 November 2010, Mr. ZHU is also a member of the audit committee, remuneration committee and nomination committee of our Board. Mr. ZHU was the deputy manager of Sinopec Yangzi Petrochemical Company (中國石化揚子石油化工公司) from 1985 to 1998. From 1998 to 2005, Mr. ZHU was a director and deputy manager of Sinopec Yangzi Petrochemical Company Ltd. (中國石化揚子石油化工股份有限公司). From 2005 to 2006, Mr. ZHU was the deputy manager of Sinopec Chemical Products Sales Company (中石化化工銷售上海分公司). Mr. ZHU was also the chairman of Yangyang Chemical logistics and Trading Company (揚洋化工運輸貿易有限公司) from 1995 to 2005. Mr. ZHU graduated from Zhejiang University (浙江大學) in 1965 with a bachelor degree in chemical engineering. He has obtained the qualification as a senior economist (高級經濟師) from the assessment committee of China Petrochemical Company (中國石油化工股份有限公司評審委員會) which assessed his qualification according to standards set by the State Council in 1995. Mr. ZHU did not hold any directorship in any listed companies during the Track Record Period.

Mr. LAU Sik Yuen (劉錫源), aged 43, was appointed as an independent non-executive Director on 30 November 2010. Mr. LAU is also chairman of the audit committee, remuneration committee and nomination committee of our Board. Mr. LAU served as the financial controller of a subsidiary of NWS Holdings Limited, a company listed on the Main Board over 3 years and had worked with PricewaterhouseCoppers for over 5 years. Mr. LAU graduated from Oregon State University with a bachelor degree of science in Business Administration in 1989. Mr. LAU is a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the American Institute of Certified Public Accountants. Mr. LAU has been serving as the chief financial officer and company secretary of Xinyi Glass Holdings Limited, a company listed on the Main Board, since April 2003. Mr. LAU has served as an independent non-executive director of China Qinfa Group Limited, a company listed on the Main Board since June 2009. Save as above, Mr. LAU did not hold any directorship in any listed companies during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders and there was no information relation to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

Senior Management

Mr. ZOU Qing Long (鄒青龍), aged 45, is a director and general manager of Nanjing Dragon Crown. Mr. ZOU has joined our Group since May 2004. Mr. ZOU is principally responsible for our Group's overall operational management in Nanjing. Mr. ZOU has accumulated around eight years of management and operation experience in the terminal and storage of liquid chemical products industry. Mr. Zou's major responsibility with the Group includes managing and coordinating operation workflow, recruitment and training of managers under his supervision, developing guidelines of operation and maintenance. He is overseeing operations in our terminals in Nanjing, Ningbo and Tianjin. Prior to joining the Group, he worked in the China Maritime Safety Administration for 16 years in which he gained valuable maritime logistics experience. Mr. ZOU graduated from Nanjing Political College of the Chinese People's Liberation Army (中國人民解放軍南京政治學院) with a bachelor degree in Economics Management in 2003.

Mr. LAU Chi Ming, Sammy (劉志明), aged 52, is the deputy general manager of Nanjing Dragon Crown. Mr. LAU is principally responsible for our Group's business and new project development of petrochemical terminal in Nanjing. Mr. LAU has accumulated around 22 years of management and operation experience in the terminal and storage of liquid chemical products industry. Mr. LAU was an engineer of ExxonMobil Hong Kong Limited from 1988 to 2004 and he assumed management roles in HSE, logistics, operations and maintenance. Mr. LAU graduated from The University of Hong Kong with a degree of Bachelor of Science in Engineering in 1979. Mr. LAU was elected as a Graduate of the Institution of Engineers, Australia on 10 January 1985 and has been included in the list of competent persons for Class 2 - inspection and certification of LPG compound and cylinder stores by Electrical & Mechanical Services Department, Government of Hong Kong since 6 November 1996. He joined our Group in April 2005 as a project manager.

Mr. LI Lian Chun (李連春), aged 52, is the general manager of Tianjin Tianlong. Mr. LI has joined our Group since March 1994. Mr. LI is principally responsible for our Group's overall operational management in Tianjin including managing and coordinating workflow, setting up annual budget and fiscal plan, providing training and recruitment of managers. Mr. LI has accumulated around 16 years of management and operation experience in the terminal and storage of liquid chemical products industry since his joining our Group in 1994. Mr. LI graduated from Tianjin Normal University with a bachelor of Art degree in English in 1984 and completed Post Graduate Course for Further Study (研究生課程進修班) in business management in Nankai University (南開大學).

Mr. XIANG Xiao Chu (項小初), aged 54, is the general manager of Ningbo Ninxiang and Ningbo Xinxiang. Mr. XIANG has joined our Group since November 1995. Mr. XIANG is principally responsible for our Group's overall operational management in Ningbo. Mr. XIANG has accumulated around 18 years of management and operation experience of which

DIRECTORS, SENIOR MANAGEMENT AND STAFF

around 15 years are in the terminal and storage of liquid chemical products industry. Prior to joining our Group, Mr. XIANG served as deputy director the factory (車間副主任), division deputy chief of Human Resource and Security (人保副科長) and an office administrator (辦公室主任) in Ningbo No.2 Pharmaceutical Factory of Zhejiang Province (浙江省寧波第二製藥廠) from February 1988 to October 1992. During the period from November 1992 to September 1995, Mr. XIANG served as an office administrator handling selection and recruitment of new staff, finance management and observing compliance of HSE policies of Zhejiang Chemicals Factory (Yongxin Company) (浙江化工廠(永興公司)). Mr. XIANG has served as a deputy director and director of tank field (儲罐區副主任, 主任), business manager (商務經理) and general manager assistant (總經理助理) in Ningbo Ninxiang and Ningbo Xinxiang since October 1995. Mr. XIANG completed administration management course (行政管理專業) of Self-Study Examination of the Higher Education of Zhejiang Province (浙江省高等教育自學考試) in October 1990.

COMPANY SECRETARY

Mr. KWAN Chun Yuen (關振遠) is our company secretary. Biographical details of Mr. KWAN are set out in “Directors, Senior Management and Staff – Executive Directors”.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, our Company has established the Audit Committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and appointed a qualified accountant to oversee our Company’s financial reporting procedures and internal controls so as to ensure compliance with the Listing Rules.

Corporate Governance

Our Company has adopted a system of corporate governance.

In particular, our Directors have undertaken the following steps to improve the protection of minority Shareholders, to ensure that our management will adhere to the Listing Rules, as well as other applicable laws and regulations for companies listed on the Stock Exchange, and to enhance internal controls:

- (a) Our Company adopted the new Articles on 30 November 2010 (effective on the Listing Date) in compliance with requirements of the Companies Law and the Listing Rules. The Articles prohibit any Director from voting (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or she or any of his or her associate(s) has/have a material interest, and if he or she shall do so his or her vote shall not

DIRECTORS, SENIOR MANAGEMENT AND STAFF

be counted (nor shall he or she be counted in the quorum for that resolution). Our Company has established a system to protect the interests of the minority Shareholders.

- (b) The Controlling Shareholders have undertaken with our Company to defer or pass to the independent non-executive Directors all matters to which the Group has or may have a conflict of interest for consideration and decision. Such matters include, but are not limited to, (i) the exercise of option(s) which relate(s) to any connected persons (as defined in the Listing Rules) of our Company; and (ii) any connected transactions with our Company and his or her or its connected persons; and provide all information necessary for our Company and the independent non-executive Directors to enforce the deed of non-competition dated 30 November 2010 or to assess whether or not there is a breach of the deed of non-competition.
- (c) Our executive Directors have undertaken with our Company to increase the transparency in disclosure of decisions on matters considered or reviewed by the independent non-executive Directors in the annual report or by way of announcement, as appropriate, after the Listing, in compliance with the corporate governance measures and internal control systems as adopted by our Company.
- (d) Our Company's legal adviser as to Hong Kong law has provided training to our Directors and senior management concerning the requirements of, amongst others, the Listing Rules.
- (e) By the Shareholders' resolutions in writing dated 30 November 2010, our Company has appointed three independent non-executive Directors who will decide on matters which may affect the minority Shareholders' interests. Any conflicts in the interests of minority Shareholders and the Controlling Shareholders will be reported to the Board and, if appropriate, the Shareholders' meetings, in order to prevent the Controlling Shareholders from taking any action that may adversely affect the voting right of the Shareholders.
- (f) We intend to appoint China Everbright Capital Limited as our Company's compliance adviser, particulars of the terms of appointment are set forth under "Compliance Adviser" in this prospectus.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Company is also committed to the view that the independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. The independent non-executive Directors, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

An audit committee was established by the Company on 30 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The members of the audit committee are Mr. LAU Sik Yuen, Mr. LUO Shijie and Mr. ZHU Wujun. Mr. LAU Sik Yuen is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 30 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The members of the remuneration committee are Mr. LAU Sik Yuen, Mr. LUO Shijie, Mr. ZHU Wujun, Mr. NG Wai Man and Mr. TING Yian Ann. Mr. LAU Sik Yuen is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by the Company on 30 November 2010 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the nomination committee are Mr. LAU Sik Yuen, Mr. LUO Shijie, Mr. ZHU Wujun, Mr. NG Wai Man and Mr. TING Yian Ann. Mr. LAU Sik Yuen is the chairman of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration received by Directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was approximately nil, HK\$0.2 million, HK\$0.3 million and HK\$0.2 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Company, excluding Directors, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was approximately HK\$0.6 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Group has not paid any remuneration to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. Further, none of the Directors had waived any remuneration during the same period.

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, by the Group to the Directors.

STAFF

As of 30 June 2010, we had a total of 247 full-time employees. A breakdown of our employees by function as of 30 June 2010 is set forth below:

Department	No. of employees
Management	12
Business development	6
Mechanical and Asset Management	19
Production and operation	178
Finance	8
HSE	5
Human Resources and Administration	19

The Directors are of the view that the Group has maintained a good relationship with its staff. The Group has not, in the past, experienced any disruption of its operations due to labour disputes.

EMPLOYEES' BENEFITS PROVIDED BY THE GROUP

The Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where the Group operates.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

In Hong Kong, the Group has participated in a mandatory provident fund scheme for the Group's employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

WELFARE CONTRIBUTION

During the Track Record Period, we have made contributions to the following staff related plans or funds in accordance with the local regulations of the PRC, such as pension funds, medical insurance, unemployment insurance and other relevant insurance (the “Social Insurance Funds”).

During the Track Record Period, we incurred the following Social Insurance Funds for employees:–

	For the year ended 31 December			For the six months ended
	2007	2008	2009	30 June 2010
	(HK\$'000)			(HK\$'000)
Nanjing terminal operated by our subsidiary	430	949	1,410	826
Tianjin terminal operated by our Associated Entities	444	646	722	338
Ningbo terminal operated by our Associated Entities/ Jointly-controlled Entity	300	362	335	174

As advised by our PRC Legal Adviser, the above arrangements are in compliance with current applicable PRC laws and regulations.

SHARE OPTION SCHEME

The Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest. The Directors believe that the implementation of the Share Option Scheme enable the Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the section headed “Share Option Scheme” in Appendix VI in this prospectus.

COMPLIANCE ADVISER

The Company intends to appoint China Everbright Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) if the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance advisor will also provide, inter alia, the following services to us:

- (i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;
- (ii) in relation to an application by us for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise us on the Company's obligations and in particular the requirement to appoint an independent financial advisor; and
- (iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the Directors form an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

The term of the appointment shall commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of its financial results for the Company's first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

In addition, after the Listing Date, the Company will retain legal advisors to advise on ongoing compliance and Listing Rules issues and other applicable laws and regulations in Hong Kong.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest immediately after the Global Offering and the Capitalisation issue (%)
Lirun	Beneficial owner	759,550,000 Shares	69.05
Sure Port	Beneficial owner	16,500,000 Shares	1.5
Mr. NG ⁽¹⁾	Corporate interest ⁽²⁾⁽³⁾	776,050,000 Shares	70.55

Notes:

1. Mr. NG is an executive Director.
2. Pursuant to the SFO, as Mr. NG holds 100% interest in Lirun, Mr. NG is deemed to be interested in the 759,550,000 Shares held by Lirun.
3. Pursuant to the SFO, as Mr. NG holds 100% interest in Sure Port, Mr. NG is deemed to be interested in the 16,500,000 Shares held by Sure Port.

Sure Port was incorporated as a holding company for the interests of Mr. NG in our Group with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, Mr. NG had not yet made up his final decision as to the allocation of interests of our Group held by Sure Port.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and Capitalisation Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and are therefore regarded as substantial shareholders under the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering and the Capitalisation Issue were effected. This table does not take into account any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate.

HK\$

Authorised share capital

	<u>4,000,000,000</u> Shares	<u>400,000,000</u>
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*Issued and to be issued, fully paid or credited
as fully paid upon completion of the Global Offering:*

	825,000 Shares in issue as of the date of this prospectus	82,500
	275,000,000 Shares to be issued under the Global Offering	27,500,000
	<u>824,175,000</u> Shares to be issued under the Capitalisation Issue	<u>82,417,500</u>
	 <u>1,100,000,000</u>	 <u>110,000,000</u>

If the Over-allotment Option is exercised in full, our Company's issued share capital immediately following the Global Offering will be as follows (assuming that the Capitalisation Issue has occurred, no Shares have been issued upon exercise of options granted under the Share Option Scheme and an Offer Price of HK\$1.7 per Share, which is the mid-point of the Offer Price range of HK\$1.35 to HK\$2.05 per Share):

HK\$

Authorised share capital

	<u>4,000,000,000</u> Shares	<u>400,000,000</u>
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*Issued and to be issued, fully paid or credited
as fully paid upon completion of the Global Offering:*

	825,000 Shares in issue as of the date of this prospectus	82,500
	316,250,000 Shares to be issued under the Global Offering	31,625,000
	<u>824,175,000</u> Shares to be issued under the Capitalisation Issue	<u>82,417,500</u>
	 <u>1,141,250,000</u>	 <u>114,125,000</u>

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

SHARE CAPITAL

Assumptions

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the total nominal amount of Shares in issue and to be issued (as set out in the above table but excluding Shares to be issued pursuant to the exercise of the Over-allotment Option), and
- the total amount of share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of the options granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or reviewing such mandate, whichever is the earliest.

SHARE CAPITAL

For further details of the Issuing Mandate, please refer to “Further information about our Company and its subsidiaries – Resolutions in writing of the Shareholders passed on 30 November 2010” in Appendix VI to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of our Company in issue and to be issued (as set out in the table above but excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the section headed “Repurchase of Shares by the Company” in Appendix VI to this prospectus.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate, whichever is the earliest.

For further information about the Repurchase Mandate, please refer to “Further information about our Company and its subsidiaries – Resolutions in writing of the Shareholders passed on 30 November 2010” in Appendix VI to this prospectus.

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The following discussion and analysis should be read in conjunction with our combined financial statements at and for (i) the years ended 31 December 2009, 2008 and 2007; and (ii) the six months ended 30 June 2010 and 2009, together with the accompanying notes, included in Appendix I in this prospectus. Our combined financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth in the section headed “Risk Factors” in this prospectus.

For the purposes of this section, and unless the context otherwise requires, references to (i) “2009”, “2008”, and “2007” refer to our financial year ended 31 December of such year; and (ii) “first half of 2010” and “first half of 2009” refer to the six months ended 30 June of such year.

(I) OVERVIEW

We are an integrated terminal service provider specialised in the storage and handling of liquid chemical products in the PRC. We offer a comprehensive range of terminal and storage of liquid chemical services ranging from loading and discharging of liquid chemical products at our jetties and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure.

Over the Track Record Period, we operated our business in the PRC through (i) Nanjing Dragon Crown, our subsidiary located in Nanjing; (ii) our three Associated Entities, namely Ningbo Ningxiang, Tianjin Tianlong and Tianlong Haixiang which is wholly-owned by Tianjing Tianlong, located in Ningbo, Tianjin and Tianjin respectively; and (iii) our Jointly-controlled Entity, Ningbo Xinxiang located in Ningbo.

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We may handle chemical products through our jetties or through other delivery facilities, including pipelines, delivery trucks and/or rail. The following table provides an overview of liquid chemical products we handled through our jetties or other delivery facilities in Nanjing, Tianjin and Ningbo during the Track Record Period:–

Terminals		Total actual throughput for the year ended 31 December			Total actual throughput for the six months ended 30 June 2010
		2007	2008 <i>(metric tonnes)</i>	2009	
Nanjing terminal operated by our subsidiary	Jetties	556,500	750,400	926,600	745,900
	Other delivery facilities	<u>27,000</u>	<u>100,200</u>	<u>314,800</u>	<u>166,000</u>
	Total	<u>583,500</u>	<u>850,600</u>	<u>1,241,400</u>	<u>911,900</u>
Tianjin terminal operated by our Associated Entities	Jetty	367,600	311,400	242,100	129,000
	Other delivery facilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,900</u>
	Total	<u>367,600</u>	<u>311,400</u>	<u>242,100</u>	<u>130,900</u>
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	Jetty	42,100	26,200	23,800	9,700
	Other delivery facilities <i>(Note)</i>	<u>114,100</u>	<u>167,900</u>	<u>254,900</u>	<u>152,500</u>
	Total	<u>156,200</u>	<u>194,100</u>	<u>278,700</u>	<u>162,200</u>

Note: Other delivery facilities in Ningbo include the jetty operated by Port Authority (港務局) in Ningbo.

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The following table provides an overview of jetties in Nanjing, Tianjin and Ningbo:–

Jetties	Number of berth	Total designed berthing capacity (Note 1) <i>(dwt)</i>	Total annual designed throughput capacity <i>(metric tonnes)</i>	Total annual actual throughput				Utilisation rate (Note 2)			For the six months ended 30 June
				For the year ended 31 December		For the six months ended 30 June	For the year ended 31 December				
				2007	2008		2007	2008	2009	2010	
Nanjing terminal operated by our subsidiary	2	25,000	2,600,000	556,500	750,400	926,600	745,900	21.4	28.9	35.6	57.4 <i>(Note 3)</i>
Tianjin terminal operated by our Associated Entities	1	3,000	301,600 <i>(Note 4)</i>	297,310 <i>(Note 5)</i>	250,040 <i>(Note 5)</i>	164,100 <i>(Note 5)</i>	79,620 <i>(Note 5)</i>	98.6	82.9	54.4	52.8
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	1	3,000	100,000	42,100	26,200	23,800	9,700	42.1	26.2	23.8	19.4

Notes:

- There were no changes to the designed capacity of our jetties during the Track Record Period and as of the Latest Practicable Date.
- The utilisation rate is calculated by our record of the annual actual throughput via jetties divided by (i) the total annual designed throughput capacity of jetties for the Nanjing terminal and Ningbo terminal in relation to the operating period; and (ii) the total annual adjusted designed throughput capacity of the jetty for the Tianjin terminal in relation to the operating period.
- Based on the historical growth of the utilisation rate, it is expected that the utilisation rate of jetties at our Nanjing terminal will be further increased and it is necessary for us to construct an additional jetty to cope with our future growth.
- The annual designed throughput was 115,600 metric tonnes which was based on the assumption that our storage tank capacity was 16,000 m³ and its turnaround was 8.5 times per year. Due to the growth of our storage tank capacity, our storage tank capacity has been increased to 24,900 m³. In addition, since it is operated substantially under short-term spot rental service contracts, we could efficiently improve the turnaround of jetty facilities. As such, we have improved the annual designed throughput capacity of our jetty in Tianjin to 301,600 metric tonnes.
- The designed throughput capacity of the jetty is calculated based on the storage tank capacity related to the jetty when the jetty was being constructed. During the Track Record Period, in relation to the Tianjin terminal, which was operated by our Associated Entities, the handling of liquid chemicals might be delivered directly without involving the usage of storage tanks. During the Track Record Period, in addition to the actual throughput passing through our jetty set forth above, the total actual throughput passing through our jetty without involving the usage of storage tanks in the Tianjin terminal amounted to approximately 70,290 metric tonnes, 61,360 metric tonnes, 78,000 metric tonnes and 49,380 metric tonnes, respectively.

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The following table provides an overview of storage tanks in Nanjing, Tianjin and Ningbo:-

Storage tanks	Number of storage tanks				Total designed storage capacity				Total actual throughput				Types of liquid chemical products handled
	As of 31 December		As of 30 June		As of 31 December		As of 30 June		For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	
					<i>(m³)</i>				<i>(metric tonnes)</i>				
Nanjing terminal operated by our subsidiary	15	20	20	20	102,000	152,000	152,000	152,000	583,500	850,600	1,241,400	911,900	Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide
Tianjin terminal operated by our Associated Entities	15	15	15	15	24,900	24,900	24,900	24,900	297,300	250,000	164,100	81,600	ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	12	12	12	12	29,000	29,000	29,000	29,000	156,200	167,200	185,700	105,100	adiponitrile, methanol, phenol, Dimethylformamide and Diethanolamine

During the Track Record Period, we entered into long-term terminal service contracts with (i) Celanese (Nanjing) for the provision of terminal and bulk chemical storage for Acetic Acid and Methanol for a term commencing on 1 April 2004 and extended for a period of fifteen years from 1 April 2007 to 31 March 2022 and thereafter the contract shall automatically renew for successive one year period; (ii) Celanese Diversified for the provision of terminal and bulk chemical storage for Ethylene and VAM for a term commencing on 1 June 2006 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract (which the commercial operation date for Ethylene facility is 1 July 2008 and the commercial operation date for VAM facility is 1 May 2008) and thereafter the contract shall automatically renew for successive one year period; and (iii) Celanese Acetyl for the provision of terminal and bulk chemical storage for Acetic Anhydride for a term commencing on 20 March 2007 and extended for a period of fifteen years from the respective commercial operation date of the facilities under the contract which started from 15 April 2008 and thereafter the contract shall automatically renew for successive one year period, respectively. Our long-term service contracts with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl provided for a minimum contract sum subject to adjustment to be paid by each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl monthly throughout the contract term.

The Celanese Contracts provided for an aggregate annual fixed contract sum, which is calculated based on the minimum throughput volume and which is payable monthly, of not less than approximately RMB156.3 million for the year ending 31 December 2010 subject to adjustment to be paid by each of Celanese (Nanjing), Celanese Diversified and Celanese

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Acetyl throughout the contract term, and hence maintain our gross profit margin. The adjustment terms in such long-term service contracts relate to annual adjustments to be made on changes of consumer price index, utilities charges and wages during the contract term.

Any early termination of the Celanese Contracts by Celanese will subject them to the payment of a termination fee comprises, inter alia, the fixed fee adjusted by an agreed interest discounting factor for the remaining years of the initial term of the long-term contract. For further details of the Celanese Contracts, please refer to sub-section headed “Our relationship with Celanese” under section headed “Business” in this prospectus.

We entered into the Celanese Contracts with remaining terms of over 10 years as of the Latest Practicable Date. For each of the three years ended 31 December 2009, the Celanese Contracts contributed approximately HK\$57.6 million, HK\$143.2 million and HK\$192.0 million of revenue for our Group, which accounted for more than 90% of our revenue during each of the three years ended 31 December 2009. For each of the three years ended 31 December 2009, the annual fixed contract sums of the Celanese Contracts were approximately RMB55.8 million, RMB123.3 million and RMB155.9 million, respectively, which accounted for more than 80% of our revenue during each of the three years ended 31 December 2009. The long-term nature of the Celanese Contracts enables us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts, which can finance our business expansion plans with Celanese in the Nanjing Chemical Industry Park in the future.

The table below presents, for the periods indicated, our revenue, gross profit, share of profits of Associated Entities and Jointly-controlled Entity and net profit in terms of amount and as a percentage of our total revenue during the Track Record Period, as well as the CAGR from 2007 to 2009.

	Year ended 31 December							Six months ended 30 June			
	2007		2008		2009		CAGR (2007- 2009)	2009		2010	
	Amount	Percentage to total revenue	Amount	Percentage to total revenue	Amount	Percentage to total revenue		Amount	Percentage to total revenue	Amount	Percentage to total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%
Revenue	58,474	100.0	150,095	100.0	198,547	100.0	84.3	95,063	100.0	117,719	100.0
Gross profit	37,911	64.8	94,386	62.9	122,947	61.9	80.1	58,861	61.9	76,286	64.8
Share of profits of:											
Associated Entities	8,633	14.8	6,525	4.3	3,854	1.9	-33.2	1,540	1.6	3,030	2.6
Jointly-controlled Entity	1,393	2.4	1,527	1.0	2,101	1.1	22.8	984	1.0	870	0.7
Profit for the year/ period	32,528	55.6	72,021	48.0	101,936	51.3	77.1	46,772	49.2	66,933	56.9

Our revenue increased by approximately 156.6% from approximately HK\$58.5 million in 2007 to approximately HK\$150.1 million in 2008, and by further 32.2% to approximately HK\$198.5 million in 2009. Our revenue amounted to approximately HK\$117.7 million in the first half of 2010, up 23.8% from approximately HK\$95.1 million in the first half of 2009.

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Our gross profit increased by approximately 149.1% from approximately HK\$37.9 million in 2007 to approximately HK\$94.4 million in 2008, and by further 30.2% to approximately HK\$122.9 million in 2009. Our gross profit amounted to approximately HK\$76.3 million in the first half of 2010, up 29.5% from approximately HK\$58.9 million in the first half of 2009.

Our net profit increased by approximately 121.5% from approximately HK\$32.5 million in 2007 to approximately HK\$72.0 million in 2008, and by further 41.5% to approximately HK\$101.9 million in 2009. Our net profit amounted to approximately HK\$66.9 million in the first half of 2010, up 42.9% from approximately HK\$46.8 million in the first half of 2009.

The substantial increase in revenue, gross profit and net profit during the Track Record Period was mainly attributable to (i) the growing trend of our liquid chemicals throughput volume; and (ii) the commencement of operation of our phase II facilities in Nanjing. Our phase I facilities in Nanjing was completed in 2007 and operation for the Celanese (Nanjing) Contract commenced in April 2007 (for Acetic Acid and Methanol). In 2007, the Celanese (Nanjing) Contract contributed revenue of approximately HK\$56.6 million, representing approximately 96.8% of the total revenue. Our phase II facilities in Nanjing was completed in 2008 and operation for (i) the Celanese Acetyl Contract commenced in April 2008 (for Acetic Anhydride) and (ii) the Celanese Diversified Contract commenced in May 2008 (for VAM) and July 2008 (for Ethylene). In 2008, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract in aggregate contributed revenue of approximately HK\$143.2 million, representing approximately 95.4% of the total revenue. In 2009, all of the Celanese (Nanjing) Contract, the Celanese Acetyl Contract and the Celanese Diversified Contract were in full year operation and the total revenue contributed amounted to approximately HK\$192.0 million, representing approximately 96.7% of the total revenue.

Our share of profits of Associated Entities decreased by approximately 24.4% from approximately HK\$8.6 million in 2007 to approximately HK\$6.5 million in 2008, and by further 40% to approximately HK\$3.9 million in 2009. Our share of profits of Associated Entities amounted to approximately HK\$3.0 million in the first half of 2010, increased 100.0% from approximately HK\$1.5 million in the first half of 2009.

Although we were in a profit-making position during the Track Record Period, we recorded accumulated losses of HK\$1.2 million as at 1 January 2007. Since the establishment of our operating subsidiary, Nanjing Dragon Crown, in April 2004, it was in most of the time under construction of the operation infrastructure for phases I and II of the Nanjing project. The operation for phase I of our Nanjing terminal commenced only after April 2007 while, at the same time, construction for phase II of the Nanjing Project started. Therefore, we did not record any revenue before April 2007 and the accumulated losses of HK\$1.2 million as at 1 January 2007 was contributed mainly by the administrative expenses incurred before 2007.

The decrease in our share of profits of Associated Entities for the three years ended 31 December 2009 was mainly attributable to (i) decrease in other income of our Associated Entities from approximately HK\$1.6 million in 2007 to approximately HK\$0.3 million in

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2008 due to the one-off reversal of other payables in 2007, and further decreased to approximately HK\$0.2 million in 2009; and (ii) revenue of our Associated Entities deteriorated during the global financial crisis in the fourth quarter of 2008 and the first half of 2009. Revenue of our Associated Entities' slightly increased from approximately HK\$14.8 million in 2007 to approximately HK\$16.3 million in 2008, and dropped to approximately HK\$12.2 million in 2009.

Our share of profits of Associated Entities increased by approximately 100% from approximately HK\$1.5 million in the first half of 2009 to approximately HK\$3.0 million in the first half of 2010, which was mainly due to the decrease in total expenses of Associated Entities from approximately HK\$4.7 million in the first half of 2009 to approximately HK\$3.4 million in the first half of 2010.

Our share of profits of a Jointly-controlled Entity was approximately HK\$1.4 million, HK\$1.5 million and HK\$2.1 million for the three years ended 31 December 2007, 2008 and 2009, respectively. Our share of profits of Jointly-controlled Entity was approximately HK\$1.0 million in the first half of 2009, which was comparable to that of approximately HK\$0.9 million in the first half of 2010.

INVESTMENTS IN OUR ASSOCIATED ENTITIES AND JOINTLY-CONTROLLED ENTITIES WERE NOT CONSOLIDATED IN OUR FINANCIAL STATEMENTS

The table below sets out the percentage of equity interests of our Associated Entities and Jointly-Controlled Entities after the Reorganisation:

Name of Associated Entities/ Jointly-Controlled Entities	Name of owner	Percentage interest of the owner
Tianjin Tianlong	Ocean Access (<i>Note 1</i>)	65%
	Tianjin Changlu	22.5%
	Dagu Investments	7.5%
	Tianjin Waizong	5%
Tianlong Haixiang	Tianjin Tianlong (<i>Note 2</i>)	100%
Ningbo Xinxiang	Dragon Source (<i>Note 1</i>)	60%
	Ningbo Port	40%
Ningbo Ningxiang	Dragon Bussan (<i>Note 3</i>)	60%
	Ningbo Port	40%

Notes:

- Ocean Access and Dragon Source are both indirectly wholly owned subsidiaries of our Company.
- Tianlong Haixiang is wholly owned by Tianjin Tianlong and since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.
- Before the Dragon Bussan Reorganisation, the shareholding interests of Dragon Bussan were held by DC Investments (60%), Mitsui & Co., Ltd. (24%) and Mitsui & Company (Hong Kong) Limited (16%). After the completion of the Dragon Bussan Reorganisation, Dragon Bussan became an indirectly wholly owned subsidiary of our Company.

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The major terms of the joint venture agreements governing the relationship among our joint venture parties in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are as follows:–

	Tianjin Tianlong	Ningbo Xinxiang	Ningbo Ningxiang
Duration	28 August 1993 to 27 August 2014	19 December 2003 to 18 December 2018	20 October 1993 to 19 October 2018
Board representation	Our Group could appoint four out of the seven directors to the board	Our Group could appoint three out of the five directors to the board	Our Group could appoint three out of the five directors to the board
Voting rights	A quorum requires the presence of at least six out of the seven nominated directors and board resolutions relating to financial and operating policies require unanimous votes of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two-third of the total directors and board resolutions relating to financial and operating policies require two-third votes out of all directors present at board meetings voting for the resolution	A quorum requires the presence of at least two directors from each shareholder and board resolutions relating to financial and operating policies require 80% votes out of all directors present at board meetings voting for the resolution
Profit sharing ratio	In accordance with their respective equity interests	In accordance with their respective equity interests	In accordance with their respective equity interests
Termination	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, the breaching party shall make relevant compensation to the company</p>	<p>(1) In case of any force majeure issues or deficit for several consecutive years that result in the impossibility of the company's operation, the agreement can be terminated upon an unanimous vote by all directors</p> <p>(2) In case of any non-performance of obligations or a material deviation from the purpose of the company's operation by a party, the non-breaching party can terminate the agreement and claim compensation from the breaching party, or otherwise continue the company's operation and the non-breaching party can claim compensation from the breaching party</p> <p>(3) In case of any partial non-performance of obligations by a party, if the breaching party does not resolve the breaching issue within 15 days upon receiving a notice from the non-breaching party, the non-breaching party can terminate the agreement and claim compensation from the breaching party</p>	<p>In case of the situations such as (1) any substantial breach of the agreement which has not been resolved within 60 days, (2) an aggregate deficit of over 100% of the registered capital, (3) deficit of over 50% of the registered capital for three consecutive years, (4) winding up/bankruptcy of the company or any party, (5) any transfer of shares without the other party's approval, (6) confiscation of the company's material assets, (7) no achievement of the operation purpose, (8) enactment of new laws that materially affect the company's operation, or (9) force majeure issues lasting for over 120 days, any party can send to the other party a notice for the termination of the agreement. Upon receiving the notice, if all parties cannot resolve the problem within two months, the party who sent the notice has the right to sell the shares it holds in the company to the other party. If no agreement is achieved between the parties regarding the transfer, the company shall be dissolved</p>

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There are no provisions in relation to measures to resolve dead-lock resolution under the joint venture agreements.

Other rights and obligations of the joint venture parties to Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang are general and comparable to other standard and typical joint venture agreements.

Our investments in Tianjin Tianlong, Ningbo Xinxiang and Ningbo Ningxiang were not consolidated into our financial statements because quorum of board resolutions in these entities requires the presence of directors nominated by our joint venture partners.

Tianjin Tianlong is considered as our Associated Entity because we can exercise a significant influence, but not a joint control, in Tianjin Tianlong as its quorum requires six out of the seven nominated directors to be present whereas, apart from the four directors nominated by our Group, board resolutions can be made with any two of the other three directors nominated by the other three shareholders instead of an unanimous votes of all directors nominated by all shareholders in Tianjin Tianlong, unless the board resolutions are relating to financial and operating policies which require unanimous votes of all directors present at the board meeting voting for the resolution.

Tianlong Haixiang is an entity established in the PRC wholly-owned by Tianjin Tianlong. Since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.

Ningbo Xinxiang is considered as our Jointly-controlled Entity because Ningbo Xinxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Xinxiang and its quorum requires the presence of at least two-third of the total directors and (ii) board resolutions relating to financial and operating policies require two-third votes out of all directors present at the board meeting voting for the resolution whereas our Group could appoint only three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least one director nominated by each shareholder in Ningbo Xinxiang.

Before the Dragon Bussan Reorganisation, Dragon Bussan was considered as our Associated Entity because we could exercise a significant influence, but not a joint control, in Dragon Bussan as its quorum required four out of the five nominated directors to be present whereas, apart from the three directors nominated by our Group, board resolutions can be made with any one of the other two directors nominated by the other two shareholders instead of an unanimous votes of all directors nominated by all shareholders in Dragon Bussan. Since Ningbo Ningxiang was held as to 60% by Dragon Bussan, Ningbo Ningxiang was also considered as our Associated Entity before the Dragon Bussan Reorganisation. Pursuant to the Dragon Bussan Reorganisation, Dragon Bussan became our indirect wholly-owned subsidiary whereas the equity interests of Ningbo Ningxiang are held as to 60% by Dragon Bussan and 40% by Ningbo Port. Pursuant to the Dragon Bussan Reorganisation, Ningbo Ningxiang became our Jointly-controlled Entity because Ningbo Ningxiang is jointly controlled by our joint venture partner and us on the basis that (i) there are only two shareholders in Ningbo Ningxiang and its quorum requires the presence of at least two directors from each shareholder and (ii) board resolutions relating to financial and

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operating policies require 80% votes out of all directors present at the board meeting voting for the resolution whereas Dragon Bussan could only appoint three out of the five directors to the board. As such, in effect, the quorum requires the presence of at least one director nominated by each shareholder in Ningbo Ningxiang.

(II) BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Controlling Shareholder owned and controlled members of our Group during the Track Record Period. In preparation for the Listing, members of our Group underwent the Reorganisation, with further information set forth in the section headed “Reorganisation” in this prospectus.

Since the Company and the companies now comprising the Group were under common control of the Controlling Shareholder both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting.

The combined results, cash flows and financial position of the companies now comprising our Group have been prepared on the basis as if the Company had always been the holding company of the companies now comprising our Group, and as if our group structure had been in existence throughout the Track Record Period and that all of the business to be listed was transferred to our Group as of the earliest period presented.

Our combined statements of financial position as at (i) 31 December 2007, 2008 and 2009; and (ii) 30 June 2010 are prepared to present the state of affairs of the members of Group as of the respective dates as if the current ownership and corporate structure had been in existence as of the respective dates.

According to our accounting policies, the financial performance of our subsidiaries, including Nanjing Dragon Crown, are accounted for using the merger basis under which the assets and liabilities, income and expenses and cash flows of our subsidiaries are combined and included in the relevant components of our combined financial accounts.

Our interests in Associated Entities are stated in the combined statements of financial position at our Group’s share of net assets under the equity method of accounting, less any impairment losses. Our interest in a Jointly-controlled Entity is stated in the combined statements of financial position at our Group’s share of net assets under the equity method of accounting, less any impairment losses.

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(III) FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our operating results and financial condition have been and will continue to be affected by various factors that may be beyond our control. A summary of these factors is set forth below:–

Ability to secure additional contracts

Our aggregate storage capacity for phase I and phase II facilities in Nanjing is approximately 152,000 m³. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the total actual throughput of our Nanjing terminal were approximately 583,500 metric tonnes, 850,600 metric tonnes, 1,241,400 metric tonnes and 911,900 metric tonnes respectively. The ability to secure of additional service contracts will directly affect the actual throughput volume of our Nanjing terminal in future, which in turn may affect our revenue and growth.

Fee charged on the provision of storage of liquid chemical products under short term service contracts

Except for the Celanese Contracts we entered into with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl which provide us a minimum contract sum subject to adjustment, we also entered into short-term service contracts with our customers for the provision of storage of liquid chemical products for less than one year. During the Track Record Period, our revenue contributed by the short-term service contracts amounted to approximately HK\$128,000, HK\$434,000, HK\$1,512,000 and HK\$878,000 respectively, and accounted for approximately 0.2%, 0.3%, 0.8% and 0.7% respectively of our total revenue. As of 30 June 2010, approximately 1.3% (amounting to approximately 2,000 m³) of our storage tanks at our Nanjing terminal was under short term service arrangements. In relation to our short term service contracts, we generally charge our customers a fee based on the actual throughput volume. Our pricing terms under short term service contracts may also vary as the determination is subject to a number of factors, including length of services required and types of product. Our results of operations may be adversely affected if our fee charged on the provision of terminal and storage of liquid chemical products services drops.

The ability to secure investment projects

Due to the increasing demand of storage capacity from our customers, we had completed and constructed the facilities phase by phase in Nanjing in mid 2008. During the Track Record Period, the occupancy rates of our storage tanks in Nanjing reached 92%, 95%, 95% and 95%. In addition to organic growth, our current strategy involves growth through investments in new projects, for example, phase III facilities in Nanjing. We may be unable to continue to implement our growth strategy, or these projects may ultimately not be successfully secured by us. If we fail to identify or invest in new projects, our business growth will be hindered, which in turn could have a material and adverse impact on our business and results of operations.

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Capital expenditures

Our business operation and development require significant capital expenditures. The capital investment is required to develop and construct jetties, storage tanks and associated facilities. Our storage tanks are designed and constructed to different engineering standard and specifications, so as to suit that particular chemical's physical and chemical characteristics, ranging from cryogenic condition, to ordinary cooled condition, to ambient temperature condition, to heated condition, depending on the chemicals that we handle. We plan to invest in our Nanjing phase III facilities. Other factors affecting the amount of capital investment required include, among others, construction costs. Most of our storage tanks are made of coal steel or stainless-steel and our jetties are made of steel and concrete, if there is any significant increase in the construction costs of these materials for our new jetties and storage tanks, it could have a material adverse effect on our results of operations.

(IV) CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information. Our principal accounting policies, which are important for an understanding of our financial position and results of operations, are set forth in detail in Note 3 of Section II to our combined financial statements in the accountants' report set out in Appendix I in this prospectus.

The preparation of financial information set forth in this prospectus in conformity with HKFRS which requires us to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We set forth below those accounting policies that we believes involve the most significant estimates and judgements used in the preparation of our financial information.

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(1) Judgements

In the process of applying our accounting policies, we have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in financial information set forth in this prospectus:

Impairment of accounts receivable

We assess at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

We maintain an allowance for estimated impairment of accounts receivable arising from the inability of its debtors to make the required payments. We make our estimates based on the ageing of its trade receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of our debtors was to deteriorate so that the actual impairment loss might be higher than expected, we would be required to revise the basis of making the allowance.

Over the Track Record Period, our customers had very good credit records with us. Our account receivables were not impaired and there was no recent history of default.

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. We estimate the useful lives of our property, plant and equipment to be five to thirty years. Changes in the expected level of usage and/or the period over which future economic benefits are generated could impact the economic useful lives of our assets and, therefore, future depreciation charges could be revised.

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Impairment of non-financial assets

We assess whether there are any indicators of impairment for all non-financial assets at each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, we must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

Significant judgements from our management on the future tax treatment of certain transactions are required in determining income tax provisions. We carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(V) OUR OPERATING RESULTS DURING THE TRACK RECORD PERIOD

(A) Selected profit and loss data

The information presented below for the Track Record Period is derived from our combined financial statements included in the accountants' report as set forth in Appendix I in this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	58,474	150,095	198,547	95,063	117,719
Cost of services provided	<u>(20,563)</u>	<u>(55,709)</u>	<u>(75,600)</u>	<u>(36,202)</u>	<u>(41,433)</u>
Gross profit	37,911	94,386	122,947	58,861	76,286
Other income	712	1,078	6,023	210	720
Administrative expenses	(5,449)	(9,557)	(14,033)	(5,800)	(6,533)
Finance costs	(10,672)	(18,295)	(12,913)	(6,894)	(4,351)
Share of profits of:					
Associated Entities	8,633	6,525	3,854	1,540	3,030
Jointly-controlled Entity	<u>1,393</u>	<u>1,527</u>	<u>2,101</u>	<u>984</u>	<u>870</u>

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	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Profit before tax	32,528	75,664	107,979	48,901	70,022
Tax	<u>—</u>	<u>(3,643)</u>	<u>(6,043)</u>	<u>(2,129)</u>	<u>(3,089)</u>
Profit for the year/period	<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
Profit for the year/period attributable to:					
The owner of the Company	28,080	60,447	85,304	39,183	56,002
Non-controlling interests	<u>4,448</u>	<u>11,574</u>	<u>16,632</u>	<u>7,589</u>	<u>10,931</u>
	<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
Exchange differences on translation of foreign operations	<u>15,114</u>	<u>24,934</u>	<u>1,333</u>	<u>812</u>	<u>5,952</u>
Total comprehensive income for the year/period	<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>
Total comprehensive income attributable to:					
The owner of the Company	41,138	81,767	86,294	39,731	61,004
Non-controlling interests	<u>6,504</u>	<u>15,188</u>	<u>16,975</u>	<u>7,853</u>	<u>11,881</u>
	<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>

(B) Analysis of the principal components in our income statement

Revenue

Our revenue represents the terminal storage and handling of liquid chemicals. Over the Track Record Period, we derived all of our revenue from customers in the PRC.

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Set out below is a breakdown of the revenue generated by our subsidiary, Associated Entities and Jointly-controlled Entity during the Track Record Period:

Subsidiary	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nanjing Dragon Crown (<i>Note 1</i>)	58,474	150,095	198,547	95,063	117,719
Associated Entities					
Ningbo Ningxiang (<i>Note 2</i>)	1,149	1,291	1,735	719	786
Tianjin Tianlong (<i>Note 3</i>)	13,633	15,024	10,467	5,490	5,901
Jointly-controlled Entity					
Ningbo Xinxiang (<i>Note 4</i>)	3,513	4,102	5,006	2,556	2,486

Notes:

1. We owned approximately 88.61% equity interest in Nanjing Dragon Crown as of the Latest Practicable Date.
2. We owned approximately 60% equity interest in Ningbo Ningxiang as of the Latest Practicable Date.
3. We owned approximately 65% equity interest in Tianjin Tianlong as of the Latest Practicable Date.
4. We owned approximately 60% equity interest in Ningbo Xinxiang as of the Latest Practicable Date.
5. Nanjing Dragon Crown, being our subsidiary, accounted for using merger basis under which its assets and liabilities, income and expenses and cash flows are combined and included in the relevant components of our combined financial accounts. Tianjin Tianlong and Tianlong Haixiang are our Associated Entities; Ningbo Xinxiang is our Jointly-controlled Entity; and Ningbo Ningxiang was our Associated Entity (before the Dragon Bussan Reorganisation) and is our Jointly-controlled Entity (pursuant to the Dragon Bussan Reorganisation). According to our accounting policies, our interests in these Associated Entities and a Jointly-controlled Entity are stated in the combined statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Our share of the results of Associated Entities and a Jointly-controlled Entity is included in the combined statements of comprehensive income.

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Cost of services provided

The following table sets forth the principal components of our cost of services provided and these constituent costs as a percentage of total cost of services provided during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Depreciation	10,723	52.1	23,290	41.8	29,868	39.5	14,909	41.2	15,220	36.7
Diesel fuel cost	28	0.1	4,937	8.9	11,777	15.6	4,807	13.3	9,006	21.7
Consumables	346	1.7	1,083	1.9	2,366	3.1	1,045	2.9	718	1.8
Utilities expenses	2,531	12.3	6,002	10.8	6,660	8.8	3,379	9.3	3,895	9.4
Pipe racks rental fee	2,731	13.3	7,214	12.9	8,835	11.7	4,417	12.2	4,433	10.7
Staff costs	1,711	8.3	3,492	6.3	4,907	6.5	2,357	6.5	3,073	7.4
Amortisation of prepaid land lease payments	319	1.6	688	1.2	696	0.9	345	1.0	450	1.1
Repair and maintenance	385	1.9	1,500	2.7	3,857	5.1	2,243	6.2	1,864	4.5
Government service fee	1,038	5.0	4,319	7.8	3,252	4.3	1,044	2.9	1,119	2.7
Other	751	3.7	3,184	5.7	3,382	4.5	1,656	4.5	1,655	4.0
Total	20,563	100	55,709	100	75,600	100	36,202	100	41,433	100

Gross profit and gross profit margin

We recorded gross profit of approximately HK\$37.9 million, HK\$94.4 million and HK\$122.9 million for the three years ended 31 December 2009, with gross profit margin, of approximately 64.8%, 62.9% and 61.9% for the corresponding years.

In the first half of 2010, our gross profit and gross profit margin amounted to approximately HK\$76.3 million and 64.8% respectively, compared to approximately HK\$58.9 million and 61.9% during the same period in 2009. Our gross profit margins were relatively stable during the Track Record Period because we were entitled to charge a minimum fixed contract sum under the Celanese Contracts. Pursuant to the Celanese Contracts, the minimum fixed contract sum comprises a fixed fee and operational fee which is determined by the minimum throughput volume. The fixed fee is calculated with reference to our estimated return of our investments in constructing the terminal facilities and is not adjustable during the contract term. The operational fee is calculated with reference to our expected operational costs which include without limitation to energy cost (diesel fuel and gas consumption), price racks rental fee and utilities charges. Any actual throughput volume in excess of the minimum throughput volume during the Track Record Period should be charged at an excess

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operational fee rate as specified under the Celanese Contracts. During the Track Record Period, except for (i) the throughput volume of Acetic Acid for the contract period from 1 April 2007 to 31 March 2008; and (ii) the throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009, the actual throughput volume of Acetic Acid and Methanol were in excess of their minimum throughput volumes under the Celanese (Nanjing) Contract. In relation to Ethylene and VAM under the Celanese Diversified Contract and Acetic Anhydride under the Celanese Acetyl Contract, we recorded increasing trends of their actual throughput volumes. However, since the operations were still at the early stage of development, their actual throughput volumes did not meet the specified minimum throughput volumes under their respective contractual years during the Track Record Period. As our operational fee is subject to annual adjustment with reference to changes of consumer price index, utilities charges, wages, actual energy consumption cost and actual throughput volume, we are able to maintain a stable gross profit margin during the Track Record Period.

Other income

Our other income mainly consists of bank interest income, gross rental income, government subsidies from PRC port authority and various sundry income.

Administrative expenses

The following table sets forth the principal components of our administrative expenses during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	1,562	3,805	4,893	2,199	3,141
Entertainment expenses	417	715	980	437	680
Depreciation	368	928	1,220	593	559
Levy and tax	1,187	1,821	2,043	1,829	813
Afforestation fee	2	–	2,048	–	227
Traveling expenses	795	664	540	235	263
Office supplies and utilities	922	600	711	334	357
Others	196	1,024	1,598	173	493
	<u>5,449</u>	<u>9,557</u>	<u>14,033</u>	<u>5,800</u>	<u>6,533</u>

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Finance costs

Finance costs primarily consist of interests on bank loans and interests on amount due to former ultimate holding company and after deducting any finance costs capitalised to construction in progress.

Share of profits of Associated Entities

Share of profits of Associated Entities included our share of the post-tax results of the investments in Associated Entities and any impairment losses for the year/period.

Set out below is a breakdown of the share of profits of Associated Entities during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	14,782	16,315	12,202	6,209	6,687
Other income	<u>1,625</u>	<u>255</u>	<u>194</u>	<u>153</u>	<u>73</u>
	16,407	16,570	12,396	6,361	6,760
Total expenses	(7,774)	(9,438)	(8,147)	(4,676)	(3,412)
Tax	<u>–</u>	<u>(607)</u>	<u>(395)</u>	<u>(146)</u>	<u>(318)</u>
Profit after tax	<u><u>8,633</u></u>	<u><u>6,525</u></u>	<u><u>3,854</u></u>	<u><u>1,540</u></u>	<u><u>3,030</u></u>

The decrease in our share of profits of Associated Entities for the three years ended 31 December 2007, 2008 and 2009 was mainly attributable to (i) decrease in other income, including bank interest income, of our Associated Entities from approximately HK\$1.6 million in 2007 to approximately HK\$0.3 million in 2008, and further to approximately HK\$0.2 million in 2009; and (ii) the revenue of Associated Entities decreased by HK\$4.1 million from HK\$16.3 million in 2008 to HK\$12.2 million in 2009 under a general slowdown of market condition amid the global financial crisis. Our share of profits of Associated Entities increased by approximately 100% from approximately HK\$1.5 million in the first half of 2009 to approximately HK\$3.0 million in the first half of 2010, which was mainly due to the decrease in total expenses from approximately HK\$4.7 million in the first half of 2009 to approximately HK\$3.4 million in the first half of 2010.

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Share of profits of Jointly-controlled Entity

Share of profits of Jointly-controlled Entity included our share of the post tax results of the investment in a Jointly-controlled Entity and any impairment losses for the year/period.

Set out below is a breakdown of the share of profits of Jointly-controlled Entity during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,513	4,102	5,006	2,556	2,486
Other income	<u>89</u>	<u>134</u>	<u>112</u>	<u>99</u>	<u>124</u>
	3,602	4,236	5,118	2,655	2,610
Total expenses	(1,968)	(2,461)	(2,241)	(1,274)	(1,350)
Tax	<u>(241)</u>	<u>(248)</u>	<u>(776)</u>	<u>(397)</u>	<u>(390)</u>
	<u><u>1,393</u></u>	<u><u>1,527</u></u>	<u><u>2,101</u></u>	<u><u>984</u></u>	<u><u>870</u></u>

Our share of profits of Jointly-controlled Entity was approximately HK\$1.4 million, HK\$1.5 million and HK\$2.1 million for the three years ended 31 December 2007, 2008 and 2009. Such increase in our share of profits and losses of Jointly-controlled Entity was mainly due to general increase in our share of revenue of Jointly-controlled Entity from approximately HK\$3.5 million in 2007 to approximately HK\$4.1 million in 2008, and further to approximately HK\$5.0 million in 2009. Our share of profits of Jointly-controlled Entity was approximately HK\$1.0 million in the first half of 2009, which decreased slightly to that of approximately HK\$0.9 million in the first half of 2010. Revenue of Jointly-controlled Entity decreased slightly from approximately HK\$2.6 million in the first half of 2009 to HK\$2.5 million in the first half of 2010 as a result of the slight decrease in the throughput volume of a long term customer in the first half of 2010.

Tax

During the Track Record Period, our tax was constituted by (i) current tax from our Subsidiary, Nanjing Dragon Crown; and (ii) deferred tax from our Subsidiary, Nanjing Dragon Crown, Associated Entities, Tianjin Tianlong and Jointly-controlled Entity Ningbo Xinxiang. Our effective tax rates were nil, 4.8%, 5.6% and 4.4% in 2007, 2008, 2009 and the first half of 2010 respectively. During the Track Record Period, our effective tax rates remained low primarily due to (i) our PRC subsidiary, Nanjing Dragon Crown was entitled to preferential tax treatment with full tax exemption from PRC income tax during the Track

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Record Period; and (ii) the requirement to levy withholding tax on distributable profits to foreign investors from our PRC subsidiary, Associated Entities and Jointly-controlled Entity pursuant to the PRC corporate Income Tax Law was implemented since 2008.

Our Company and our subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

BVI and Cayman Islands profits tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to any profits tax in the Cayman Islands and BVI.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the companies now comprising the Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

PRC income tax

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the new PRC Corporate Income Tax Law and its Implementation Rules (effective from 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises are unified at 25%. The other major tax concessions applicable to the Group's Mainland China subsidiary are detailed as below.

Pursuant to the tax document Guoshui Han 2007 No.2 "Approval on Corporate Income Tax" issued by the national tax authority of Nanjing City, Jiangsu Province, the PRC, Nanjing Dragon Crown is entitled to preferential tax treatment with full tax exemption from PRC corporate income tax ("CIT") for the first five profitable years, commencing from 1 January 2007, and thereafter is entitled to a 50% deduction in CIT rate for the subsequent five years.

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Set out below is a summary of applicable income tax rates of and concessions granted to our PRC subsidiary, Associated Entities and Jointly-controlled Entity during the Track Record Period:

Principal operating entities	Income tax exposure and tax concession	Period	Tax rate
Subsidiary – Nanjing Dragon Crown	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for five years from the first profit-making year in 2007, followed by a 50% reduction in the PRC Enterprise Income Tax for the five years to 2016	1 January 2007 to 30 June 2010	Nil
Associated Entity – Tianjin Tianlong	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for five years from the first profit-making year in 2003, followed by a 50% reduction in the PRC Enterprise Income Tax for the five years to 2012 and during which subject to a gradual increment from the rate of 18% up to the unified rate of 25% in 2012	1 January 2007 to 31 December 2007 1 January 2008 to 31 December 2008 1 January 2009 to 31 December 2009 1 January 2010 to 30 June 2010	Nil 9% 10% 11%
Associated Entity – Tianjin Tianlong Haixiang	PRC Enterprise Income Tax (no tax concession was granted)	1 January 2007 to 30 June 2010	25%
Associated Entity – Ningbo Ningxiang	PRC Enterprise Income Tax, subject to low tax rate of 15% to 2007, followed by a gradual increment from the rate of 18% up to the unified rate of 25% in 2012	1 January 2007 to 31 December 2007 1 January 2008 to 31 December 2008 1 January 2009 to 31 December 2009 1 January 2010 to 30 June 2010	15% 18% 20% 22%
Jointly-controlled Entity – Ningbo Xinxiang	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for two years from the first profit-making year in 2004, followed by a 50% reduction in the PRC Enterprise Income Tax for the three years to 2008	1 January 2007 to 31 December 2007 1 January 2008 to 31 December 2008 1 January 2009 to 30 June 2010	13.2% 12.5% 25%

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For details about the PRC tax incentives enjoyed by our PRC subsidiary and the effect of the New EIT Law, please refer to the sub-section headed “Enterprise income tax” under the section headed “Regulations” in this prospectus.

Share option expenses

The Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest, and we will incur additional expenses to the extent we grant options under the Share Option Scheme. Please refer to section headed “Share Option Scheme” in Appendix VI in this prospectus.

(C) Management discussion and analysis

Six months ended 30 June 2009 compared to six months ended 30 June 2010

Revenue

Revenue increased by approximately HK\$22.6 million, or 23.8%, from approximately HK\$95.1 million in the first half of 2009 to approximately HK\$117.7 million in the first half of 2010. The total actual throughput of our Nanjing terminal increased from 561,200 metric tonnes in the first half of 2009 to 911,900 metric tonnes in the first half of 2010.

Such increase in the actual throughput volume of our Nanjing terminal was mainly due to the increased demand of our provision of terminal and chemical storage for Acetic Acid and Methanol from Celanese (Nanjing) and for Ethylene and VAM from Celanese Diversified in the first half of 2010. Revenue from Celanese (Nanjing) increased by approximately HK\$13.8 million from approximately HK\$42.5 million in the first half of 2009 to approximately HK\$56.3 million in the first half of 2010. Revenue from Celanese Diversified increased by approximately HK\$7.8 million from approximately HK\$40.1 million in the first half of 2009 to approximately HK\$47.9 million in the first half of 2010.

Cost of services provided

Our cost of services provided increased by approximately HK\$5.2 million, or 14.4%, from approximately HK\$36.2 million in the first half of 2009 to approximately HK\$41.4 million in the first half of 2010. As a percentage of total revenue, our cost of services provided decreased from 38.1% in the first half of 2009 to 35.2% in the first half of 2010, which reflected the cost benefit arising from economies of scales of our growing business operation.

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The increase in our cost of services provided was mainly due to: (i) an increase in diesel fuel cost by approximately HK\$4.2 million from approximately HK\$4.8 million in the first half of 2009 to approximately HK\$9.0 million in the first half of 2010 which was in line with our increased revenue from Celanese Diversified as more diesel fuel was used to accommodate storage requirements for increased throughput volume of liquid chemical products handled during the first half of 2010; (ii) an increase in utilities expense by approximately HK\$0.5 million from approximately HK\$3.4 million in the first half of 2009 to approximately HK\$3.9 million in the first half of 2010; (iii) an increase in staff costs by approximately HK\$0.7 million from approximately HK\$2.4 million in first half of 2009 to approximately HK\$3.1 million in the first half of 2010; and partially offset by (iv) a decrease in consumables by approximately HK\$0.3 million from approximately HK\$1.0 million in the first half of 2009 to approximately HK\$0.7 million in the first half of 2010.

Gross profit

As a result of the factors discussed above, our gross profit increased by approximately HK\$17.4 million, or 29.5%, from approximately HK\$58.9 million in the first half of 2009 to approximately HK\$76.3 million in the first half of 2010. Our gross profit margin increased from 61.9% in the first half of 2009 to 64.8% in the first half of 2010.

Other income

Our other income increased by approximately HK\$0.5 million, from approximately HK\$0.2 million in the first half of 2009 to approximately HK\$0.7 million in the first half of 2010. Our other income mainly included interest income on bank deposits, rental income and miscellaneous income.

Administrative expenses

Our administrative expenses increased slightly by approximately HK\$0.7 million, or 12.1%, from approximately HK\$5.8 million in the first half of 2009 to approximately HK\$6.5 million in the first half of 2010. The increase was mainly due to an increase in the staff costs of approximately HK\$0.9 million from approximately HK\$2.2 million in the first half 2009 to approximately HK\$3.1 million in the first half of 2010. Due to our business nature as an integrated terminal service provider, our administrative expenses were relatively stable. As a percentage of total revenue, our administrative expenses decreased slightly from 6.1% in the first half of 2009 to 5.5% in the first half of 2010, which showed our continuous cost control effort.

Finance costs

Our finance costs decreased by approximately HK\$2.5 million, or 36.2%, from approximately HK\$6.9 million in the first half of 2009 to approximately HK\$4.4 million in the first half of 2010. As we repaid HK\$21.6 million bank

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loans in relation to the financing of our construction of facilities in Nanjing in the first half of 2010, the finance costs on bank loans were decreased accordingly in the same period.

Share of profits of Associated Entities

Our share of profits of Associated Entities increased by approximately HK\$1.5 million, or 100%, from approximately HK\$1.5 million in the first half of 2009 to approximately HK\$3.0 million in the first half of 2010. The increase in share of profits of Associated Entities was mainly due to the decrease in total expenses from approximately HK\$4.7 million in the first half of 2009 to approximately HK\$3.4 million in the first half of 2010.

Share of profits of Jointly-controlled Entity

Our share of profits of Jointly-controlled Entity was approximately HK\$1.0 million in the first half of 2009, which was comparable to that of approximately HK\$0.9 million in the first half of 2010.

Tax expenses

Our tax expenses increased by approximately HK\$1.0 million, or 47.6%, from approximately HK\$2.1 million in the first half of 2009 to approximately HK\$3.1 million in the first half of 2010. The increase in tax expenses was mainly due to the increase in withholding tax levied on the distributable profits of our PRC subsidiary, Associated Entities and Jointly-controlled Entity from approximately HK\$2.1 million in the first half of 2009 to approximately HK\$3.1 million in the first half of 2010 which was in line with the increase in distributable profits of these entities.

Profit for the period

Our profit for the period increased by approximately HK\$20.1 million, or 42.9%, from approximately HK\$46.8 million in the first half of 2009 to approximately HK\$66.9 million in the first half of 2010, which was in line with the increased throughput volume of liquid chemical products handled by us during the period.

Year ended 31 December 2008 compared to year ended 31 December 2009

Revenue

Revenue increased by approximately HK\$48.4 million, or 32.2%, from approximately HK\$150.1 million in 2008 to approximately HK\$198.5 million in 2009. Such increase was principally due to the full-year operation of our phase II facilities in Nanjing in 2009. Our terminal and chemical storage service for VAM and Ethylene to Celanese Diversified commenced operation since May 2008 and July 2008, respectively. As such, our revenue from Celanese Diversified increased

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from approximately HK\$43.9 million in 2008 to approximately HK\$84.0 million in 2009. Our Nanjing terminal's total actual throughput reached 1,241,400 metric tonnes in 2009 as compared to 850,600 metric tonnes in 2008.

Cost of services provided

Our cost of services provided increased by approximately HK\$19.9 million, or 35.7% from approximately HK\$55.7 million in 2008 to approximately HK\$75.6 million in 2009. As a percentage of total revenue, our cost of services provided increased slightly from 37.1% in 2008 to 38.1% in 2009.

The increase in our cost of services provided was mainly due to: (i) an increase in depreciation by approximately HK\$6.6 million from approximately HK\$23.3 million in 2008 to approximately HK\$29.9 million in 2009 which was mainly attributable to the full-year operation of our Nanjing's phase II facilities in 2009; (ii) an increase in diesel fuel cost by approximately HK\$6.9 million from approximately HK\$4.9 million in 2008 to approximately HK\$11.8 million in 2009 which was in line with our increased throughput volume of liquid chemical products handled during the year; (iii) an increase in consumables by approximately HK\$1.3 million which was mainly attributable to the increase in throughput volume in 2009 and (iv) an increase in pipe racks rental fee by approximately HK\$1.6 million from approximately HK\$7.2 million in 2008 to approximately HK\$8.8 million in 2009, the pipe racks rental fee was paid to Nanjing CIPC for supporting our pipelines to transport liquid chemicals to Celanese plants. In general, the increase in the above diesel fuel cost, consumables and pipe racks rental fee mainly attributable to the full-year operation of our Nanjing's phase II facilities in 2009.

Gross profit

As a result of the factors discussed above, our gross profit increased by approximately HK\$28.5 million, or 30.2%, from approximately HK\$94.4 million in 2008 to approximately HK\$122.9 million in 2009. Our gross profit margin decreased slightly from 62.9% in 2008 to 61.9% in 2009.

Other income

Other income increased by approximately HK\$4.9 million, or 445.5%, from approximately HK\$1.1 million in 2008 to approximately HK\$6.0 million in 2009. Such increase was mainly due to government subsidies from PRC Port Authority of HK\$4.7 million for the period from April 2007 to September 2009 received in 2009 as compared to nil in 2008.

Administrative expenses

Our administrative expenses increased by approximately HK\$4.4 million, or 45.8%, from approximately HK\$9.6 million in 2008 to approximately HK\$14.0 million in 2009. As our phase II facilities in Nanjing commenced operation in mid

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2008, we incurred more administrative expenses for the full-year operation of our phase II facilities in 2009. The increase in administrative expenses was primarily due to (i) an increase in staff costs by approximately HK\$1.1 million from approximately HK\$3.8 million in 2008 to approximately HK\$4.9 million in 2009; (ii) an increase in afforestation fee by approximately HK\$2.0 million from nil in 2008 to approximately HK\$2.0 million in 2009 due to our voluntary greening program in the Nanjing facilities (where no additional provision was required); and (iii) an increase in depreciation charges by approximately HK\$0.3 million from approximately HK\$0.9 million in 2008 to approximately HK\$1.2 million in 2009. As a percentage of total revenue, our administrative expenses increased slightly from 6.4% in 2008 to 7.1% in 2009.

Finance costs

Our finance costs decreased by approximately HK\$5.4 million, or 29.5%, from approximately HK\$18.3 million in 2008 to approximately HK\$12.9 million in 2009. Such decrease was mainly due to (i) the repayment of bank loans in relation to the construction of our facilities in Nanjing of approximately HK\$164.7 million in 2009 which led to decrease in interest expenses on bank loans by approximately HK\$5.6 million; (ii) the repayment of an amount due to the former ultimate holding company, DC Investments, of approximately HK\$58.6 million which led to a decrease in interest expenses due to the former ultimate holding company by approximately HK\$3.6 million, and partially offset by (iii) decrease in interest capitalised to construction in progress of approximately HK\$3.8 million.

Share of profits of Associated Entities

Our share of profits of Associated Entities decreased by approximately HK\$2.6 million, or 40.0%, from approximately HK\$6.5 million in 2008 to approximately HK\$3.9 million in 2009. Such decrease in 2009 mainly reflected the decrease in revenue of our Associated Entities from approximately HK\$16.3 million in 2008 to approximately HK\$12.2 million in 2009 as the financial performance of our Associated Entities slightly deteriorated in the first half of 2009.

Share of profits of Jointly-controlled Entity

Our share of profits of Jointly-controlled Entity increased from approximately HK\$1.5 million in 2008 to approximately HK\$2.1 million in 2009, which was a result of the increase in revenue of Jointly-controlled Entity from approximately HK\$4.1 million in 2008 to approximately HK\$5.0 million in 2009.

Tax expenses

Our tax expenses increased by approximately HK\$2.4 million, or 66.7%, from approximately HK\$3.6 million in 2008 to approximately HK\$6.0 million in 2009. Such increase in our tax expenses was mainly due to (i) an increase in

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withholding tax on the distributable profits by our PRC subsidiary, Associated Entities and Jointly-controlled Entity from approximately HK\$3.6 million in 2008 to approximately HK\$4.6 million in 2009; and (ii) the increase in income tax of approximately HK\$1.4 million from Nanjing Dragon Crown due to the tax charged on government subsidies received from PRC Port Authority.

Profit for the year

As a result of the factors discussed above, our profit for the year increased by approximately HK\$29.9 million, or 41.5%, from approximately HK\$72.0 million in 2008 to approximately HK\$101.9 million in 2009. Our net profit margin increased from 48.0% in 2008 to 51.3% in 2009.

Year ended 31 December 2007 compared to year ended 31 December 2008

Revenue

Our revenue increased by approximately HK\$91.6 million, or 156.6%, from approximately HK\$58.5 million in 2007 to approximately HK\$150.1 million in 2008. Substantial increase in our revenue was principally due to our phase II facilities in Nanjing commenced operation by phases in mid 2008. We started to provide the terminal and chemical storage service for Acetic Anhydride, VAM and Ethylene to Celanese Acetyl and Celanese Diversified in April, May and July 2008, respectively. As such, we recorded revenue of approximately HK\$43.9 million from Celanese Diversified and approximately HK\$13.9 million from Celanese Acetyl respectively in 2008. Moreover, the demand of the terminal and chemical storage service for Acetic Acid and Methanol from Celanese (Nanjing) increased in 2008 and our revenue increased by approximately HK\$28.8 million from approximately HK\$56.6 million in 2007 to approximately HK\$85.4 million in 2008. The total actual throughput volume of our Nanjing terminal reached 850,600 metric tonnes in 2008 as compared to 583,500 metric tonnes in 2007 and the storage capacity available at our Nanjing terminal reached 152,000 m³ in 2008 as compared to 102,000 m³ in 2007.

Cost of services provided

Our cost of services provided increased by approximately HK\$35.1 million, or 170.4% from approximately HK\$20.6 million in 2007 to approximately HK\$55.7 million in 2008. As a percentage of total revenue, Our cost of services provided increased from 35.2% in 2007 to 37.1% in 2008.

Such increase in cost of services provided was generally in line with the increase in our revenue in 2008. Our cost of services provided were closely related to the actual throughput volume of liquid chemical products we handled. As our phase II facilities in Nanjing commenced operation to handle more types of liquid in mid 2008, the cost of services provided increased accordingly. The increase was mainly attributable to: (i) an increase in depreciation by approximately HK\$12.6 million from approximately HK\$10.7 million in 2007 to

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approximately HK\$23.3 million in 2008, upon completion of the phase II facilities in Nanjing by phases in 2008; (ii) our diesel fuel cost increased by approximately HK\$4.9 million from approximately HK\$Nil million in 2007 to HK\$4.9 million in 2008 as more diesel fuel cost were consumed to cool, heat or maintain at room temperature of the liquid chemicals for the storage tanks of phase II facilities; (iii) an increase in consumables by approximately HK\$0.7 million; (iv) an increase in pipe racks rental fee by approximately HK\$4.5 million from approximately HK\$2.7 million in 2007 to approximately HK\$7.2 million in 2008; (v) an increase in utilities expense by approximately HK\$3.5 million from approximately HK\$2.5 million in 2007 to approximately HK\$6.0 million in 2008; and (vi) an increase in staff costs by approximately HK\$1.8 million from approximately HK\$1.7 million in 2007 to approximately HK\$3.5 million in 2008.

Gross profit

As a result of the factors discussed above, our gross profit increased by approximately HK\$56.5 million, or 149.1%, from approximately HK\$37.9 million in 2007 to approximately HK\$94.4 million in 2008. Our gross profit margin decreased slightly from 64.8% in 2007 to 62.9% in 2008.

Other income

Our other income increased slightly by approximately HK\$0.4 million, or 57.1%, from approximately HK\$0.7 million in 2007 to approximately HK\$1.1 million in 2008. Such increase in other income was mainly due to a slight increase in interest income on bank deposits.

Administrative expenses

Our administrative expenses increased by approximately HK\$4.2 million, or 77.8%, from approximately HK\$5.4 million in 2007 to approximately HK\$9.6 million in 2008. Our phase II facilities in Nanjing commenced operation in mid 2008. We incurred additional administrative expenses, in particular, staff costs and depreciation charges for our phase II facilities operation. This increase was primarily due to: (i) an increase in the staff costs by HK\$2.2 million from approximately HK\$1.6 million in 2007 to approximately HK\$3.8 million in 2008; and (ii) an increase in the depreciation charges by approximately HK\$0.5 million from approximately HK\$0.4 million in 2007 to approximately HK\$0.9 million in 2008. As a percentage of total revenue, our administrative expenses decreased from 9.3% in 2007 to 6.4% in 2008.

Finance costs

Our finance costs increased by approximately HK\$7.6 million, or 71.0%, from approximately HK\$10.7 million in 2007 to approximately HK\$18.3 million in 2008. Such increase was mainly due to additional bank loans of approximately HK\$114.0 million were obtained to finance the construction cost of our phase II

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facilities in 2008, which was partially offset by an increase in interest capitalised to construction in progress by approximately HK\$1.0 million from approximately HK\$2.8 million in 2007 to approximately HK\$3.8 million in 2008.

Share of profits of Associated Entities

Our share of profits of Associated Entities decreased by approximately HK\$2.1 million, or 24.4%, from approximately HK\$8.6 million in 2007 to approximately HK\$6.5 million in 2008. Such decrease in 2008 mainly reflected (i) a decrease in other income, including bank interest income and one-off reversal of other payables of our Associated Entities from approximately HK\$1.6 million in 2007 to approximately HK\$0.3 million in 2008; (ii) an increase in tax expense of Associated Entities from nil in 2007 to approximately HK\$0.6 million in 2008, which was mainly due to the expiry of preferential tax rates enjoyed by our Associated Entities; and (iii) an increase in total expense of Associated Entities from approximately HK\$7.8 million in 2007 to approximately HK\$9.4 million in 2008.

Share of profits of Jointly-controlled Entity

Our share of profits of Jointly-controlled Entity increased slightly from approximately HK\$1.4 million in 2007 to approximately HK\$1.5 million in 2008.

Tax expenses

Our tax expenses amounted to approximately HK\$3.6 million in 2008, which mainly represented the withholding tax charged on the distributable profits of our PRC subsidiary, Associated Entities and Jointly-controlled Entity. In 2007, we did not incur any PRC income tax as no withholding tax was required to be levied on the distributable profits in 2007 and Nanjing Dragon Crown was entitled to preferential tax treatment with full tax exemption from PRC corporate income tax for the first five profitable years, commencing from 1 January 2007.

Profit for the year

As a result of the commencement of operation of phase II facilities in Nanjing in mid 2008, our profit for the year increased by approximately HK\$39.5 million, or 121.5%, from approximately HK\$32.5 million in 2007 to approximately HK\$72.0 million in 2008. Our net profit margin decreased from 55.6% in 2007 to 48.0% in 2008, which is mainly attributable to the requirement to levy withholding tax on distributable profits of our subsidiary, Associated Entities and Jointly-controlled Entity in 2008.

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(VI) ANALYSIS ON CERTAIN BALANCE SHEET ITEMS AND SELECTED FINANCIAL RATIOS

(A) Analysis on certain balance sheet items

	As of 31 December			As of
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010 HK\$'000
Property, plant and equipment	482,042	566,866	544,984	537,989
Interests in Associated Entities	25,658	33,791	32,486	33,399
Interest in Jointly-controlled Entity	6,192	6,645	7,223	6,210
Accounts receivable	18,834	25,123	35,329	37,850
Other payables and accruals	69,290	22,832	25,154	19,799
Interest-bearing bank loans				
– Non-current	62,330	95,202	76,862	31,782
– Current	99,459	133,057	88,504	123,398
Amount due to the former ultimate holding company	255,755	257,729	199,092	199,274
Amount due to a director	2,462	2,462	1,996	1,994
Amount due from a minority shareholder	4,555	4,871	208	210

Property, plant and equipment

Our property, plant and equipment amounted to approximately HK\$482.0 million, HK\$566.9 million, HK\$545.0 million and HK\$538.0 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

In responding to our major customers' growing demand for liquid chemical products terminal and storage services, we completed phase II facilities by phases in 2008, which led to an increase in our property, plant and equipment balance in 2008.

For the details of our Group's property, plant and equipment, please refer to Note 14 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interests in Associated Entities

Our interests in Associated Entities amounted to approximately HK\$25.7 million, HK\$33.8 million, HK\$32.5 million and HK\$33.4 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

Set out below is a breakdown of the share of the Associated Entities' assets and liabilities as of 31 December 2007, 2008 and 2009, and 30 June 2010:

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	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i> <i>HK\$'000</i>
Current assets	14,413	13,955	16,842	17,469
Non-current assets	20,699	20,822	20,122	18,749
Current liabilities	(9,454)	(921)	(4,390)	(2,770)
Non-current liabilities	—	(65)	(88)	(49)
Net assets	<u>25,658</u>	<u>33,791</u>	<u>32,486</u>	<u>33,399</u>

For details of our interests in Associated Entities, please refer to Note 16 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interest in Jointly-controlled Entity

Our interest in Jointly-controlled Entity amounted to approximately HK\$6.2 million, HK\$6.6 million, HK\$7.2 million and HK\$6.2 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

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Set out below is a breakdown of the share of Jointly-controlled Entity's assets and liabilities as of 31 December 2007, 2008 and 2009, and 30 June 2010:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current assets	3,452	3,796	4,281	5,475
Non-current assets	2,969	3,080	3,326	3,287
Current liabilities	(229)	(231)	(384)	(2,552)
Net assets	<u>6,192</u>	<u>6,645</u>	<u>7,223</u>	<u>6,210</u>

For details of our interest in Jointly-controlled Entity, please refer to Note 17 to the Accountants' Report as set forth in Appendix I in this prospectus.

Accounts receivable

Our accounts receivable amounted to approximately HK\$18.8 million, HK\$25.1 million, HK\$35.3 million and HK\$37.9 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

Our rising accounts receivable mainly reflected the growth of our revenue during the Track Record Period. Our credit period is generally 30 days, extending up to 60 days for major customers. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our senior management. Accounts receivable are non-interest-bearing.

An aged analysis of our accounts receivable as of 31 December 2007, 2008 and 2009, and 30 June 2010 is as follows:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current to 30 days	17,745	18,300	20,953	30,747
31 to 60 days	1,089	6,823	11,909	4,287
61 to 90 days	–	–	910	904
Over 90 days	–	–	1,557	1,912
	<u>18,834</u>	<u>25,123</u>	<u>35,329</u>	<u>37,850</u>

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Accounts receivable that was past due but not impaired related to a number of independent debtors that have a good track record with us. Based on past experience, our Directors were of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral or other credit enhancements over these balances. As of 31 December 2009 and 30 June 2010, certain of our accounts receivable with a net carrying amount of HK\$15,910,000 and HK\$15,087,000, respectively, were pledged to the banks to secure banking facilities granted to us.

For details of our accounts receivable, please refer to Note 18 to the Accountants' Report as set forth in Appendix I in this prospectus.

Other payables and accruals

Our other payables and accruals amounted to approximately HK\$69.3 million, HK\$22.8 million, HK\$25.2 million and HK\$19.8 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

Set out below is a breakdown of our other payables and accruals as of 31 December 2007, 2008 and 2009, and 30 June 2010:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010
				<i>HK\$'000</i>
Other payables				
– Construction cost				
– Retention money	12,100	10,006	12,238	9,249
– Dividend payables	1,404	–	–	–
– Other payables	95	100	94	1,245
	<u>13,599</u>	<u>10,106</u>	<u>12,332</u>	<u>10,494</u>
Accruals				
– Accrued construction cost	53,028	8,912	5,509	2,404
– Accrued tax payables	324	966	1,349	1,499
– Accrued expenses	1,634	1,476	5,525	5,000
– Accrued interests	705	1,372	439	402
	<u>55,691</u>	<u>12,726</u>	<u>12,822</u>	<u>9,305</u>
	<u><u>69,290</u></u>	<u><u>22,832</u></u>	<u><u>25,154</u></u>	<u><u>19,799</u></u>

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The substantial decrease in the balance of other payables and accruals from 31 December 2007 to 31 December 2008 was mainly attributable to the decrease in accrued construction cost from approximately HK\$53.0 million as of 31 December 2007 to HK\$8.9 million as of 31 December 2008. Accrued construction cost was in relation to the capital expenditure of our phase II facilities in Nanjing. Since the phase II facilities was completed phase by phase in 2008, we settled a substantial portion of the construction cost in 2008.

As at 30 June 2010, we had a payable of approximately HK\$ 1.1 million due to the Nanjing Chemical Industry Park Management Committee, the parent company of Nanjing CIPC. Pursuant to a land use right agreement dated 20 August 2009, the Nanjing Chemical Industry Park Management Committee agreed to coordinate the Land Use Bureau for the granting of a parcel of land with a total area of 22,907.7 m² for an amount of RMB8 million to Nanjing Dragon Crown. The land use rights of such parcel of land was granted and subject to the fulfillment of certain conditions including land leveling by the Nanjing Chemical Industry Park Management Committee, Nanjing Dragon Crown will settle the outstanding payables of RMB1 million (equivalent to approximately HK\$1.1 million).

For details of our other payables and accruals, please refer to Note 22 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interest-bearing bank loans

Our total interest-bearing bank loans amounted to approximately HK\$161.8 million, HK\$228.3 million, HK\$165.4 million and HK\$155.2 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

In order to finance our capital expenditures incurred for phase II facilities in Nanjing, we increased our total bank loans from approximately 161.8 million as of 31 December 2007 to approximately HK\$228.3 million as of 31 December 2008. As our phase II facilities in Nanjing commenced operations by phases in 2008 which strengthened our cash inflows from operation, we repaid bank loans of approximately HK\$164.6 million in 2009, and thus, reduced our bank loans to approximately HK\$165.4 million as at 31 December 2009. We further repaid banks loans of approximately HK\$21.6 million in the first half of 2010, as a result, our bank loan amounted to HK\$155.2 million as at 30 June 2010.

For details of our interest-bearing bank loans, please refer to Note 24 to the Accountants' Report as set forth in Appendix I in this Prospectus.

Due to the former ultimate holding company

The amounts due to DC Investments, which was the former ultimate holding company of DC Petrochemicals immediately prior to the Reorganisation, amounted to approximately HK\$255.8 million, HK\$257.7 million, HK\$199.1 million and HK\$199.3 million as at 31 December 2007, 2008, 2009 and 30 June

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2010 respectively. Except for the balances with the carrying amounts of HK\$186,000 and HK\$258,000 as at 31 December 2009 and 30 June 2010 which were unsecured, interest-free and repayable on demand, all remaining balances due to DC Investments were unsecured and not repayable within twelve months. The carrying amounts of amounts due to the former ultimate holding company approximate to their fair values.

The cash advances made by DC Investments to us were to finance our investments in Nanjing terminal and were non-trade in nature. All of the outstanding balances due to DC Investments were fully settled prior to the Listing.

For details of the amounts due to the former ultimate holding company, please refer to Note 25 to the Accountants' Report as set forth in Appendix I in this prospectus.

Amount due to a director

The amount due to a director, Mr. Ng, amounted to approximately HK\$2.5 million, HK\$2.5 million, HK\$2.0 million and HK\$2.0 million as of 31 December 2007, 2008, 2009 and 30 June 2010, respectively. The amount due to Mr. Ng represented a shareholder's loan to us, which was repaid during the Reorganisation prior to the Listing. At the end of each reporting period, the balance due to Mr. Ng was non-trade in nature, unsecured, interest-free and was repayable on demand.

For details of the amount due to a director, please refer to Note 23 to the Accountants' Report as set forth in Appendix I in this prospectus.

Amount due from a minority shareholder

The amount due from a minority shareholder, Nanjing CIPC, amounted to approximately HK\$4.6 million, HK\$4.9 million, HK\$0.2 million and HK\$0.2 million as of 31 December 2007, 2008, 2009 and 30 June 2010, respectively. Such amount mainly represented the utilities expense paid by us on behalf of Nanjing CIPC which was non-trade in nature. Such balance was unsecured, interest-free and has no fixed terms of repayment, and the carrying amount of the balance approximates to its fair value. All of the outstanding balance due from Nanjing CIPC was fully settled prior to the Listing.

For details of the amount due from a minority shareholder, please refer to Note 19 to the Accountants' Report as set forth in Appendix I in this prospectus.

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(B) Key financial ratios

		Year ended 31 December			Six months ended
	<i>Notes</i>	2007	2008	2009	30 June 2010
Accounts receivable turnover days	(1)	59 days	53 days	56 days	57 days
Gross profit margin	(2)	64.8%	62.9%	61.9%	64.8%
Net profit margin	(3)	55.6%	48.0%	51.3%	56.9%
Return on equity	(4)	44.8%	42.3%	38.3%	N/A
					<i>(Note 5)</i>
					As at
					30 June 2010
		2007	2008	2009	2010
Current ratio	(6)	0.2	0.4	0.5	0.9
Gearing ratio	(7)	27.7%	32.3%	24.0%	20.8%

Notes:

1. The calculation of accounts receivable turnover days is based on the average of the opening and closing accounts receivable balances divided by turnover and multiplied by 365 days for the year or 183 days for the six months.
2. The calculation of gross profit margin is based on gross profit divided by the revenue.
3. The calculation of net profit margin is based on net profit divided by the revenue.
4. The calculation of return on equity is based on profit attributable to the owner of the Company divided by the equity attributable to the owner of the Company.
5. The calculation of return on equity for the six months ended 30 June 2010 represented return on equity of our half-year results in 2010. The calculation of return on equity for the three years ended 31 December 2007, 2008 and 2009 represented return on equity of our full-year results in 2007, 2008 and 2009. As such, return on equity for the six months ended 30 June 2010 was incomparable to that for the three years ended 31 December 2007, 2008 and 2009.
6. The calculation of current ratio is based on current assets divided by current liabilities.
7. The calculation of gearing ratio is based on the sum of non-current and current bank loans divided by total assets and multiplied by 100%.

(1) Accounts receivable turnover days

Our accounts receivable turnover days were approximately 59 days, 53 days, 56 days and 57 days in 2007, 2008, 2009 and in the first half of 2010, respectively. We offer Celanese credit terms ranging from 45 days to 60 days and other major customers credit terms ranging from 30 days to 60 days. For other customers, payments are settled either on a monthly basis or upon the delivery of the products. Payments are settled by bank acceptance and telegraphic transfer.

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The accounts receivable turnover days were relatively stable during the Track Record Period and comparable to the credit terms we offered to our major customers. It was mainly attributed to our effective implementation of collection policy. There was no impairment on the accounts receivable during the Track Record Period.

Up to 31 August 2010, 100% of the accounts receivable as of 30 June 2010 have been settled.

(2) *Gross profit margin*

Our gross profit margin were 64.8%, 62.9%, 61.9% and 64.8%, respectively during the Track Record Period, which were relative stable. Since almost all of our revenue was generated from the annual minimum fixed contract sum of the Celanese Contracts.

(3) *Net profit margin*

Our net profit margin decreased from 55.6% in 2007 to 48.0% in 2008. Such decrease was mainly attributable to (i) the requirement to levy withholding tax on the distributable profits of Nanjing Dragon Crown, Tianjin Tianlong and Ningbo Xixiang of approximately HK\$3.6 million in 2008 (2007: Nil); and (ii) increase in finance costs as we obtained new bank loans of approximately HK\$114.0 million in 2008 to finance the constructions of our phase II facilities in Nanjing.

Our net profit margin increased from 48.0% in 2008 to 51.3% in 2009 and such increase in our net profit margin was primarily due to (i) decrease in our finance costs as we repaid bank loans of approximately HK\$164.6 million in 2009; and (ii) decrease in interest amount due to our former ultimate holding company as we repaid approximately HK\$58.6 million to our former ultimate holding company, DC Investments, in 2009.

Our net profit margin further increased from 51.3% in 2009 to 56.9% in the first half of 2010. Such increase was mainly due to the economies of scales enjoyed by us from business growth and further decrease in our finance costs as we repaid approximately HK\$21.6 million bank loans during the period.

(4) *Return on equity*

The return on equity attributable to our equity owner decreased slightly from 44.8% in 2007 to 42.3% in 2008, and decreased to 38.3% in 2009. Our return on equity for the three years ended 31 December 2007, 2008 and 2009 were relatively stable.

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(5) *Current ratios*

As of 31 December 2007, 2008 and 2009, and 30 June 2010, our current ratios were 0.2, 0.4, 0.5 and 0.9 respectively. Our phase II facilities in Nanjing commenced operation in mid 2008. Benefiting from business expansion, we recorded substantial growth in revenue and maintained stronger liquidity position during the Track Record Period, hence, our current ratio improved as at 31 December 2007, 2008 and 2009, and 30 June 2010. The cash and bank balances were approximately HK\$11.7 million, HK\$18.5 million, HK\$23.2 million and HK\$80.8 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively; and the accounts receivable balances were approximated HK\$18.8 million, HK\$25.1 million, HK\$35.3 million and HK\$37.9 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

(6) *Gearing ratios*

The gearing ratio increased from 27.7% as of 31 December 2007 to 32.3% as of 31 December 2008 and decreased to 24.0% as of 31 December 2009 and then further decreased to 20.8% as of 30 June 2010. Such fluctuation was primarily attributable to the increase in our bank loans to finance our growing business and the expansion of the phase II facilities in Nanjing in 2007 and 2008. As our phase II facilities had full year operations in 2009 which strengthened our cash flows from operation, we repaid bank loans of approximately HK\$164.6 million in 2009 and further repaid bank loans of HK\$21.6 million in the first half of 2010 to reduce our debt level.

(VII) CAPITAL STRUCTURE, LIQUIDITY AND FINANCE RESOURCES

(A) **Overview**

We generally finance our operations through, to a substantial extent, cash generated from operation and a combination of borrowings from banks and cash advances from DC Investments, which was our former ultimate holding company of Nanjing Dragon Crown immediately prior to the Reorganisation.

During the Track Record Period, we had not experienced any difficulty in raising funds from bank loans, and we had not experienced any liquidity problems in settling our payables in the normal course of business and in repaying our bank loans when they were due.

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that the proceeds from the Global Offering, our cash and bank deposits, cash flows from operations, banking relationships and future financing will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to prevailing

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economic conditions and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure that such capital will be available to the Group on acceptable terms.

We had cash and bank balances of approximately HK\$11.7 million, HK\$18.5 million, HK\$23.2 million and HK\$80.8 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively.

(B) Net current liabilities

As of 31 December 2007, 2008, 2009 and 30 June 2010, we had net current liabilities of approximately HK\$132.2 million, HK\$93.1 million, HK\$54.5 million and HK\$18.7 million, respectively.

The following sets forth detailed information on our current assets and current liabilities as of 31 December 2007, 2008 and 2009, and 30 June 2010:–

	As of 31 December			As of
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Current assets:				
Inventories	410	1,820	1,808	1,861
Accounts receivable	18,834	25,123	35,329	37,850
Due from a minority shareholder	4,555	4,871	208	210
Prepayments, deposits and other receivables	3,498	14,932	2,079	6,043
Cash and bank balances	<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>80,751</u>
Total current assets	39,030	65,273	62,673	126,715
Current liabilities				
Other payables and accruals	69,290	22,832	25,154	19,799
Due to a director	2,462	2,462	1,996	1,994
Interest-bearing bank loans	99,459	133,057	88,504	123,398
Due to the former ultimate holding company	–	–	186	258
Tax payable	<u>–</u>	<u>–</u>	<u>1,342</u>	<u>–</u>
Total current liabilities	171,211	158,351	117,182	145,449
Net current liabilities	<u>(132,181)</u>	<u>(93,078)</u>	<u>(54,509)</u>	<u>(18,734)</u>

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The Group had net current liabilities as of 31 December 2007, 2008 and 2009 and 30 June 2010 primarily because we had extensive capital expenditures in the construction of phase I and phase II facilities in Nanjing, the assets of which are classified for accounting purposes as non-current assets. This has been done in connection with the ongoing expansion of our business. In addition to funding these capital expenditures through long-term debt, we had also funded these projects with cash flows generated from our operations.

Benefited from our continuous growth and business expansion, we have stronger cash flows from operation, our cash and bank balances were recorded at approximately HK\$11.7 million, HK\$18.5 million, HK\$23.2 million and HK\$80.8 million as of 31 December 2007, 2008 and 2009, and 30 June 2010 respectively. On the other hand, as we paid construction cost in relation to our phase II facilities in 2008, our other payables and accruals decreased substantially from approximately HK\$69.3 million as of 31 December 2007 to approximately HK\$22.8 million as of 31 December 2008 and to HK\$25.2 million as of 31 December 2009, and further down to approximately HK\$19.8 million as of 30 June 2010.

(C) Cash flow statement

The following table sets forth selected cash flows data from our combined statements of cash flows during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	19,818	88,060	150,982	68,011	75,403
Net cash flows from/ (used in) investing activities	(160,366)	(113,761)	(4,696)	5,856	(177)
Net cash flows from/ (used in) financing activities	151,390	31,763	(141,660)	(76,232)	(18,478)
Effect of foreign exchange rate changes	(54)	732	96	79	754
Cash and cash equivalents at year end/period end	11,733	18,527	23,249	16,241	80,751

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Cash flows from operating activities

Our phase II facilities in Nanjing commenced operation in mid 2008. We secured long-term contracts with Celanese Diversified and Celanese Acetyl for the provision of terminal and chemical storage for Ethylene, VAM and Acetic Anhydride by using the expanded capacity. Benefiting from our business expansion and increased revenue, our net cash flows from operating activities increased during the Track Record Period.

Net cash flows from operating activities in the first half of 2010 were approximately HK\$75.4 million while our profit before tax was approximately HK\$70.0 million. The difference of HK\$5.4 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK\$4.4 million; (ii) adjustment for depreciation of HK\$15.8 million; which were offset by: (iii) increase in accounts receivable of HK\$2.1 million; (iv) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK\$3.9 million; (v) increase in prepayments, deposits and other receivables of HK\$2.0 million; and (vi) decrease in other payables and accruals of HK\$5.6 million.

Net cash flows from operating activities in 2009 were approximately HK\$151.0 million while our profit before tax was approximately HK\$108.0 million. The difference of HK\$43.0 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK\$12.9 million; (ii) adjustment for depreciation of HK\$31.1 million; (iii) decrease in prepayments, deposits and other receivables of HK\$13.1 million; (iv) increase in other payables and accruals of HK\$2.3 million; which were offset by (v) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK\$6.0 million; and (vi) increase in accounts receivable of HK\$10.2 million.

Net cash flows from operating activities in 2008 were approximately HK\$88.1 million while our profit before tax was approximately HK\$75.7 million. The difference of HK\$12.4 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK\$18.3 million; (ii) adjustment for depreciation of HK\$24.2 million; which were offset by (iii) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK\$8.1 million; (iv) increase in inventories of HK\$1.4 million; (v) increase in accounts receivable of HK\$4.9 million; (vi) increase in prepayments, deposits and other receivables of HK\$11.1 million; and (vii) decrease in other payables and accruals of HK\$4.9 million.

Net cash flows from operating activities in 2007 were approximately HK\$19.8 million while our profit before tax was approximately HK\$32.5 million. The difference of HK\$12.7 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK\$10.7 million; (ii) adjustment for depreciation of HK\$11.1 million; (iii) increase in other payables and accruals of HK\$1.5 million; which were offset by (iv) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK\$10.0 million; (v) increase

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in accounts receivable of HK\$18.8 million; (vi) increase in amount due from a minority shareholder of HK\$4.4 million; and (vii) increase in prepayments, deposits and other receivables of HK\$2.5 million.

Cash flows from/(used in) investing activities

Our investing activities during the Track Record Period primarily included purchases of property, plant and equipment; payment of prepaid land lease; proceeds received from disposal of property, plant and equipment, interest received from bank deposits and dividend received. Net cash used in investing activities were in a decreasing trend during the Track Record Period. As the construction of our phase I facilities and phase II facilities in Nanjing was completed in early 2007 and mid 2008 respectively, we used approximately HK\$170.3 million and HK\$115.7 million in the construction of our terminal facilities in Nanjing. We did not incur significant cash outflows in investing activities in 2009 and in the first half of 2010 as we only upgraded certain of our terminal facilities during these periods.

Net cash flows used in investing activities were approximately HK\$0.2 million in the first half of 2010 which was mainly attributable to: (i) additions of property, plant and equipment of HK\$2.8 million; and offset by (ii) dividend received from our Associated Entities of HK\$2.4 million.

Net cash flows used in investing activities were approximately HK\$4.7 million in 2009 which was mainly attributable to: (i) purchases of property, plant and equipment of HK\$7.7 million; (ii) payment for prepaid land lease of HK\$4.5 million; which were offset by (iii) dividend received from our Associated Entities and Jointly-controlled Entity of HK\$6.6 million; and (iv) proceeds received from disposal of property, plant and equipment of HK\$0.7 million.

Net cash flows used in investing activities were approximately HK\$113.8 million in 2008 which was mainly attributable to: (i) purchases of property, plant and equipment of HK\$115.7 million used for the expansion of phase II facilities in Nanjing; which was offset by (ii) dividend received from our Jointly-controlled Entity of HK\$1.5 million.

Net cash flows used in investing activities were approximately HK\$160.0 million in 2007 which were mainly attributable to: (i) purchases of property, plant and equipment of HK\$170.3 million used for the development of our terminal in Nanjing; which was offset by (ii) dividend received from our Associated Entities and Jointly-controlled Entity of HK\$9.9 million.

Cash flows from/(used in) financing activities

Our financing activities during the Track Record Period mainly included amounts due to our former ultimate holding company; additions and repayments of bank borrowings; cash advances from, and repayment of, amounts due to our former ultimate holding company; dividend paid and interest paid on bank

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borrowings. The construction of our phase I and phase II facilities in Nanjing was financed mainly by bank loans and cash advance by our former ultimate holding company, DC Investments. As such, we obtained net cash flows from financing activities of approximately HK\$151.4 million and HK\$31.8 million in 2007 and 2008. Benefiting from business expansion, we had a strong cash inflows from operating activities and partially repaid the bank loans and amount due to DC Investments, As such, we incurred net cash outflows in financing activities in 2009 and in the first half of 2010.

Net cash flows used in financing activities were approximately HK\$18.5 million in the first half of 2010 which was mainly attributable to: (i) repayment of bank loans of HK\$21.6 million; (ii) dividend paid of HK\$2.4 million; (iii) interest paid on bank loans of HK\$4.4 million; which were offset by (iv) new bank loans obtained of HK\$9.7 million.

Net cash flows used in financing activities were approximately HK\$141.7 million in 2009 which was mainly attributable to (i) amounts paid to the former ultimate holding company of HK\$58.6 million; (ii) repayment of bank loans of HK\$164.6 million; (iii) dividend paid of HK\$6.5 million, (iv) interest paid on bank loans of HK\$12.9 million; and which were offset by (v) bank loans obtained of HK\$101.0 million.

Net cash flows from financing activities were approximately HK\$31.8 million in 2008 which was mainly attributable to (i) bank loans obtained of HK\$114.0 million; which was offset by (ii) decrease in amounts to the former ultimate holding company of HK\$2.4 million; (iii) repayment of bank loans of HK\$59.3 million; (iv) dividend paid of HK\$2.9 million; and (v) interest paid on bank loans of HK\$17.7 million.

Net cash flows from financing activities were approximately HK\$151.4 million in 2007 which was mainly attributable to (i) capital contribution by Nanjing CIPC, which is a minority shareholder of Nanjing Dragon Crown of HK\$9.1 million; (ii) amounts received from our ultimate holding company of HK\$122.6 million; (ii) bank loans obtained of HK\$71.2 million; which were offset by (iv) repayment of bank loans of HK\$34.5 million; (v) dividend paid of HK\$8.5 million; and (vi) interest paid on bank loans of HK\$8.6 million.

(D) Working capital

We strive to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations, we also seek bank loans to fund our capital requirement. We have maintained long-term relationships with various commercial banks in Hong Kong and China and it is believed that the existing short-term bank loans will be accepted for renewal upon their maturity, if necessary.

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Taking into account (i) the estimated net proceeds available to us from the Global Offering; (ii) our available banking facilities, cash and cash equivalents as at the Latest Practicable Date; and (iii) the expected cash flows to be generated from our operations, our Directors confirm that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

As of 31 October 2010, the date being the latest practicable date for the purpose of the indebtedness statement in this prospectus, our net current assets were approximately HK\$6.6 million, comprising the following:

	As of 31 October 2010 HK\$'000
Current assets:	
Inventories	2,103
Accounts receivable	43,340
Prepayments, deposits and other receivables	7,937
Due from a minority shareholder	211
Cash and bank balances	<u>160,494</u>
Total current assets	214,085
Current liabilities	
Other payables and accruals	52,433
Due to a director	27,658
Interest-bearing bank loans	126,946
Due to the former ultimate holding company	<u>498</u>
Total current liabilities	207,535
Net current assets	<u><u>6,550</u></u>

The amount due from a minority shareholder, Nanjing Chemical Industry Park Company Limited, and the amount due to a director were settled before the Listing. The amount due to the former ultimate holding company, DC Investments, will be fully settled upon the completion of the Reorganisation.

(E) Market risk

We are, in the normal course of business, exposed to market risk such as foreign currencies risk, interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimise the adverse effects of these risks on financial performance.

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Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our net debt obligations with floating interest rates. The majority of the bank borrowings bears interest at rates with reference to the PBOC, whereas the amounts due to the former ultimate holding company bear interest at rates with reference to LIBOR. We mitigate the risk by monitoring closely the movements in interest rates and reviewing our banking facilities regularly. We have not used any interest rate swap to hedge our exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in PBOC rate and LIBOR, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank borrowings and the amounts due to the former ultimate holding company).

	Change in basis points	Change in profit before tax HK\$'000
30 June 2010		
RMB	50	713
Hong Kong dollar	50	62
31 December 2009		
RMB	50	764
Hong Kong dollar	50	105
31 December 2008		
RMB	50	1,037
Hong Kong dollar	50	470
31 December 2007		
RMB	50	671
Hong Kong dollar	50	616

Foreign currency risk

A US\$ denominated intercompany loan of US\$7,500,000 with preferential commercial terms was made to construct our phase II facilities in Nanjing as at 31 December 2007 and 2008. As such, we have transactional currency exposures. Such exposures arose from a loan to operating units in currencies other than the units' functional currency.

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The following table demonstrates the sensitivity at the end of the respective reporting periods to a reasonable possible change in US\$-RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK\$'000
31 December 2008		
If RMB weakens against US\$	(2)	(1,160)
If RMB strengthens against US\$	2	1,160
31 December 2007		
If RMB weakens against US\$	(2)	(1,160)
If RMB strengthens against US\$	2	1,160

Credit risk

We primarily provide services to recognised and creditworthy third parties. It is our policy that advanced payments are generally required for new customers. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Since we primarily provide services to recognised and creditworthy third parties, there is normally no requirement for collateral.

The credit risk of our financial assets, which comprise accounts receivable, an amount due from a minority shareholder, cash and cash equivalents, financial assets included in deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of our exposure to credit risk arising from accounts receivable, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 18 and 20 of the Accountant's Report in Appendix I, respectively.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internal funding and bank borrowings to meet its working capital requirements.

We monitor our risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (for example, accounts receivable) and projected cash flows from operations.

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Fair value

The fair values of cash and bank balances, accounts receivables, accounts payables and bank loans are not materially different from their carrying amounts.

(VIII) INDEBTEDNESS

(A) Borrowings and bank facilities

As at 31 October 2010, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, our Group had outstanding borrowings of approximately HK\$159 million, which represented secured bank loans of approximately HK\$159 million. Included in the total secured bank loans, an amount of approximately HK\$127 million represented current portion secured bank loans and have been classified under current liabilities. The remaining amount of HK\$32 million represented non-current portion secured bank loans and have been classified under non-current liabilities.

The following table sets forth our bank loans payable as of 31 December 2007, 2008 and 2009 and 30 June 2010 and 31 October 2010:–

	As of 31 December			As of 30 June 2010	As of 31 October 2010
	2007	2008	2009	2010	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year or on demand	99,459	133,057	88,504	123,398	126,946
After one year but within two year	31,165	63,882	47,704	10,337	10,345
After two years but within five years	<u>31,165</u>	<u>31,320</u>	<u>29,158</u>	<u>21,445</u>	<u>21,462</u>
Total:	<u>161,789</u>	<u>228,259</u>	<u>165,366</u>	<u>155,180</u>	<u>158,753</u>

We have used the proceeds from our bank loans to finance the capital expenditures in connection with the expansion of our business and for our working capital purpose.

Our Directors confirm that our Group has not delayed or defaulted in repayment of any bank loan.

As of 31 October 2010, we had total and unutilised banking facilities of approximately HK\$134 million and HK\$134 million, respectively.

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As disclosed in the Accountants' Report as set forth in Appendix I in this prospectus, the Group adopted HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (“HK Interpretation 5”) in preparing the Financial Information following which certain of the Group's interest-bearing bank loans had been reclassified as current liabilities. As a result of the reclassification, the Group's statements of financial position show net current liabilities of HK\$132,181,000, HK\$93,078,000, HK\$54,509,000 and HK\$18,734,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The Directors are of the opinion that the reclassification of the bank borrowings from non-current liabilities to current liabilities will not adversely affect the Group's financial and working capital position.

(B) Collateral

Our secured bank loans were secured by certain assets and guaranteed by a related party and the Controlling Shareholder. As of 31 December 2007, 2008, and 2009, 30 June 2010 and 31 October 2010, our secured bank loans were secured by the following assets:

- corporate guarantees granted by DC Investments (former ultimate holding company of Nanjing Dragon Crown immediately prior to the Reorganisation) and a minority shareholder of Nanjing Dragon Crown, Nanjing CIPC;
- a personal guarantee granted by the Controlling Shareholder;
- fixed charges over certain buildings and structures with net carrying amounts of HK\$246,435,000, HK\$237,008,000, HK\$234,918,000 and HK\$230,956,000 at 31 December 2008, 2009, 30 June 2010 and 31 October 2010, respectively;
- fixed charges over certain construction in progress with net carrying amount of HK\$167,075,000 at 31 December 2007;
- fixed charges over certain leasehold land with net carrying amounts of HK\$32,263,000, HK\$33,803,000, HK\$33,329,000, HK\$32,249,000 and HK\$32,040,000 at 31 December 2007, 2008, 2009, 30 June 2010 and 31 October 2010, respectively; and
- floating charges over certain accounts receivable with net carrying amounts of HK\$15,910,000, HK\$15,087,000 and HK\$9,963,000 at 31 December 2009, 30 June 2010 and 31 October 2010, respectively.

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The relevant banks provided in principle written consents that all the personal guarantee granted by the Controlling Shareholder and the corporate guarantee granted by DC Investments will be released and replaced by corporate guarantee to be issued by us upon the Listing.

The corporate guarantees granted by DC Investments and Nanjing CIPC in relation to the bank borrowings for financing the construction of our phase I facilities in Nanjing will lapse after Nanjing Dragon Crown makes the final loan settlement at the end of 2010.

Before that, the corporate guarantees granted by Nanjing CIPC will not be released by the relevant bank as the proportional guarantee amount is pro-rata to the shareholding of Nanjing CIPC in Nanjing Dragon Crown.

(C) Contingent liabilities

During the Track Record Period, we provided a financial guarantee to a supplier of the related companies in connection with the open trading credit granted to the related companies, which the ultimate controlling shareholder is also the controlling shareholder of our company. As of 31 December 2007, 2008 and 2009, the trading credit granted subject to guarantees given to the supplier was utilised to the extent of approximately HK\$13,997,000, HK\$7,370,000 and HK\$1,687,000, respectively. On 25 March 2010, our Group ceased to provide the financial guarantee to the supplier.

During the Track Record Period, a minority shareholder of Nanjing Dragon Crown, Nanjing CIPC, provided a financial guarantee to Nanjing Dragon Crown. It was agreed that Nanjing Dragon Crown would provide financial guarantee for the same amount to the minority shareholder if it so requires. The minority shareholder has not required Nanjing Dragon Crown to provide such financial guarantee during the Track Record Period. The cross financial guarantee between Nanjing Dragon Crown and Nanjing CIPC will lapse after the final payment of bank borrowings in relation to the financing to our phase I facilities in Nanjing at the end of 2010.

(D) Capital and other commitments

(i) Operating lease commitments

As lessor

We leased certain portion of our office building under an operating lease arrangement, with the lease negotiated for a term of five years.

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During the Track Record Period, we had total future minimum lease receivables under non-cancellable operating leases with our tenant falling due as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010
Within one year	286	319	337	408
In the second to fifth years, inclusive	857	637	337	204
Total	1,143	956	674	612

As lessee

We rented certain of buildings and pipe racks from Nanjing CIPC under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 15 years.

Set out below is our total future minimum lease payments under non-cancellable operating leases falling due as of 31 December 2007, 2008 and 2009, and 30 June 2010:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010
Within one year	3,597	8,377	8,404	8,579
In the second to fifth years, inclusive	14,195	33,295	33,413	33,787
After five years	32,679	68,325	60,213	57,015
Total	50,471	109,997	102,030	99,381

For details of our operation lease commitments, please refer to Note 31 to the Accountants' Report as set forth in Appendix I in this prospectus.

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(ii) Capital commitments

Set out below is our capital commitment as of 31 December 2007, 2008 and 2009, and 30 June 2010:

	As of 31 December			As of
	2007	2008	2009	30 June 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for construction in progress	72,762	1,574	3,327	10,071

Our principal capital commitments relate primarily to capital expenditures in connection with the expansion of phase II facilities and upgrade projects of our terminal in Nanjing. The above capital commitments were funded primarily out of cash generated from our operation and banks loans.

For the details of our capital commitments, please refer to Note 32 of Section II to the Accountants' Report as set forth in Appendix I in this prospectus.

(F) Disclaimer

Except as disclosed in "Financial Information – Indebtedness" above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of 31 October 2010.

Except for the draw down of banking facilities in an aggregate amount of approximately HK\$131 million classified under non-current liabilities in November 2010, our Directors confirm that, up to the Latest Practicable Date, there has been no material changes in our indebtedness and contingent liabilities since 31 October 2010.

(IX) DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

(X) OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

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(XI) DIVIDEND AND DISTRIBUTABLE RESERVES

(A) Dividend and dividend policy

During the Track Record Period, dividend distributed by the companies now comprising our Group amounted to approximately HK\$9.9 million, HK\$1.5 million, HK\$6.5 million and HK\$2.4 million, respectively.

Pursuant to resolutions of our Directors dated 3 November 2010, 18 November 2010 and 29 November 2010, DC Petrochemicals, Dragon Source and Dragon Bussan declared special cash dividend of HK\$131 million, HK\$1.38 million and US\$1 million to their respective shareholders as of the dates of the respective resolutions. The above special cash dividend was fully settled by the end of November 2010.

The proposed special cash dividend was declared out of our Group's retained profit, which was generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the special dividend represented an investment return to our existing Shareholders due to their past contributions to our Group during the Track Record Period.

Although our working capital position of the Group will decrease immediately after the full payment of the special dividend, our Directors confirm that it will not have any material adverse impact to our Group's business operations and financial position.

Save for the above, no dividend was approved or declared by our Company during the Track Record Period and up to the Latest Practicable Date.

Following the Listing, subject to the relevant law and the Articles, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the approval of the Shareholders, we may also declare dividends out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividends received from our subsidiary in the PRC. In the PRC, the laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from HKFRS and other accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary in the PRC may enter into in the future.

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Subject to the availability of our cash and distributable reserves, investment requirements, our cashflows and working capital requirements and the approval of our Shareholders, our Directors currently intend to declare and recommend dividends amount to approximately 40% of the annual distributable profit, if any, from ordinary activities starting from the first full financial year ending 31 December 2011 subsequent to the Global Offering.

(B) DISTRIBUTABLE RESERVES

For our declaration of dividend purpose, the amount which our Company and all other members of our Group can legally distribute by way of dividend is reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC generally accepted accounting practices. These profits differ from those reflected in the accountants' report set forth in Appendix I in this prospectus.

Following the Listing, dividends will be distributed out of our net distributable earnings, which represent the lower of the net profit as determined in accordance with the PRC generally accepted accounting practices and HKFRS, less allocations to the statutory reserve fund.

As of 31 December 2007, 2008 and 2009, and 30 June 2010, the distributable reserves of our Company was approximately HK\$16.5 million, HK\$74.4 million, HK\$152.2 million and HK\$205.8 million, respectively.

(XII) RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in our combined financial statements included in the accountants' report set forth in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

(XIII) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of our Group is prepared based on the audited combined net tangible assets of the Group as at 30 June 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I in this prospectus and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of our Group as at 30 June 2010 as if it had taken place on 30 June 2010.

FINANCIAL INFORMATION

	Audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 HK\$'000 (Note 1)	Add: Estimated net proceeds received by the Company from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ (Note 3)
Based on an Offer Price of HK\$1.35 per Offer Share	281,244	342,000	623,244	0.57
Based on an Offer Price of HK\$2.05 per Offer Share	281,244	529,000	810,244	0.74

Notes:

1. Audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 is based on the combined net assets extracted from the Accountants' Report set out in Appendix I in this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer prices of HK\$1.35 per Share and HK\$2.05 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,100,000,000 Shares were in issue assuming that the Global Offering has been completed on 30 June 2010 but takes no account of any Shares which may be issued upon the exercise of the share options granted under the Share Option Scheme and the Over-allotment Option.
4. We declared a special cash dividend of HK\$131 million, HK\$1.38 million and US\$1 million on 3 November 2010, 18 November 2010 and 29 November 2010 to the respective shareholders of DC Petrochemicals, Dragon Source and Dragon Bussan as of the dates of the respective resolutions. The unaudited pro forma adjusted combined net tangible assets had not taken into account the above special cash dividend.
5. As of 30 September 2010, our property interests were valued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix IV – Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book values, is approximately HK\$22.4 million. Such revaluation surplus has not been included in our unaudited pro forma adjusted combined net tangible assets and will not be included in our financial statements for the year ending 31 December 2010.

(XIV) NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position since 30 June 2010, being the date of the last audited combined financial statements set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

(XV) PROPERTY INTERESTS

For the purpose of Listing, CB Richard Ellis Limited, an independent property valuer, has valued interests of our properties as of 30 September 2010 at approximately RMB73.1 million (equivalent to HK\$84.0 million). These property interests include land use rights. A summary of valuation and valuation certificates are set out in Appendix IV in this prospectus.

There is a net revaluation surplus, representing the excess market value of the properties over their carrying value, of approximately HK\$22.4 million which has not been included in our combined financial statements for the six months ended 30 June 2010 and will not be included in our combined financial statements for the year ending 31 December 2010. In accordance with our accounting policy, all properties are stated at cost less accumulated depreciation except for investment property which is measured at fair value.

Reconciliation of net book value to valuation report

The following shows the reconciliation of the net book value of our Group's property interests as of 30 September 2010 to the property valuation report in Appendix IV as of 30 September 2010, as required under Rule 5.07 of the Listing Rules:

	<i>HK\$'000</i>
Net book value of property interests of the Group as of 30 June 2010	
– Buildings included in property, plant and equipment	25,296
– Prepaid land lease payments	42,331
Movements for the three months ended 30 September 2010	
Add: Net addition during the period	51
Translation adjustments	53
Less: Depreciation and amortization during the period	(498)
Net book value as of 30 September 2010	67,233
Valuation surplus	22,422
Valuation as of 30 September 2010 ⁽¹⁾	89,655

Note:

- (1) The property interests of our Group as indicated comprised of the properties valued by CB Richard Ellis Limited which are described in Appendix IV in this prospectus.

(XVI) PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

We forecast that, on the basis of the assumptions set out in Appendix III – "Profit Forecast" in this prospectus and in the absence of unforeseen circumstances, our combined net profit attributable to our equity shareholders for the year ending 31 December 2010 will not be less than HK\$93.8 million. The profit forecast has been prepared by our Directors based on our combined results as shown in our audited combined financial statements for the six months ended 30 June 2010, unaudited combined management account for the four months ended 31 October 2010 and a forecast of the combined results of our Group for the remaining two months ending 31 December 2010.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Nanjing is one of the major cities in China for petroleum and chemical industry. According to the statistics yearbook of Nanjing, the industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Nanjing in 2009 was RMB179 billion, accounting for (i) approximately 23% of the total industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Jiangsu; and (ii) approximately 3% of the total industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in China.

The industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Nanjing experienced growth at a CAGR of approximately 17.2% from 2004 to 2009, reaching approximately RMB179 billion in 2009.

At present, the Nanjing Chemical Industry Park is one of the major acetic acid production bases in the world, and also one of the leading production bases for Ethylene, aromatics, caprolactam, raw materials for poly urethane, oil refining and differential mucilage glue fiber in the PRC.

Benefited from the growth of petroleum and chemical industry in Nanjing and nearby regions along the Yangtze River Delta region, which is one of major liquid chemical consumption regions in the PRC, the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009, further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in “Industry Overview – Chemical Storage and Logistics Industry” in this prospectus. It has attracted a number of multinational and local chemical enterprises for the establishment and/or expansion of production facilities, which in turn, create sustainable growth in demand for chemical terminal and storage service.

According to the CNCC Report, there are only three independent terminal service providers inside the Nanjing Chemical Industry Park, and our jetties’ designed throughput capacity of 2.6 million metric tonnes is larger than that of our counterparts. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in “Industry Overview – Our Chemical and Storage Services” in this prospectus. Compared with the other two terminal service providers, we have the longest operation history in the Nanjing Chemical Industry Park. Over the years, we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our stringent policies and achievement in meeting the national and industry standards on safety, occupational health and environmental matters have enabled us in building our reputation as a reliable and safe liquid chemical terminal and storage service providers since our establishment. As the service reliability and safety are major criteria for chemical enterprises in selecting their terminal service providers, our solid operating history in the Nanjing Chemical Industry Park and proven track record on HSE give us advantage in (i) maintaining business relationship with our existing customers; and (ii) securing service contracts with new chemical enterprises or production facilities to be established in the Nanjing Chemical Industry Park.

FUTURE PLANS AND USE OF PROCEEDS

Leveraging on our competitive advantages in serving chemical enterprises inside the Nanjing Chemical Industry Park and nearby regions along the Yangtze River Delta region, we plan to expand our operation scale in the Nanjing Chemical Industry Park by establishing new jetty, storage tanks and other logistic infrastructure in order to capture the abovementioned business opportunities.

As at the Latest Practicable Date, a parcel of land with site area of approximately 80,000 m² in our Nanjing terminal was reserved by us for the development of new storage tanks, and we have already obtained the relevant land use right of the above reserved land. In light of the above and our proven track record in establishing and operating liquid chemical terminal in the Nanjing Chemical Industry Park, our Directors consider that our proposed expansion in our Nanjing terminal is feasible. Please refer to “Business – Our growth strategies– Further expansion on our terminal and storage business” in this prospectus for a detailed description of our proposed expansion in our Nanjing terminal.

In addition to our proposed expansion in our Nanjing terminal, we are exploring potential opportunities to replicate our success in Nanjing to other coastal regions in China through establishment of new liquid chemical terminals.

Please refer to “Business – Our growth strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.70 per Offer Share (being the midpoint of the indicative Offer Price range of HK\$1.35 to HK\$2.05 per Offer Share), the net proceeds from the Global Offering, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$436 million. Our Directors presently intend to apply the net proceeds as follows:

Development of phase III facilities in Nanjing

1. approximately HK\$206.5 million is expected to be applied to fund the construction of 10 spherical storage tanks and other associated facilities at our terminal located in the Nanjing Chemical Industry Park, of which 6 of them are spherical storage tanks dedicated for storage of propylene with an aggregate storage capacity of 15,000 m³; and 4 of them are spherical storage tanks dedicated for storage of butylene and butadiene with an aggregate storage capacity of 10,000 m³. Spherical storage tanks are pressurized storage tank which are used to store special liquefied gas chemicals. Liquefied gas chemicals are in a gaseous state under normal temperature and pressure. Under higher pressure, these chemicals will undergo a phase change and will be in a fluid state for ease of storage, handling and pumping. The total investment is anticipated to be approximately HK\$230 million. The shortfall will be financed by our internal resources and/or project financing. As spherical storage tanks are specially designed for special liquefied gas chemicals, we will only build those storage tanks after securing long term contracts with our customers. Leveraging our competitive advantages in serving chemical enterprises inside the Nanjing

FUTURE PLANS AND USE OF PROCEEDS

Chemical Industry Park and nearby regions along the Yangtze River Delta region, we do not foresee any major difficulty in securing customers for such new storage tanks. Based on the currently anticipated timetable, the construction of all spherical storage tanks are scheduled for completion by the fourth quarter of 2013, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus. Through the construction of the above spherical storage tanks, we can meet customers’ increasing demands for full spectrum of special liquid chemical terminal services which in turn, broaden our revenue bases and strengthen our storage capability;

2. approximately HK\$72.3 million is expected to be applied to fund the construction of our third jetty at our terminal located in the Nanjing Chemical Industry Park. The construction of our third jetty, which will have necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt, is scheduled for completion by the fourth quarter of 2013 based on the currently anticipated timetable. The total investment is anticipated to be approximately HK\$80.5 million, of which approximately HK\$44.8 million as construction cost for mooring barge and water side infrastructure; and approximately HK\$35.7 million as construction cost for other associated facilities of our third jetty. The shortfall will be financed by our internal resources and/or project financing. Details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;
3. approximately HK\$62.0 million is expected to be applied to fund the construction of our dedicated railway system linking our tank farm located in the Nanjing Chemical Industry Park to the private railway system of the Nanjing Chemical Industry Park. The total investment is anticipated to be approximately HK\$69 million, of which (i) approximately HK\$34.5 million as the construction cost for railway; (ii) approximately HK\$20.7 million as the construction cost for the rail loading/unloading platforms and associated facilities; and (iii) approximately HK\$13.8 million as the relevant land acquisition cost. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction of the above dedicated railway system is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;
4. approximately HK\$51.6 million is expected to be applied to fund the construction of nine general purpose storage tanks with an aggregate storage capacity of 18,000 m³ and other associated facilities at our terminal located in the Nanjing Chemical Industry Park. General purpose storage tanks are used to store ordinary liquid chemicals which are in fluid state under normal temperature and pressure. The total investment is anticipated to be approximately HK\$57.5 million. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business”

FUTURE PLANS AND USE OF PROCEEDS

in this prospectus. Through the construction of the above storage tanks, we can strengthen our storage capacity of liquid chemicals in order to capture new spot and term terminal business;

General working capital

The balance of approximately HK\$43.6 million as our general working capital.

In the event the Offer Price is set at the high end of the indicate Offer Price range, being HK\$2.05 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to HK\$529 million. We intend to apply the additional net proceeds to (i) finance the development of phase III facilities in Nanjing, and (ii) finance our plan to increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities, details of which are set forth in “Business – Our growth strategies – Increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities” in this prospectus.

In the event the Offer Price is set at the low end of the indicate Offer Price range, being HK\$1.35 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to HK\$342 million. The amount of net proceeds proposed fund the development of phase III facilities in Nanjing will be reduced proportionally after the full utilisation of the Company’s general working capital for the above purposes. The shortfall will be financed by our internal resources and/or project financing.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.70 per Offer Share, being the mid-point of the indicative range of Offer Price), the Company will receive additional net proceeds of approximately HK\$68 million. The Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering; and the remaining additional net proceeds to (i) finance the development of phase III facilities in Nanjing; and (ii) finance our plan to increase our equity interests on our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interests. We will also disclose the same in the relevant annual report(s).

UNDERWRITING

SOLE BOOKRUNNER AND SOLE LEAD MANAGER

China Everbright Securities (HK) Limited

UNDERWRITERS FOR THE GLOBAL OFFERING

Hong Kong Underwriters

China Everbright Securities (HK) Limited
First Shanghai Securities Limited
Mitsubishi UFJ Securities (HK) Capital, Limited
OSK Securities Hong Kong Limited
VC Brokerage Limited

International Placing Underwriters

China Everbright Securities (HK) Limited
First Shanghai Securities Limited
Mitsubishi UFJ Securities (HK) Capital, Limited
OSK Securities Hong Kong Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

UNDERWRITING

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”) if prior to the Termination Time,

- (a) there comes to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:
 - i. that any statement contained in this prospectus and the Application Forms (the “Hong Kong Public Offer Documents”), the formal notice in the agreed form required to be published in connection with the Hong Kong Public Offer in certain newspapers under Chapter 12 of the Listing Rules (the “Formal Notice”) and any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecasts, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offer Documents, the Formal Notice and/or any announcements issued by the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - ii. that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission herefrom; or
 - iii. any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than on any of the Hong Kong Underwriters); or
 - iv. any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to clause 9 of the Hong Kong Underwriting Agreement; or
 - v. any material adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or

UNDERWRITING

- vi. any breach of, or any event rendering untrue or incorrect in any of the warranties set out in the Hong Kong Underwriting Agreement in any material respects; or
 - vii. approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - viii. our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription of our Shares) or the Global Offering;
- (b) there shall develop, occur, exist or come into effect:
- i. commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, or any other jurisdiction related to any member of our Group); or
 - ii. any change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represents any change or prospective change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies, or any moratorium on banking activities or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services or procedures in or affecting Hong Kong, the PRC, or any other jurisdiction relevant to any member of the Group) in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or
 - iii. any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC or any other jurisdiction relevant

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which may materially affect the operation of the Group, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or

- iv. any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or
- v. the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for Hong Kong, the PRC or any other relevant jurisdiction which may materially affect the operation of our Group; or
- vi. a change or development occurs involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group and adversely affecting an investment in our Shares; or
- vii. any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- viii. a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- ix. the commencement by any regulatory body or organisation of any action against a Director or an announcement by any regulatory body or organisation that it intends to take any such action; or
- x. a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- xi. a prohibition on our Company for whatever reason from allotting our Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- xii. non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- xiii. other than with the approval of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for our Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- xiv. a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or
- xv. any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or
- xvi. any loss or damage sustained by any member of our Group;

which, in any such case and in the sole opinion of the Sole Global Coordinator:

- (a) is or is likely or will individually or in aggregate have a material adverse effect on the business, financial condition or trading position or prospects of our Group as a whole; or
- (b) is or is likely or has or will have a material adverse effect on the success of the Hong Kong Public Offer or the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) is or will or is likely to make it inadvisable or inexpedient or impracticable for Hong Kong Public Offer and/or the Global Offering to proceed or to market the Hong Kong Public Offer and/or the Global Offering; or
- (d) would or is or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement or the Global Offering (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

UNDERWRITING

International Placing

In connection with the International Placing, it is expected that our Company and the Covenantors will enter into the International Underwriting Agreement with the International Underwriters. It is expected that upon the entering into the International Underwriting Agreement, the International Placing will be fully underwritten.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally agree to subscribe or procure purchasers for, or failing which, to purchase, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company and the Covenantors will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed “Undertakings” below.

Commissions and expenses

The Underwriters will receive a commission of 2.7% of the aggregate Offer Price of the Offer Shares. In consideration of the Sponsor’s services in sponsoring the Global Offering, the Sponsor will also receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK\$32.0 million in aggregate, are to be borne by us.

Undertakings

Each of the Controlling Shareholders has given an undertaking to each of the Company, the Sole Global Coordinator and the Hong Kong Underwriters that except as disclosed in this prospectus:

- (a) at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”), he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Global Coordinator and unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (b) enter into any swap or other arrangement that

UNDERWRITING

transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Global Coordinator at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of the Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30 per cent. of our Company’s issued share capital; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein during the Second Six-month Period he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for the Shares or other securities of our Company;

except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules.

Each of the Controlling Shareholders has given an undertaking to the Company, the Sole Global Coordinator and the Hong Kong Underwriters that he/it will, at any time within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

UNDERWRITING

- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will notify the Hong Kong Stock Exchange as soon as we have been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Our Company undertakes to the Sole Global Coordinator and the Hong Kong Underwriters and our Company, each of the Controlling Shareholders, Ansen, Silver Coin, the Executive Director undertakes to Sole Global Coordinator and the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Global Coordinator and subject always to the requirements of the Stock Exchange, save pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option, the grant of any option under the Share Option Scheme, neither our Company nor any of its subsidiaries from time to time shall:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the First Six-Month Period;
- (b) except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favor of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules, not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein of our Controlling Shareholders (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing except pursuant to the Global Offering, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option, the grant of options under the share option scheme of our Company adopted from time to time;

UNDERWRITING

- (c) not at any time within the Second Six-month Period do any of the acts set out in paragraphs (a) and (b) above such that the Controlling Shareholders together, directly and indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules); and
- (d) not at any time during the First Six-month Period purchase any of the outstanding share capital of our Company.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Lead Manager and the other Underwriters will receive an underwriting commission of 2.7% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set forth in the section headed "Commissions and expenses" above.

Save as disclosed above, none of the Sole Global Coordinator and the Underwriters is interested legally or beneficially in shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Monday, 20 December 2010, and in any event, not later than Tuesday, 21 December 2010.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$2.05 per Offer Share and is expected to be not less than HK\$1.35 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offer, cause there to be published in on the Company's website at www.dragoncrown.com and the Stock Exchange's website at www.hkexnews.hk notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

STRUCTURE OF THE GLOBAL OFFERING

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Tuesday, 28 December 2010.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.05 per Offer Share and is expected to be not less than HK\$1.35 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$2.05 per Offer Share and 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK\$4,141.33 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$2.05 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your monies” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 275,000,000 Offer Shares will be made available under the Global Offering, of which 247,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 27,500,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

The Company is expected to offer initially 247,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$2.05 per Share plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of the Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for Shares under the Hong Kong Public Offer.

The Company, the Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Global Offering” of this section.

Hong Kong Public Offer

The Company is initially offering 27,500,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$2.05 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 13,750,000 Shares in pool A and 13,750,000 Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to

STRUCTURE OF THE GLOBAL OFFERING

applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100 per cent. of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 82,500,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 110,000,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to

STRUCTURE OF THE GLOBAL OFFERING

the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 137,500,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 41,250,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Lirun or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 41,250,000 new Shares will represent approximately 3.6% of the Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 41,250,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Lirun or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on 19 January 2011:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;

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- (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
- (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
- (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilising period is expected to expire on 19 January 2011, and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price could fall;
- that the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 41,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 41,250,000 Shares from Lirun, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. **Stock borrowing arrangement is not subject to the restrictions of rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:**

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;
- the maximum number of Shares borrowed from Lirun will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Lirun or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Lirun by the Sole Global Coordinator in relation to the stock borrowing arrangement.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

I. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are two ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **white** or **yellow** Application Form or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC.

II. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which Application Form to Use

- (a) Use a **white** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.
- (b) Use a **yellow** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in the Company, Directors or chief executives of the Company or any of its subsidiaries, or associates of any of them (an "associate" is defined in the Listing Rules) or to legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) or persons who do not have a Hong Kong address.

2. Where to Collect the Application Forms

- (a) You can collect a **white** Application Form and this prospectus from:

Any of the following addresses of the Sponsor and the Hong Kong Underwriters:

1. China Everbright Capital Limited
40th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong
2. China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

3. First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

4. Mitsubishi UFJ Securities (HK) Capital, Limited
11th Floor., AIA Central
1 Connaught Road, Central
Hong Kong

5. OSK Securities Hong Kong Limited
12th Floor World-Wide House
19 Des Voeux Road Central
Hong Kong

6. VC Brokerage Limited
28th Floor, The Centrium
60 Wyndham Street, Central
Hong Kong

or any of the following branches of Hang Seng Bank Limited:

	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	Central District Branch	Basement, Central Building, Pedder Street
	North Point Branch	335 King's Road, North Point
	Sai Wan Ho Branch	171 Shaukiwan Road, Sai Wan Ho
	Wanchai Branch	200 Hennessy Road, Wanchai
Kowloon	Kowloon Main Branch	618 Nathan Road, Mong Kok
	Hankow Road Branch	4 Hankow Road, Tsimshatsui
	Tsimshatsui Branch	18 Carnarvon Road, Tsimshatsui
	Yaumati Branch	363 Nathan Road, Yaumati
	Kwun Tong Branch	70 Yue Man Square, Kwun Tong
New Territories	Shatin Branch	Shop 18, Lucky Plaza, Wang Pok Street, Shatin
	Tai Ho Road Branch	30 Tai Ho Road, Tsuen Wan

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) You can collect a **yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on 15 December 2010 till 12:00 noon on 20 December 2010 from:
 - (i) the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
 - (ii) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to complete the Application Form and make payment

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, amongst other things, you:

- (a) **agree** with our Company and each Shareholder, and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- (b) **agree** with our Company and each Shareholder that the Shares in our Company are freely transferable by the holders thereof;
- (c) **authorise** our Company to enter into a contract on your behalf with each of the Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the memorandum of association of our Company and the Articles;
- (d) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement in this prospectus;
- (e) **agree** that our Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (f) **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (g) **agree** to disclose to our Company, our registrar, receiving banker, the Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (h) **instruct** and **authorise** our Company and/or the Sole Global Coordinator as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (i) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (j) **warrant** the truth and accuracy of the information contained in your application;
- (k) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (l) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (m) **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under the application; and
- (n) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.
- (o) **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Offer Shares allocated to you, and as required by the Articles;
- (p) **represent, warrant** and **undertake** that you /none of the persons for whose benefit you are applying is restricted by any applicable laws of Hong Kong or elsewhere from making the application, paying any application moneys for, or being allotted or taking up, any Hong Kong Offer Shares; and at the time the offer of Hong Kong Offer Shares was made to you and at the time you are completing and submitting the application to originate your buy

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order, you are, and each of the other person(s) for whose benefit you are applying is, located outside the United States (as defined in Regulation S under the U.S. Securities Act 1933) and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the U.S. Securities Act) outside the United States; or the allotment of or the application for the Hong Kong Offer Shares to or by whom your application is made would require our Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

- (q) (if the application is made for your own benefit) **warrant** that your application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;
- (r) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (s) (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;
- (t) **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by the Company;
- (u) **agree** to disclose to our Company, the Sole Bookrunner and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- (v) **authorise** our Company to place your name(s) or HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) in Hong Kong of any Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on the Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more, as the case may be, and have indicated in the Application Form that you wish to collect your refund cheque and/or Share certificates (where applicable) in person);
- (w) **agree** that the processing of your application, may be done by any of our Company's receiving banker and is not restricted to the bank at which your Application Form is lodged;

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- (x) **confirm** that you are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;
- (y) **understand** that these declarations and representations will be relied upon by our Company, the Sole Bookrunner in deciding whether or not to allocate any Offer Shares in response to your application; and
- (z) **agree** with our Company, for itself and for the benefit of each shareholder of the Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Memorandum and the Articles.

In order for the **yellow** Application Forms to be valid:

- (a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) **If the application is made by an individual CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) **If the application is made by a joint individual CCASS Investor Participant:**
 - (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of all joint CCASS Investor Participants; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) **If the application is made by a corporate CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
 - (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

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Incorrect or incomplete details of the CCASS Participant or the omission of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. How to Make Payment for the Application

Each completed **white** or **yellow** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to Hang Seng (Nominee) Limited – Dragon Crown Group Public Offer;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier

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order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;

- be made payable to Hang Seng (Nominee) Limited – Dragon Crown Group Public Offer;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Monday, 20 December 2010. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

5. Members of the Public – Time for Applying for Hong Kong Offer Shares

Completed **white** or **yellow** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 20 December 2010, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank Limited listed under the section entitled “Where to collect the Application Forms” above at the following times:

Wednesday, 15 December 2010 – 9:00 a.m. to 5:00 p.m.
Thursday, 16 December 2010 – 9:00 a.m. to 5:00 p.m.
Friday, 17 December 2010 – 9:00 a.m. to 5:00 p.m.
Saturday, 18 December 2010 – 9:00 a.m. to 1:00 p.m.
Monday, 20 December 2010 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 20 December 2010.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

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6. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 20 December 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

2. Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;
- (b) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of electronic application instruction for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by the Company, the Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in deciding whether or not to

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make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- agrees that our Company and the Directors are only liable for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and its registrars, receiving banker, advisers and agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or a public holiday in Hong Kong), unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;

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- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;
- agrees with our Company (for the Company itself and for the benefit of each shareholder of our Company) that Shares in our Company are freely transferable by the holders thereof; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **white** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for

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the purpose of considering whether multiple applications have been made. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms.

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 15 December 2010	–	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 16 December 2010	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 17 December 2010	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 18 December 2010	–	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 20 December 2010	–	8:00 a.m. ⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 15 December 2010 until 12:00 noon on Monday, 20 December 2010 (24 hours daily, except the last application day).

7. Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Monday, 20 December 2010. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon, Monday, 20 December 2010, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong during 9:00 a.m. to 12:00 noon on such day.

8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit such instructions is given will be treated as an applicant.

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9. Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation in this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

10. Personal data

The section of the Application Forms headed “Personal data” applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

11. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and any persons involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a **white** or **yellow** Application Form; or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 20 December 2010 or such later date as stated in the sub-paragraph headed “Effect of bad weather on the opening of the application list” above.

12. If your application for public offer shares is successful

- No receipt will be issued for application money paid.
- If your application is wholly or partly successful, your **share certificates** will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf, on Tuesday, 28 December 2010 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

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- Our Company will publish the **application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the public offer, in the newspapers on Tuesday, 28 December 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m, on Tuesday, 28 December 2010 or any other date HKSCC or HKSCC Nominees chooses.
- **If you are instructing your broker or custodian to give electronic application instructions on your behalf**, you can also check the number of public offer shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.
- **If you are applying as a CCASS Investor Participant**, you can also check the number of public offer shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Tuesday, 28 December 2010. Immediately following the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of public offer shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).
- Our Company will not issue temporary documents of title.

13. Refund of your money

All refunds of your application monies (including brokerage, transaction levy and trading fee) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 28 December 2010.

IV. HOW MANY APPLICATIONS YOU CAN MAKE

1. You may make more than one application for the Hong Kong Offer Shares only if:
 - You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **white** or **yellow** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **white** or **yellow** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code

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for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

2. All of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
 - make more than one application (whether individually or jointly with others) on **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant); or
 - both apply (whether individually or jointly with others) on one (or more) **white** Application Form and one (or more) **yellow** Application Form or on one (or more) **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC via CCASS; or
 - apply (whether individually or jointly with others) on one (or more) **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure of the Global Offering” in this prospectus; or
 - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
3. All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**. If an application is made by an unlisted company and:
 - (a) the only business of that company is dealing in securities; and
 - (b) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

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Statutory control in relation to a company means you:

- (a) control the composition of the board of directors of that company; or
- (b) control more than half of the voting power of that company; or
- (c) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

V. PUBLICATION OF RESULTS

Our Company expects to publish (i) the final Offer Price; (ii) the level of indication of interests in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; and (iv) the basis of allotment of the Hong Kong Offer Shares on the website of our Company at **www.dragoncrown.com** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 28 December 2010.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on our website at **www.dragoncrown.com** and the Stock Exchange's website at **www.hkexnews.hk** from 9:00 a.m. on Tuesday, 28 December 2010 onwards;
- on our Hong Kong Public Offer results of allocations website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Tuesday, 28 December 2010 to 12:00 midnight on Monday, 3 January 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 28 December 2010 to Friday, 31 December 2010 (excluding Saturday, Sunday and Public Holiday); and
- from special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offer from Tuesday, 28 December 2010 to Thursday, 30 December 2010 at the addresses set out under the paragraph headed "Where to collect the Application Forms" in this section above.

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VI. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK\$2.05 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled “Structure of the Global Offering – Conditions of the Global Offering” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **white** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **yellow** Application Forms: Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **white** or **yellow** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **white** or **yellow** Application Forms; and Share certificates for wholly and partially successful applicants under **white** Application Forms are expected to be posted on or around Tuesday, 28 December 2010. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 29 December 2010 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled “Underwriting – Grounds for Termination” has not been exercised.

(a) If you apply using a white Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **white** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 28 December 2010 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or around Tuesday, 28 December 2010, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(b) *If you apply using a yellow Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or around Tuesday, 28 December 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **yellow** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 28 December 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Tuesday, 28 December 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 28 December 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

VII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$2.05 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please refer to the paragraph headed “Despatch/Collection of Share Certificates and Refund Cheques” in the section headed “How to Apply for the Hong Kong Offer Shares” above.

Refund cheques will be crossed “Account Payee Only”, and made out to you, or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. Refund cheques are expected to be dispatched on Tuesday, 28 December 2010.

Refund of your application monies (if any) will be made on or about Tuesday, 28 December 2010 in accordance with the various arrangements as described in this section.

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following two situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked after the fifth business day after the time of the opening of the application lists of the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of our Company or its agents or nominees, your application is rejected:**

Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of the Hong Kong Offer Shares is void:**

Your allotment of the Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

- within three weeks from the closing of the application lists in respect of the Hong Kong Public Offer; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offer.

- **Your application is rejected:**

Your application will be rejected if:

- it is a multiple or suspected multiple application;
- your Application Form is not completed correctly in accordance with the instructions therein;
- you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your payment is not in the correct form;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- our Company and the Sole Global Coordinator (on behalf of the Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the Application Form is located;
- your application is for more than 100% of the Hong Kong Offer Shares initially offered for public subscription in either pool A (13,750,000 Shares) or pool B (13,750,000 Shares); or
- any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

IX. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 29 December 2010.

The Shares will be traded in board lots of 2,000 Shares each.

The Stock Exchange stock code for the Shares is 935.

X. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

15 December 2010

The Board of Directors
Dragon Crown Group Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Dragon Crown Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2007, 2008 and 2009 and the six-month period ended 30 June 2010 (the “Relevant Periods”), and the six-month period ended 30 June 2009 (the “30 June 2009 Financial Information”), prepared on the basis set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 15 December 2010 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information (the “Financial Information”) comprises the combined statements of financial position of the Group as at 31 December 2007, 2008, 2009 and 30 June 2010 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods and a summary of significant accounting policies and other explanatory notes. The 30 June 2009 Financial Information comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the six-month period ended 30 June 2009, together with the notes thereto.

The Company was incorporated in the Cayman Islands on 16 July 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment holding. The principal activities of the Group are terminal storage and handling of liquid chemicals.

The Company had not carried on any business since the date of its incorporation save for the acquisition of the subsidiaries pursuant to the corporate reorganisation (the “Reorganisation”) as set out in the section headed Reorganisation and in Appendix VI “Statutory and General Information” to the Prospectus. As at the date of this report, no audited financial statements have been prepared by the Company as it has not been involved in any significant business transactions other than the Reorganisation. We have performed an independent review of all the relevant transactions of the Company in relation to the

Reorganisation for the period since its date of incorporation to the date of this report. All the companies now comprising the Group adopted 31 December as their financial year end date.

The statutory audited financial statements during the Relevant Periods of the companies now comprising the Group for which there is a statutory audit requirement, have been prepared in accordance with relevant accounting principles applicable to their respective places of incorporation.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong). The particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dragon Bussan International Limited (<i>Note (a)</i>)	Hong Kong 22 April 1993	US\$1,500,000	–	100	Investment holding and provision of marketing service
Dragon Crown Petrochemicals Terminal (Holdings) Limited (“DCPT”) (<i>Note (b)</i>)	Hong Kong 25 June 2004	US\$26,600,000	–	100	Investment holding and provision of finance and management services
Dragon Source Industrial Limited (<i>Note (c)</i>)	Hong Kong 12 July 1988	HK\$26,000,000	–	100	Investment holding and provision of accounting service
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (“NJDC”) (<i>Note (d)</i>)	People’s Republic of China (the “PRC”) 26 April 2004	US\$28,094,820	–	88.61	Terminal storage and handling of liquid chemicals
Ocean Ahead Limited (<i>Note (e)</i>)	The British Virgin Islands (the “BVI”) 15 June 2010	HK\$100	100	–	Investment holding
Sinolake Holdings Limited (<i>Note (e)</i>)	The BVI 11 June 2010	HK\$10	–	100	Investment holding
Quick Response Holdings Limited (<i>Note (e)</i>)	The BVI 20 April 2010	HK\$10	–	100	Investment holding
Sea Triumph Limited (<i>Note (e)</i>)	The BVI 3 June 2010	HK\$10	–	100	Investment holding
Ideal Huge Limited (<i>Note (e)</i>)	The BVI 11 June 2010	HK\$10	–	100	Investment holding
Ocean Access Investments Limited (<i>Note (e)</i>)	Hong Kong 18 June 2010	HK\$1	–	100	Investment holding and provision of administrative and technical services

- (a) The statutory financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by F.S. Li & Co..

- (b) The statutory consolidated financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by Ernst & Young.
- (c) The statutory financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by Jimmy C.H. Cheung & Co..
- (d) The statutory financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 江蘇永和會計師事務所有限公司.
- (e) No statutory audited financial statements have been prepared as no activities had been carried out since the respective incorporation dates other than those related to the Reorganisation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “HKFRS Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared, for the purposes of this report for inclusion in the Prospectus, based on the HKFRS Financial Statements and in accordance with the basis set out in note 2 under Section II below.

The directors of the Company are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements, the Financial Information and the 30 June 2009 Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information and the 30 June 2009 Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are reasonable. It is our responsibility to form an independent opinion and a review conclusion based on our audit and review on the Financial Information and the 30 June 2009 Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Financial Statements to conform to the accounting policies referred to in Note 3 of Section II below for the Relevant Periods.

Procedures performed in respect of the 30 June 2009 Financial Information

For the purpose of this report, we have also performed a review of the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the

Entity” issued by the HKICPA. A review consists of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of any significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2009 Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the 30 June 2009 Financial Information

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information does not give a true and fair view of the combined results and cash flows of the Group for the six-month period ended 30 June 2009.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information and the 30 June 2009 Financial Information of the Group for the Relevant Periods prepared on the basis set out in Note 2 of Section II:

Combined statements of comprehensive income

	<i>Notes</i>	Year ended 31 December			Six-month period ended 30 June	
		2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(unaudited)</i>	2010 <i>HK\$'000</i>
REVENUE	6	58,474	150,095	198,547	95,063	117,719
Cost of services provided		<u>(20,563)</u>	<u>(55,709)</u>	<u>(75,600)</u>	<u>(36,202)</u>	<u>(41,433)</u>
Gross profit		37,911	94,386	122,947	58,861	76,286
Other income	6	712	1,078	6,023	210	720
Administrative expenses		(5,449)	(9,557)	(14,033)	(5,800)	(6,533)
Finance costs	7	(10,672)	(18,295)	(12,913)	(6,894)	(4,351)
Share of profits and losses of:						
Associates		8,633	6,525	3,854	1,540	3,030
Jointly-controlled entity		<u>1,393</u>	<u>1,527</u>	<u>2,101</u>	<u>984</u>	<u>870</u>
PROFIT BEFORE TAX	8	32,528	75,664	107,979	48,901	70,022
Tax	11	<u>–</u>	<u>(3,643)</u>	<u>(6,043)</u>	<u>(2,129)</u>	<u>(3,089)</u>
PROFIT FOR THE YEAR/ PERIOD		<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		<u>15,114</u>	<u>24,934</u>	<u>1,333</u>	<u>812</u>	<u>5,952</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>

<i>Notes</i>	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Profit for the year/period attributable to:					
The owner of the Company	28,080	60,447	85,304	39,183	56,002
Non-controlling interests	<u>4,448</u>	<u>11,574</u>	<u>16,632</u>	<u>7,589</u>	<u>10,931</u>
	<u>32,528</u>	<u>72,021</u>	<u>101,936</u>	<u>46,772</u>	<u>66,933</u>
Total comprehensive income attributable to:					
The owner of the Company	41,138	81,767	86,294	39,731	61,004
Non-controlling interests	<u>6,504</u>	<u>15,188</u>	<u>16,975</u>	<u>7,853</u>	<u>11,881</u>
	<u>47,642</u>	<u>96,955</u>	<u>103,269</u>	<u>47,584</u>	<u>72,885</u>

Details of the final dividends are disclosed in note 12 to the Financial Information.

Combined statements of financial position

	Notes	At 31 December			At 30 June
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	482,042	566,866	544,984	537,989
Prepaid land lease payments	15	31,583	33,078	41,378	41,364
Interests in associates	16	25,658	33,791	32,486	33,399
Interest in a jointly-controlled entity	17	<u>6,192</u>	<u>6,645</u>	<u>7,223</u>	<u>6,210</u>
Total non-current assets		<u>545,475</u>	<u>640,380</u>	<u>626,071</u>	<u>618,962</u>
CURRENT ASSETS					
Inventories		410	1,820	1,808	1,861
Accounts receivable	18	18,834	25,123	35,329	37,850
Due from a minority shareholder	19	4,555	4,871	208	210
Prepayments, deposits and other receivables	20	3,498	14,932	2,079	6,043
Cash and bank balances	21	<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>80,751</u>
Total current assets		<u>39,030</u>	<u>65,273</u>	<u>62,673</u>	<u>126,715</u>
CURRENT LIABILITIES					
Other payables and accruals	22	69,290	22,832	25,154	19,799
Due to a director	23	2,462	2,462	1,996	1,994
Interest-bearing bank loans	24	99,459	133,057	88,504	123,398
Due to the former ultimate holding company	25	–	–	186	258
Tax payable		<u>–</u>	<u>–</u>	<u>1,342</u>	<u>–</u>
Total current liabilities		<u>171,211</u>	<u>158,351</u>	<u>117,182</u>	<u>145,449</u>
NET CURRENT LIABILITIES		<u>(132,181)</u>	<u>(93,078)</u>	<u>(54,509)</u>	<u>(18,734)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>413,294</u>	<u>547,302</u>	<u>571,562</u>	<u>600,228</u>

	<i>Notes</i>	At 31 December			At 30 June
		2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
NON-CURRENT LIABILITIES					
Interest-bearing bank loans	24	62,330	95,202	76,862	31,782
Due to the former ultimate holding company	25	255,755	257,729	198,906	199,016
Deferred tax liabilities	26	–	3,680	8,307	11,437
Total non-current liabilities		<u>318,085</u>	<u>356,611</u>	<u>284,075</u>	<u>242,235</u>
Net assets		<u>95,209</u>	<u>190,691</u>	<u>287,487</u>	<u>357,993</u>
EQUITY					
Equity attributable to the owner of the Company					
Issued share capital	27	27,342	27,342	27,342	27,342
Reserves	28	<u>35,310</u>	<u>115,480</u>	<u>195,230</u>	<u>253,902</u>
Non-controlling interests		<u>62,652</u>	<u>142,822</u>	<u>222,572</u>	<u>281,244</u>
		<u>32,557</u>	<u>47,869</u>	<u>64,915</u>	<u>76,749</u>
Total equity		<u>95,209</u>	<u>190,691</u>	<u>287,487</u>	<u>357,993</u>

Combined statements of changes in equity

	Attributable to the owner of the Company						
	Issued share capital <i>HK\$'000</i>	Reserve funds* <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2007	27,342	2,473	2,661	(1,231)	31,245	17,128	48,373
Total comprehensive income for the year/period	–	–	13,058	28,080	41,138	6,504	47,642
Appropriation to statutory reserve	–	618	–	(658)	(40)	40	–
Dividend paid to non-controlling interests	–	–	–	–	–	(169)	(169)
Dividend declared	–	–	–	(9,691)	(9,691)	–	(9,691)
Capital contribution from a minority shareholder	–	–	–	–	–	9,054	9,054
At 31 December 2007 and at 1 January 2008	27,342	3,091**	15,719**	16,500**	62,652	32,557	95,209
Total comprehensive income for the year/period	–	–	21,320	60,447	81,767	15,188	96,955
Appropriation to statutory reserve	–	921	–	(1,045)	(124)	124	–
Dividend declared	–	–	–	(1,473)	(1,473)	–	(1,473)
At 31 December 2008 and at 1 January 2009	27,342	4,012**	37,039**	74,429**	142,822	47,869	190,691
Total comprehensive income for the year/period	–	–	990	85,304	86,294	16,975	103,269
Appropriation to statutory reserve	–	1,023	–	(1,197)	(174)	174	–
Dividend paid to non-controlling interests	–	–	–	–	–	(103)	(103)
Dividend declared	–	–	–	(6,370)	(6,370)	–	(6,370)
At 31 December 2009 and at 1 January 2010	27,342	5,035**	38,029**	152,166**	222,572	64,915	287,487
Total comprehensive income for the year/period	–	–	5,002	56,002	61,004	11,881	72,885
Dividend paid to non-controlling interests	–	–	–	–	–	(47)	(47)
Dividend declared	–	–	–	(2,332)	(2,332)	–	(2,332)
At 30 June 2010	<u>27,342</u>	<u>5,035**</u>	<u>43,031**</u>	<u>205,836**</u>	<u>281,244</u>	<u>76,749</u>	<u>357,993</u>
(unaudited)							
At 31 December 2008 and at 1 January 2009	27,342	4,012	37,039	74,429	142,822	47,869	190,691
Total comprehensive income for the year/period	–	–	548	39,183	39,731	7,853	47,584
Dividend paid to non-controlling interests	–	–	–	–	–	(103)	(103)
Dividend declared	–	–	–	(5,053)	(5,053)	–	(5,053)
At 30 June 2009	<u>27,342</u>	<u>4,012</u>	<u>37,587</u>	<u>108,559</u>	<u>177,500</u>	<u>55,619</u>	<u>233,119</u>

- * Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiary established in Mainland China has been transferred to reserve funds which are restricted as to use. The reserve funds also comprised the share of reserves of associates and a jointly-controlled entity of HK\$2,900,000, HK\$3,227,000, HK\$3,417,000 and HK\$3,417,000 as at 31 December 2007, 2008, 2009 and 30 June 2010, respectively.

- ** These reserve accounts comprise the combined reserves of HK\$35,310,000, HK\$115,480,000, HK\$195,230,000 and HK\$ 253,902,000 in the combined statements of financial position as at 31 December 2007, 2008, 2009 and 30 June 2010, respectively.

Combined statements of cash flows

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
<i>(unaudited)</i>						
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		32,528	75,664	107,979	48,901	70,022
Adjustments for:						
Finance costs	7	10,672	18,295	12,913	6,894	4,351
Interest income	6	(154)	(439)	(303)	(133)	(239)
Depreciation	8	11,091	24,218	31,088	15,502	15,779
Amortisation of prepaid land lease payments	8	319	688	696	349	450
Loss/(gain) on disposal of items of property, plant and equipment	8	–	36	(155)	2	15
Share of profits and losses of:						
Associates		(8,633)	(6,525)	(3,854)	(1,540)	(3,030)
Jointly-controlled entity		(1,393)	(1,527)	(2,101)	(984)	(870)
		44,430	110,410	146,263	68,991	86,478
Decrease/(increase) in inventories		(410)	(1,411)	12	552	(32)
Increase in accounts receivable		(18,834)	(4,936)	(10,196)	(11,059)	(2,109)
Increase in an amount due from a minority shareholder		(4,373)	–	–	–	–
Decrease/(increase) in prepayments, deposits and other receivables		(2,532)	(11,085)	13,050	11,719	(2,030)
Increase/(decrease) in other payables and accruals	29 (a, c)	1,537	(4,918)	2,319	(2,192)	(5,580)
Decrease in an amount due to a director		–	–	(466)	–	–
Cash generated from operations		19,818	88,060	150,982	68,011	76,727
Tax paid		–	–	–	–	(1,324)
Net cash flows from operating activities		19,818	88,060	150,982	68,011	75,403

	<i>Notes</i>	Year ended 31 December			Six-month period ended 30 June	
		2007	2008	2009	2009	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(unaudited)</i>						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(170,343)	(115,673)	(7,714)	(880)	(2,795)
Proceeds from disposal of items of property, plant and equipment		–	–	650	–	–
Interest received		154	439	303	133	239
Dividend received		9,860	1,473	6,604	6,603	2,379
Payment for prepaid land lease	15, 29(c)	(37)	–	(4,539)	–	–
Net cash flows from/(used in) investing activities		<u>(160,366)</u>	<u>(113,761)</u>	<u>(4,696)</u>	<u>5,856</u>	<u>(177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase/(decrease) in an amount due to the former ultimate holding company	29(b)	122,580	(2,417)	(58,637)	(54,947)	182
Repayment of bank loans		(34,471)	(59,260)	(164,648)	(110,228)	(21,585)
New bank loans		71,239	113,988	101,011	100,993	9,655
Dividend paid		(8,287)	(2,877)	(6,370)	(5,053)	(2,332)
Dividend paid to a minority shareholder		(169)	–	(103)	(103)	(47)
Interest paid		(8,556)	(17,671)	(12,913)	(6,894)	(4,351)
Capital contribution from a minority shareholder		9,054	–	–	–	–
Net cash flows from/(used in) financing activities		<u>151,390</u>	<u>31,763</u>	<u>(141,660)</u>	<u>(76,232)</u>	<u>(18,478)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		945	11,733	18,527	18,527	23,249
Effect of foreign exchange rate changes, net		(54)	732	96	79	754
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>16,241</u>	<u>80,751</u>

	Year ended 31 December			Six-month period ended 30 June		
<i>Notes</i>	2007	2008	2009	2009	2010	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<i>(unaudited)</i>						
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at end of year/period	21	<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>16,241</u>	<u>80,751</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP AND GROUP REORGANISATION

The Company was incorporated on 16 July 2010 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Particulars of the companies now comprising the Group have been set out in the foregoing section. The Group has established a principal place of business which is located at Unit No. 3, 18th Floor, Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong. The Group is principally engaged in terminal storage and handling of liquid chemicals (the "Listing Business").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Lirun Limited, which is incorporated in the British Virgin Islands (the "BVI").

Before the formation of the Group, the Listing Business was carried out by the subsidiaries, associates and jointly-controlled entities now comprising the Group as set out in the foregoing section and in notes 16 and 17, respectively, all of which were collectively controlled by Mr. NG Wai Man ("Mr. NG") (hereinafter referred to as the "Controlling Shareholder"). Pursuant to the Reorganisation described in the section headed "Reorganisation" and in Appendix VI "Statutory and General Information" to the Prospectus, the Company became the holding company of all the subsidiaries, associates and a jointly-controlled entity now comprising the Group by 29 November 2010.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of all the companies now comprising the Group by 29 November 2010. Since the Company and the companies now comprising the Group were under common control of the Controlling Shareholder both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting.

The Financial Information which presents the combined results, cash flows and financial position of the companies now comprising the Group has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group, and as if the group structure had been in existence throughout the Relevant Periods and that all of the Listing Business was transferred to the Group as of the earliest period presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting periods commencing from 1 January 2007, 2008, 2009 and 2010 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention.

The Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Group adopted HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Interpretation 5") in preparing the Financial Information following which certain of the Group's interest-bearing bank loans had been reclassified as current liability. As a result of the reclassification, the Group's combined statements of financial position show net current liabilities of HK\$132,181,000, HK\$93,078,000, HK\$54,509,000 and HK\$18,734,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Details of directors' assessment of the impact to the Group's liquidity due to the adoption of HK Interpretation 5 are included in Note 35.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in preparing the Financial Information.

HKAS 32 Amendment	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 – <i>Prepayments of a Minimum Funding Requirement</i> ³
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption Comparatives HKFRS 7 Disclosures for First time Adoptions</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁵

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Basis of combination

This Financial Information incorporates the financial statements of the companies now comprising the Group for the Relevant Periods. As explained in Note 2 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting. The acquisition of the interests of all other subsidiaries during the Relevant Periods is accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group transactions and balances have been eliminated on combination.

Non-controlling interests represent the interests of outside shareholders not held by the Controlling Shareholder in the results and net assets of the companies now comprising the Group. Any excess of the Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognised immediately in the combined statements of the comprehensive income.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the combined statements of comprehensive income and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the combined statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its jointly-controlled entity is included in the combined statements of the comprehensive income and combined reserves, respectively.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined statements of the comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of

such an impairment loss is credited to the combined statements of the comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined statements of the comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and structures	3.17 – 19%
Motor vehicles	19%
Office equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the combined statements of the comprehensive income in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the infrastructure of a terminal under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the combined statements of the comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rental payables under operating leases net of any incentives received from the lessor are charged to the combined statements of the comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets of the Group in the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, accounts and other receivables, deposits and an amount due from a minority shareholder.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the combined statements of the comprehensive income. The loss arising from impairment is recognised in the combined statements of the comprehensive income in other operating expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the combined statements of the comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of

interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the combined statements of the comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities at amortised cost

Financial liabilities including other payables, amounts due to a director and the former ultimate holding company and interest-bearing bank loans are initially stated at fair value plus directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the combined statements of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the combined statements of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined statements of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Inventories

Inventories represent consumables, tools and parts for use in the operation, and are stated at cost. Cost is determined on the first-in, first-out basis.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the rendering of services, when the services have been rendered;
- (b) rental income, on the straight-line basis over the lease terms; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the combined statements of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences are taken to the combined statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, associates and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the combined statements of comprehensive income.

For the purpose of the combined statements of cash flows, the cash flows of those entities comprising the Group in which their functional currencies are currencies other than the Hong Kong dollar are translated into the presentation currency of the Company at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of those entities which arise throughout the reporting period are translated into Hong Kong dollars at the weighted average exchange rates for the reporting period.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a jointly-controlled entity or an associate;
- (c) the party is a member of the key management personnel of the Group or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the combined statements of financial position, until they have been approved by the shareholders in a general meeting or in the case of subsidiaries in the PRC, by the board of directors. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information and the 30 June 2009 Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Impairment of accounts receivable

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of accounts receivable arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on the straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of the property, plant and equipment to be five to thirty years. Changes in the expected level of usage and/or the period over which future economic benefits are generated could impact the economic useful lives of the assets and, therefore, future depreciation charges could be revised.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

5. OPERATING SEGMENT INFORMATION

No separate analysis of segment information is presented by the Group as over 90% of the Group's revenue, results and assets are related to terminal storage and handling of liquid chemicals in Mainland China.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue, is set out below:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Customer A	56,627	85,446	88,094	42,471	56,344
Customer B	979	43,877	83,978	40,069	47,871
Customer C	–	13,856	19,940	9,920	10,085
	<u>56,627</u>	<u>143,179</u>	<u>191,912</u>	<u>92,460</u>	<u>114,300</u>

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, is derived from terminal storage and handling of liquid chemicals for the Relevant Periods.

An analysis of other income for the Relevant Periods is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Other income					
Government subsidies *	–	–	4,726	–	–
Bank interest income	154	439	303	133	239
Gross rental income	184	350	420	–	289
Others	374	289	574	77	192
	<u>712</u>	<u>1,078</u>	<u>6,023</u>	<u>210</u>	<u>720</u>

* Balance represented subsidies from a PRC port authority for the period from April 2007 to September 2009. The applications for these subsidies were made, and the subsidies were received, by the Group in 2009.

7. FINANCE COSTS

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Interest on bank loans wholly repayable within five years	8,556	17,671	12,106	6,280	4,241
Interest on an amount due to the former ultimate holding company	4,883	4,391	807	614	110
	<u>13,439</u>	<u>22,062</u>	<u>12,913</u>	<u>6,894</u>	<u>4,351</u>
Less: Amounts capitalised to construction in progress	(2,767)	(3,767)	–	–	–
	<u>10,672</u>	<u>18,295</u>	<u>12,913</u>	<u>6,894</u>	<u>4,351</u>

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

	Notes	Year ended 31 December			Six-month period ended	
		2007	2008	2009	2009	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Depreciation	14	11,091	24,218	31,088	15,502	15,779
Amortisation of prepaid land lease payments	15	675	688	696	349	450
Less: Amounts capitalised to construction in progress		(356)	—	—	—	—
		<u>319</u>	<u>688</u>	<u>696</u>	<u>349</u>	<u>450</u>
Minimum lease payments under operating leases of land and buildings and pipe racks		3,069	7,394	8,836	4,417	4,433
Auditors' remuneration		234	210	286	—	130
Directors' remuneration		—	157	295	159	228
Staff costs (excluding directors' remuneration):						
Wages and salaries		3,711	6,086	7,264	3,472	4,438
Pension scheme contributions		749	960	1,410	582	826
		<u>4,460</u>	<u>7,046</u>	<u>8,674</u>	<u>4,054</u>	<u>5,264</u>
Less: Amounts capitalised to construction in progress		(1,320)	(515)	—	—	—
		<u>3,140</u>	<u>6,531</u>	<u>8,674</u>	<u>4,054</u>	<u>5,264</u>
Gross rental income		(184)	(350)	(420)	(210)	(289)
Less: Direct operating expenses		9	17	21	11	14
		<u>(175)</u>	<u>(333)</u>	<u>(399)</u>	<u>(199)</u>	<u>(275)</u>
Loss/(gain) on disposal of items of property, plant and equipment		—	36	(155)	2	15
Foreign exchange differences, net		(685)	(78)	(364)	(346)	—
		<u>(685)</u>	<u>(78)</u>	<u>(364)</u>	<u>(346)</u>	<u>—</u>

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				30 June (unaudited)	
Fees	-	-	-	-	-
Other emoluments:					
Salaries, allowances, bonuses and benefits in kind	-	157	295	159	228
Pension scheme contributions	-	-	-	-	-
	<u>-</u>	<u>157</u>	<u>295</u>	<u>159</u>	<u>228</u>

The remuneration of a director of the Company for the Relevant Periods is set out below:

	Fees	Salaries allowances, bonuses and benefits in kind	Pension scheme contributions	Total remuneration
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2007				
Executive director:				
Mr. Ting Yian Ann	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Year ended 31 December 2008				
Executive director:				
Mr. Ting Yian Ann	<u>-</u>	<u>157</u>	<u>-</u>	<u>157</u>
Year ended 31 December 2009				
Executive director:				
Mr. Ting Yian Ann	<u>-</u>	<u>295</u>	<u>-</u>	<u>295</u>
Period ended 30 June 2009 (unaudited)				
Executive director:				
Mr. Ting Yian Ann	<u>-</u>	<u>159</u>	<u>-</u>	<u>159</u>
Period ended 30 June 2010				
Executive director:				
Mr. Ting Yian Ann	<u>-</u>	<u>228</u>	<u>-</u>	<u>228</u>

Save as disclosed above, no remuneration was paid or payable by the Group to other directors of the Company during the Relevant Periods. No remuneration was paid to Mr. Ting Yian Ann in 2007. In recognition of his service, an employment contract was executed with Mr. Ting Yian Ann, and the Group started to pay remuneration to him, in 2008.

No remuneration was paid or payable by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2007, 2008, 2009 and periods ended 30 June 2009 and 2010, included nil, 1, 1, 1 and 1 director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 5, 4, 4, 4 and 4 non-director, highest paid employees for the years ended 31 December 2007, 2008, 2009 and six-month periods ended 30 June 2009 and 2010, respectively, are as follows:

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Salaries, allowances, bonuses and benefits in kind	601	706	742	398	533
Pension scheme contributions	43	47	47	23	27
	<u>644</u>	<u>753</u>	<u>789</u>	<u>421</u>	<u>560</u>

The number of non-director, highest-paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

No remuneration was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

11. TAX

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Current – Hong Kong	–	–	–	–	–
Current – elsewhere, charge for the year/period	–	–	1,433	92	80
Deferred – note 26	–	3,643	4,610	2,037	3,009
	<u>–</u>	<u>3,643</u>	<u>6,043</u>	<u>2,129</u>	<u>3,089</u>

No provision for Hong Kong profits tax has been made as the companies now comprising the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the new People's Republic of China ("PRC") Enterprise Income Tax Law and its Implementation Rules (effective from 1 January 2008), the PRC Enterprise Income Tax rates for domestic and foreign-invested enterprises are unified at 25%. The other major tax concessions applicable to the Group's Mainland China subsidiary are detailed below.

Pursuant to the tax document Guoshui Han 2007 No. 2 "Approval on Enterprise Income Tax" issued by the national tax authority of Nanjing City, Jiangsu Province, the PRC, NJDC is entitled to preferential tax treatment with full tax exemption from PRC Enterprise Income Tax ("EIT") for the first five profitable years, commencing from 1 January 2007, and thereafter is entitled to a 50% deduction in the EIT rate for the subsequent five years.

A reconciliation of the tax expenses applicable to profit before tax using the statutory rate to the tax position at the effective tax rate is as follows:

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
Profit before tax	<u>32,528</u>	<u>75,664</u>	<u>107,979</u>	<u>48,901</u>	<u>70,022</u>
Tax at the statutory rate	5,692	12,485	17,817	8,069	11,554
Lower tax rate due to concession	(5,730)	(12,603)	(16,445)	(7,989)	(11,524)
Expenses not deductible for tax	38	118	61	12	50
Effect of withholding tax on the distributable profits of the Group's Mainland China subsidiary	<u>—</u>	<u>3,643</u>	<u>4,610</u>	<u>2,037</u>	<u>3,009</u>
Tax at the effective rate	<u>—</u>	<u>3,643</u>	<u>6,043</u>	<u>2,129</u>	<u>3,089</u>

The share of tax attributable to associates amounting to Nil, HK\$607,000, HK\$395,000, HK\$146,000 (unaudited) and HK\$318,000 is included in "Share of profits and losses of associates" for the years ended 31 December 2007, 2008, 2009 and six-month periods ended 30 June 2009 and 2010, respectively, in the combined statements of comprehensive income.

12. DIVIDENDS

Dividends distributed by the companies now comprising the Group during the Relevant Periods were as follows:

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
Final dividend	<u>9,860</u>	<u>1,473</u>	<u>6,473</u>	<u>5,156</u>	<u>2,379</u>

The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

13. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNER OF THE COMPANY

No earnings per share information is presented as its inclusion, for the purpose of this report, is considered not meaningful due to the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Buildings and structures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2007	310,629	–	1,392	284	312,305
Additions	164,505	540	458	443	165,946
Transfers	(309,184)	309,184	–	–	–
Exchange realignment	1,125	14,366	92	18	15,601
At 31 December 2007 and 1 January 2008	167,075	324,090	1,942	745	493,852
Additions	73,497	1,765	380	225	75,867
Transfers	(252,697)	252,697	–	–	–
Disposals	–	(10)	–	(66)	(76)
Exchange realignment	12,611	21,469	134	52	34,266
At 31 December 2008 and 1 January 2009	486	600,011	2,456	956	603,909
Additions	5,463	685	1,373	193	7,714
Transfers	(5,194)	5,194	–	–	–
Disposals	–	(144)	(1,196)	(27)	(1,367)
Exchange realignment	2	2,134	9	4	2,149
At 31 December 2009 and 1 January 2010	757	607,880	2,642	1,126	612,405
Additions	2,373	395	–	27	2,795
Transfers	(1,832)	1,832	–	–	–
Disposals	–	(18)	–	–	(18)
Exchange realignment	13	6,841	30	13	6,897
At 30 June 2010	1,311	616,930	2,672	1,166	622,079
Accumulated depreciation:					
At 1 January 2007	–	–	278	67	345
Provided for during the year – note 8	–	10,723	273	95	11,091
Exchange realignment	–	339	27	8	374
At 31 December 2007 and 1 January 2008	–	11,062	578	170	11,810
Provided for during the year – note 8	–	23,658	390	170	24,218
Disposals	–	(1)	–	(39)	(40)
Exchange realignment	–	998	44	13	1,055
At 31 December 2008 and 1 January 2009	–	35,717	1,012	314	37,043
Provided for during the year – note 8	–	30,388	519	181	31,088
Disposals	–	(22)	(835)	(15)	(872)
Exchange realignment	–	156	4	2	162

	Construction in progress <i>HK\$'000</i>	Buildings and structures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2009 and 1 January 2010	–	66,239	700	482	67,421
Provided for during the period – note 8	–	15,430	252	97	15,779
Disposals	–	(2)	–	–	(2)
Exchange realignment	–	876	10	6	892
At 30 June 2010	–	82,543	962	585	84,090
Net carrying amount:					
At 31 December 2007	<u>167,075</u>	<u>313,028</u>	<u>1,364</u>	<u>575</u>	<u>482,042</u>
At 31 December 2008	<u>486</u>	<u>564,294</u>	<u>1,444</u>	<u>642</u>	<u>566,866</u>
At 31 December 2009	<u>757</u>	<u>541,641</u>	<u>1,942</u>	<u>644</u>	<u>544,984</u>
At 30 June 2010	<u>1,311</u>	<u>534,387</u>	<u>1,710</u>	<u>581</u>	<u>537,989</u>

As at 31 December 2007, the Group's construction in progress with net carrying amount of HK\$167,075,000 was pledged to the banks to secure banking facilities granted to the Group and its former ultimate holding company (note 24).

As at 31 December 2008 and 2009 and 30 June 2010, certain of the Group's buildings and structures with net carrying amounts of HK\$246,435,000, HK\$237,008,000 and HK\$234,918,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 24).

As at 31 December 2007, 2008 and 2009, the Group was in the process of obtaining the building ownership certificate in respect of an office building of the Group located in Mainland China with carrying amounts of HK\$25,457,000, HK\$25,555,000 and HK\$25,324,000, respectively. The building ownership certificate was obtained on 17 June 2010.

15. PREPAID LAND LEASE PAYMENTS

	At 31 December			At 30 June
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	30,913	32,263	33,803	42,312
Additions	37	–	9,078	–
Amortised during the year/period – note 8	(675)	(688)	(696)	(450)
Exchange realignment	<u>1,988</u>	<u>2,228</u>	<u>127</u>	<u>469</u>
Carrying amount at 31 December	32,263	33,803	42,312	42,331
Current portion	<u>(680)</u>	<u>(725)</u>	<u>(934)</u>	<u>(967)</u>
Non-current portion	<u>31,583</u>	<u>33,078</u>	<u>41,378</u>	<u>41,364</u>

All the Group's leasehold land were held under long term leases and were situated in Mainland China.

As 31 December 2007, certain of the Group's leasehold land with a net carrying amount of HK\$32,263,000 was pledged to the banks to secure banking facilities granted to the Group and its former ultimate holding company (note 24).

At 31 December 2008 and 2009 and 30 June 2010, certain of the Group's leasehold land with net carrying amounts of HK\$33,803,000, HK\$33,329,000 and HK\$32,249,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 24).

At 31 December 2007, 2008 and 2009, the Group had applied for, but had not received, the land use right certificate in respect of leasehold land situated in Mainland China with net carrying amounts of HK\$917,000, HK\$981,000 and HK\$10,071,000, respectively. The land use right certificate was issued on 9 March 2010.

16. INTERESTS IN ASSOCIATES

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	<u>25,658</u>	<u>33,791</u>	<u>32,486</u>	<u>33,399</u>

Particulars of the associates during the Relevant Periods and as at 30 June 2010 are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Dragon Bussan International Limited**	US\$900,000	Hong Kong	60	Investment holding
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co. Ltd. (天津天龍液體化工儲運 有限公司)**	US\$1,950,000	PRC	65	Terminal storage and handling of liquid chemicals
Ningbo Ningxiang Liquid Chemicals Terminal Co. Ltd. (寧波寧翔液化儲運碼頭 有限公司)**	RMB7,350,000	PRC	36	Terminal storage and handling of liquid chemicals

* Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

Pursuant to the respective articles of association, the Group has significant influence but not unilateral control over these entities.

The following table illustrates the summarised financial information of the Group's associates:

	At 31 December			At 30 June	
	2007	2008	2009	2010	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Share of the associates' assets and liabilities:					
Current assets	14,413	13,955	16,842	17,469	
Non-current assets	20,699	20,822	20,122	18,749	
Current liabilities	(9,454)	(921)	(4,390)	(2,770)	
Non-current liabilities	—	(65)	(88)	(49)	
Net assets	<u>25,658</u>	<u>33,791</u>	<u>32,486</u>	<u>33,399</u>	
	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Share of the associates' results:					
Revenue	14,782	16,315	12,202	6,209	6,687
Other income	<u>1,625</u>	<u>255</u>	<u>194</u>	<u>153</u>	<u>73</u>
	16,407	16,570	12,396	6,362	6,760
Total expenses	(7,774)	(9,438)	(8,147)	(4,676)	(3,412)
Tax	<u>—</u>	<u>(607)</u>	<u>(395)</u>	<u>(146)</u>	<u>(318)</u>
Profit after tax	<u>8,633</u>	<u>6,525</u>	<u>3,854</u>	<u>1,540</u>	<u>3,030</u>

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	At 31 December			At 30 June
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Share of net assets	6,192	6,645	7,223	6,210

Particulars of the jointly-controlled entity during the Relevant Periods and as at 30 June 2010 are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of			Principal activities
			Ownership interest	Voting power*	Profit sharing	
Ningbo Xinxiang Liquid Chemical Store Co. Ltd. (寧波新翔液體化工倉儲碼頭有限公司)	RMB4,200,000	PRC	60	60	60	Terminal storage and handling of liquid chemicals

The interest in the jointly-controlled entity is indirectly held by the Company.

* Pursuant to the articles of association, the Group has joint control of the entity with the other joint venture partner.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	At 31 December			At 30 June
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Share of the jointly-controlled entity's assets and liabilities:				
Current assets	3,452	3,796	4,281	5,475
Non-current assets	2,969	3,080	3,326	3,287
Current liabilities	(229)	(231)	(384)	(2,552)
Net assets	6,192	6,645	7,223	6,210

	Year ended 31 December			Six-month period ended 30 June	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
Share of the jointly-controlled entity's results:				<i>(unaudited)</i>	
Revenue	3,513	4,102	5,006	2,556	2,486
Other income	89	134	112	99	124
	3,602	4,236	5,118	2,655	2,610
Total expenses	(1,968)	(2,461)	(2,241)	(1,274)	(1,350)
Tax	(241)	(248)	(776)	(397)	(390)
Profit after tax	1,393	1,527	2,101	984	870

18. ACCOUNTS RECEIVABLE

The Group's accounts receivable arose from terminal storage and handling of liquid chemicals during the Relevant Periods.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, extending to up to 60 days for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable at the end of the respective reporting periods, based on the invoice date and net of provision, is as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	17,745	18,300	20,953	30,747
31 to 60 days	1,089	6,823	11,909	4,287
61 to 90 days	–	–	910	904
Over 90 days	–	–	1,557	1,912
	<u>18,834</u>	<u>25,123</u>	<u>35,329</u>	<u>37,850</u>

An aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	18,621	25,122	32,860	34,567
Less than 1 month past due	213	1	910	468
1 to 3 months past due	–	–	1,557	905
Over 3 months past due	–	–	2	1,910
	<u>18,834</u>	<u>25,123</u>	<u>35,329</u>	<u>37,850</u>

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances. As at 31 December 2009 and 30 June 2010, certain of the Group's accounts receivable with net carrying amounts of HK\$15,910,000 and HK\$15,087,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 24).

19. DUE FROM A MINORITY SHAREHOLDER

The balance due from Nanjing Chemical Industry Park Company Limited, a minority shareholder, was unsecured, interest-free and has no fixed terms of repayment. The balance was non-trade in nature and represented payment on behalf of the minority shareholder. The balance was fully settled before Listing. The carrying amount of the balance with a minority shareholder approximates to its fair value.

The maximum balances outstanding during the years ended 31 December 2007, 2008 and 2009 and six-month period ended 30 June 2010 were HK\$4,555,000, HK\$4,871,000, HK\$4,871,000 and HK\$210,000, respectively.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	1,095	1,146	1,738	3,827
Deposits and other receivables	2,403	13,786	341	2,216
	<u>3,498</u>	<u>14,932</u>	<u>2,079</u>	<u>6,043</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. The carrying amounts of these deposits and other receivables approximate to their fair values.

21. CASH AND CASH EQUIVALENTS

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$9,637,000, HK\$17,725,000, HK\$22,799,000 and HK\$80,300,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	13,599	10,106	12,332	10,494
Accruals	55,691	12,726	12,822	9,305
	<u>69,290</u>	<u>22,832</u>	<u>25,154</u>	<u>19,799</u>

Other payables are non-interest-bearing and are repayable on demand. The carrying amounts of other payables approximate to their fair values.

As at 30 June 2010, included in other payables is a payable of RMB1,000,000 (equivalent to HK\$1,149,000) due to 南京化學工業園管理委員會 (Nanjing Chemical Industry Park Management Committee*), a related company, which is the parent company of Nanjing Chemical Industry Park Company Limited, in relation to facilitate NJDC to obtain a prepaid land lease. Pursuant to the related contract signed by NJDC and Nanjing Chemical Industry Park Management Committee, the settlement of the amount is subject to certain conditions, such as land levelling, to be fulfilled by Nanjing Chemical Industry Park Management Committee.

* For identification purpose only

23. DUE TO A DIRECTOR

The balance due to a director was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was fully settled before Listing.

24. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	At 31 December			At 30
			2007	2008	2009	June
			HK\$'000	HK\$'000	HK\$'000	2010
						HK\$'000
Current						
Bank loans – secured	The People's Bank of China ("PBOC") base rate	October 2010 to October 2012	63,510	85,609	40,889	41,346
	5.814	December 2010 to February 2011	35,949	47,448	47,615	82,052
			<u>99,459</u>	<u>133,057</u>	<u>88,504</u>	<u>123,398</u>
Non-current						
Bank loans – secured	5.814	January 2013	62,330	95,202	76,862	31,782
			<u>161,789</u>	<u>228,259</u>	<u>165,366</u>	<u>155,180</u>
Analysed into:						
Bank loans repayable:						
			99,459	133,057	88,504	123,398
			31,165	63,882	47,704	10,337
			<u>31,165</u>	<u>31,320</u>	<u>29,158</u>	<u>21,445</u>
			<u>161,789</u>	<u>228,259</u>	<u>165,366</u>	<u>155,180</u>

The Group's bank loans as at 31 December 2007, 2008 and 2009 and 30 June 2010 were secured by:

- (i) corporate guarantees granted by DC Investments, the Company's former ultimate holding company which will be released and replaced by the corporate guarantee granted by the Company upon Listing, and Nanjing Chemical Industry Park Company Limited, a minority shareholder. The corporate guarantees will remain effective until the settlement of the relevant bank loans;
- (ii) a personal guarantee granted by a director of the Company, which will be released and replaced by the corporate guarantee provided by the Company upon Listing;
- (iii) fixed charges over certain buildings and structures with net carrying amounts of HK\$246,435,000, HK\$237,008,000, HK\$234,918,000 at 31 December 2008, 2009 and 30 June 2010, respectively (note 14);
- (iv) fixed charges over certain construction in progress with net carrying amount of HK\$167,075,000 at 31 December 2007 (note 14);
- (v) fixed charges over certain leasehold land with net carrying amounts of HK\$32,263,000, HK\$33,803,000, HK\$33,329,000, HK\$32,249,000 at 31 December 2007, 2008, 2009 and 30 June 2010 (note 15), respectively; and
- (vi) floating charges over certain accounts receivable with net carrying amounts of HK\$15,910,000 and HK\$15,087,000 at 31 December 2009 and 30 June 2010, respectively (note 18).

The carrying amounts of these bank loans approximate to their fair values at the end of the respective reporting periods.

25. DUE TO THE FORMER ULTIMATE HOLDING COMPANY

Included in the balance due to DC Investments, the former ultimate holding company, were amounts of HK\$186,000 and HK\$258,000 as at 31 December 2009 and 30 June 2010, respectively, which were non-trade in nature and represented payments by the former ultimate holding company on behalf of the Group. The balances were unsecured, interest-free and repayable on demand. The balances were fully settled before Listing.

The remaining balances due were non-trade in nature and represented working capital funds provided by the former ultimate holding company. The balances were unsecured and not repayable within twelve months from the end of the respective reporting periods. The balances were fully settled before Listing.

As at 31 December 2007, except for the amounts of HK\$17,829,000, HK\$46,800,000 and HK\$58,500,000 which bore interest at LIBOR+1.1% per annum, LIBOR+1% per annum and LIBOR+0.8% per annum, respectively, all remaining balances were interest-free.

As at 31 December 2008, except for the amounts of HK\$8,914,000, HK\$38,220,000 and HK\$46,800,000 which bore interest at LIBOR+1.1% per annum, LIBOR+1% per annum and LIBOR+0.8% per annum, all remaining balances were interest-free.

As at 31 December 2009, except for the amount of HK\$21,060,000 which bore interest at LIBOR+1% per annum, all remaining balances were interest-free.

As at 30 June 2010, except for the amount of HK\$12,480,000 which bore interest at LIBOR+1% per annum, all remaining balances were interest-free.

The carrying amounts of the amounts due to the former ultimate holding company approximate to their fair values.

26. DEFERRED TAX LIABILITIES

	Withholding taxes HK\$'000
At 1 January 2007 and 2008	–
Deferred tax charged to the combined statement of comprehensive income during the year – <i>note 11</i>	3,643
Exchange realignment	<u>37</u>
At 31 December 2008	3,680
Deferred tax charged to the combined statement of comprehensive income during the year – <i>note 11</i>	4,610
Exchange realignment	<u>17</u>
At 31 December 2009	8,307
Deferred tax charged to the combined statement of comprehensive income during the period – <i>note 11</i>	3,009
Exchange realignment	<u>121</u>
At 30 June 2010	<u><u>11,437</u></u>

Pursuant to the PRC Corporate Income Tax Law, a 5%-10% withholding tax rate is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary, associates and a jointly-controlled entity established in Mainland China in respect of earnings generated from 1 January 2008.

27. SHARE CAPITAL

For the purpose of this report, share capital in the combined statements of financial position as at 31 December 2007, 2008, 2009 and 30 June 2010 represented the aggregate amount of issued share capital of the companies now comprising the Group.

The Company was incorporated in the Cayman Islands on 16 July 2010. As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each. On 16 July 2010, one subscriber's share which was nil paid was allotted and issued to Lirun Limited. Pursuant to the Reorganisation, the Company's issued share capital of HK\$0.1 each, which were fully paid, of 759,550 shares, 16,500 shares, 33,000 shares and 15,950 shares to Lirun Limited, Sure Port Investments Limited, Ansen International Limited, and Silver Coin International Limited, respectively. Further details of the Reorganisation are set out in the section headed "Reorganisation" and in Appendix VI "Statutory and General Information" to the Prospectus.

On 30 November 2010, pursuant to written resolutions of the shareholders of the Company, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each to HK\$400,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.1 each.

28. RESERVES

The movements in the Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity.

29. NOTES TO COMBINED STATEMENTS OF CASH FLOWS**Major non-cash transactions**

- (a) At 31 December 2007 and 2008, the Group recorded other payables and accruals in relation to additions of construction in progress of HK\$64,767,000 and HK\$414,000, respectively. These additions have had no cash flow impact to the Group.
- (b) During the years ended 31 December 2007 and 2008, the Group recorded finance costs of HK\$4,884,000 and HK\$4,391,000, respectively, which were settled through a current account with the former ultimate holding company.
- (c) During the year ended 31 December 2009, the Group recorded an addition of prepaid land lease payment of RMB8,000,000 (equivalent to HK\$9,078,000) of which RMB4,000,000 (equivalent to HK\$4,539,000) was offset against a current account with a minority shareholder.

30. CONTINGENT LIABILITIES

During the Relevant Periods, the Group provided a financial guarantee to a supplier of the related companies in connection with the open trading credit granted to the related companies, of which the ultimate controlling shareholder is the Controlling Shareholder of the Company. At 31 December 2007, 2008 and 2009, the trading credit granted subject to guarantees given to the supplier was utilised to the extent of HK\$13,997,000, HK\$7,371,000 and HK\$1,687,000, respectively. On 25 March 2010, the Group ceased to provide the financial guarantee to the supplier.

During the Relevant Periods, a minority shareholder of a Group's subsidiary, NJDC, provided a financial guarantee to NJDC. It was agreed that NJDC would provide financial guarantee for the same amount to the minority shareholder if it so requires. The minority shareholder had not requested NJDC to provide such financial guarantee during the Relevant Periods.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain portion of its office building under an operating lease arrangement, with the lease negotiated for a term of five years.

At the end of the respective reporting periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	286	319	337	408
In the second to fifth years, inclusive	857	637	337	204
	<u>1,143</u>	<u>956</u>	<u>674</u>	<u>612</u>

(b) As lessee

The Group leases certain of its buildings and pipe racks under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 15 years.

At the end of the respective reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	3,597	8,377	8,404	8,579
In the second to fifth years, inclusive	14,195	33,295	33,413	33,787
After five years	32,679	68,325	60,213	57,015
	<u>50,471</u>	<u>109,997</u>	<u>102,030</u>	<u>99,381</u>

32. COMMITMENTS

In addition to the operating lease arrangements detailed in note 31 above, the Group had the following capital commitments at the end of the respective reporting periods:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted, but not provided for construction in progress	<u>72,762</u>	<u>1,574</u>	<u>3,327</u>	<u>10,071</u>

33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions forming part of the Reorganisation and other transactions detailed in notes 24 and 30 above, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
Terminal storage income:						
Dragon Crown Chemical (Shanghai Pudong New Area) Company Ltd.*	(i)	134	456	157	119	923
Ningbo FTZ Dragon Crown Chemical International Trade Company Ltd.**	(i)	–	–	1,433	–	–
Terminal service expense:						
Nanjing Chemical Industry Park Public Services Company Ltd. (“NCIPS”)*	(ii)	1,362	2,000	1,794	958	872
Nanjing Chemical Industry Park Management Committee (“NCIPMC”)*	(ii)	38	2,227	1,033	–	–
Afforestation fee:						
上海正旺園林綠化有限公司** (Shanghai Jin Wang Afforestation Company Ltd.#)	(iii)	–	–	1,364	–	199
Rental expenses:						
Nanjing Chemical Industry Park Company Limited*	(iv)	2,732	7,214	8,836	4,417	4,433
Interest expenses:						
DC Investments**	7	<u>4,883</u>	<u>4,391</u>	<u>807</u>	<u>614</u>	<u>110</u>

- (i) Terminal storage income was charged in accordance with the terms mutually agreed between the Group and its related companies in which the Controlling Shareholder is the ultimate controlling shareholder of these related companies during the Relevant Periods.
- (ii) Terminal service expense was charged in accordance with the terms mutually agreed between the Group and its related companies. NCIPS is the parent company of Nanjing Chemical Industry Park Company Limited, a minority shareholder of NJDC, and NCIPMC is a subsidiary of Nanjing Chemical Industry Park Company Limited during the Relevant Periods.
- (iii) Afforestation fee was charged in accordance with the terms mutually agreed between the Group and its related party which is a close family member of the Controlling Shareholder during the Relevant Periods.
- (iv) Rental expense was charged in accordance with the terms mutually agreed between the Group and a minority shareholder of NJDC for the use of pipe racks.

In the opinion of the directors, the above transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

* These related party transactions will continue after Listing.

** These related party transactions will be discontinued after Listing.

For identification purpose only.

- (b) During the year ended 31 December 2009, NCIPS, the parent company of Nanjing Chemical Industry Park Company Limited, a minority shareholder of the Group, had facilitated in obtaining a prepaid land lease of the Group that amounted to RMB8,000,000 (equivalent to HK\$9,078,000).
- (c) Details of the outstanding balances with affiliates are included in notes 19, 23 and 25 above.
- (d) Compensation of key management personnel of the Group

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Short term employees benefits	262	559	722	389	534
Post-employment benefits	—	—	—	—	—
Total compensation paid to key management personnel	<u>262</u>	<u>559</u>	<u>722</u>	<u>389</u>	<u>534</u>

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the respective reporting periods are as follows:

Financial assets

The Group's financial assets as at the end of the respective reporting periods are as follows, which are categorised as loans and receivables.

	Year ended 31 December			30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts receivable	18,834	25,123	35,329	37,850
Due from a minority shareholder	4,555	4,871	208	210
Financial assets included in prepayments, deposits and other receivables (<i>note 20</i>)	2,403	13,786	341	2,216
Cash and bank balances	<u>11,733</u>	<u>18,527</u>	<u>23,249</u>	<u>80,751</u>
	<u>37,525</u>	<u>62,307</u>	<u>59,127</u>	<u>121,027</u>

Financial liabilities

The Group's financial liabilities as at the end of the respective reporting periods are as follows, which are categorised as financial liabilities at amortised cost.

	Year ended 31 December			30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals (<i>note 22</i>)	13,599	10,106	12,332	10,494
Due to a director	2,462	2,462	1,996	1,994
Interest-bearing bank loans	161,789	228,259	165,366	155,180
Due to the former ultimate holding company	<u>255,755</u>	<u>257,729</u>	<u>199,092</u>	<u>199,274</u>
	<u>433,605</u>	<u>498,556</u>	<u>378,786</u>	<u>366,942</u>

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank loans and an amount due to the former ultimate holding company. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, financial assets included in deposits and other receivables and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bears interest at rates with reference to the PBOC, whereas the amounts due to the former ultimate holding company bear interest at rates with reference to LIBOR. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities and borrowings regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in PBOC rates and LIBOR, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank borrowings and the amounts due to the former ultimate holding company) during the Relevant Periods.

	Change in basis points	Change in profit before tax <i>HK\$'000</i>
30 June 2010		
RMB	50	713
Hong Kong dollar	50	62
31 December 2009		
RMB	50	764
Hong Kong dollar	50	105
31 December 2008		
RMB	50	1,037
Hong Kong dollar	50	470
31 December 2007		
RMB	50	671
Hong Kong dollar	50	616

Foreign currency risk

The Group has transactional currency exposures. Such exposures arose from an intercompany loan to operating units in currencies other than the units' functional currency. A loan amounting to US\$7,500,000 was denominated in currencies other than the functional currency of the operating units as at 31 December 2007 and 2008.

The following table demonstrates the sensitivity to a reasonably possible change in US\$-RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) during the Relevant Periods.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax <i>HK\$'000</i>
31 December 2008		
If RMB weakens against US\$	(2)	(1,160)
If RMB strengthens against US\$	2	1,160
31 December 2007		
If RMB weakens against US\$	(2)	(1,160)
If RMB strengthens against US\$	2	1,160

Credit risk

The Group primarily provides services to recognised and creditworthy third parties. It is the Group's policy that advanced payments are generally required for new customers. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group primarily provides services to recognised and creditworthy third parties, there is normally no requirement for collateral.

The credit risk of the Group's financial assets, which comprise accounts receivable, an amount due from a minority shareholder, cash and cash equivalents, financial assets included in deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 18 and 20 of this report, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internal funding and bank loans to meet its working capital requirements.

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (for example, accounts receivable) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the respective reporting periods, based on the contractual undiscounted payments, is as follows:

31 December 2007

	On demand	Less than 3 months	3 to 12 months	Not less than 12 months	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank loans (<i>note</i>)	63,510	–	39,021	–	82,362	184,893
Other payables	13,599	–	–	–	–	13,599
Due to a director	2,462	–	–	–	–	2,462
Due to the former ultimate holding company	–	–	–	260,639	–	260,639
	<u>79,571</u>	<u>–</u>	<u>39,021</u>	<u>260,639</u>	<u>82,362</u>	<u>461,593</u>

31 December 2008

	On demand	Less than 3 months	3 to 12 months	Not less than 12 months	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank loans (<i>note</i>)	85,609	14,312	36,111	–	120,264	256,296
Other payables	10,106	–	–	–	–	10,106
Due to a director	2,462	–	–	–	–	2,462
Due to the former ultimate holding company	–	–	–	262,120	–	262,120
	<u>98,177</u>	<u>14,312</u>	<u>36,111</u>	<u>262,120</u>	<u>120,264</u>	<u>530,984</u>

31 December 2009

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	Not less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest-bearing bank loans (<i>note</i>)	40,889	14,276	35,891	–	88,399	179,455
Other payables	12,332	–	–	–	–	12,332
Due to a director	1,996	–	–	–	–	1,996
Due to the former ultimate holding company	186	–	–	199,713	–	199,899
	<u>55,403</u>	<u>14,276</u>	<u>35,891</u>	<u>199,713</u>	<u>88,399</u>	<u>393,682</u>

30 June 2010

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	Not less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest-bearing bank loans (<i>note</i>)	41,346	239	84,572	–	38,246	164,403
Other payables	10,494	–	–	–	–	10,494
Due to a director	1,994	–	–	–	–	1,994
Due to the former ultimate holding company	258	–	–	199,055	–	199,313
	<u>54,092</u>	<u>239</u>	<u>84,572</u>	<u>199,055</u>	<u>38,246</u>	<u>376,204</u>

Note: Included in interest-bearing bank loans is a term loan in the amounts of HK\$63,510,000, HK\$85,609,000, HK\$40,889,000 and HK\$41,346,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The related loan agreement contains a repayment on demand clause which gives the bank the unconditional right to call the loan at any time, and therefore, for the purpose of the above maturity profile, the total amounts are classified as “on demand”.

Notwithstanding the above clause, after taking into account factors including the current financial position of the Group, the Group having obtained indication from the related bank that any breaches of financial covenants arising from HK Interpretation 5 would not as such be considered as breaches of covenants applicable to the respective facility, and that the Group has complied with all the other terms and conditions of the loan, the directors are of the opinion that the related loan will be repaid in accordance with the maturity dates as set out in the loan agreement. Based on the maturity dates, the maturity profile of the contractual undiscounted payments of the Group's interest-bearing bank loans at the end of the respective reporting periods are as follows:

	On demand <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 to 12 months <i>HK\$'000</i>	Not less than 12 months <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2007						
Interest-bearing bank loans	<u>–</u>	<u>–</u>	<u>51,723</u>	<u>–</u>	<u>133,170</u>	<u>184,893</u>
31 December 2008						
Interest-bearing bank loans	<u>–</u>	<u>22,133</u>	<u>49,693</u>	<u>–</u>	<u>184,470</u>	<u>256,296</u>
31 December 2009						
Interest-bearing bank loans	<u>–</u>	<u>14,276</u>	<u>49,521</u>	<u>–</u>	<u>115,658</u>	<u>179,455</u>
30 June 2010						
Interest-bearing bank loans	<u>–</u>	<u>14,021</u>	<u>84,572</u>	<u>–</u>	<u>65,810</u>	<u>164,403</u>

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors the capital ratio on the basis of the debt-to-adjusted capital ratio, which is calculated as the net debt divided by adjusted capital plus net debt. Net debt includes other payables and accruals and interest-bearing bank loans, less cash and bank balances. Adjusted capital includes equity attributable to equity holders of the parent and an amount due to the former ultimate holding company used as the Group working capital funds. The debt-to-adjusted capital ratio as at the end of the respective reporting periods are as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables and accruals	69,290	22,832	25,154	19,799
Interest-bearing bank loans	161,789	228,259	165,366	155,180
Less: Cash and bank balances	<u>(11,733)</u>	<u>(18,527)</u>	<u>(23,249)</u>	<u>(80,751)</u>
Net debt	<u>219,346</u>	<u>232,564</u>	<u>167,271</u>	<u>94,228</u>
Equity attributable to the owner of the Company	62,652	142,822	222,572	281,244
Due to the former ultimate holding company	<u>255,755</u>	<u>257,729</u>	<u>198,906</u>	<u>199,016</u>
Adjusted capital	<u>318,407</u>	<u>400,551</u>	<u>421,478</u>	<u>480,260</u>
Adjusted capital and net debt	<u>537,753</u>	<u>633,115</u>	<u>588,749</u>	<u>574,488</u>
Debt-to-adjusted capital ratio	<u>40.8%</u>	<u>36.7%</u>	<u>28.4%</u>	<u>16.4%</u>

36. NET ASSETS OF THE COMPANY

The Company was incorporated on 16 July 2010, and therefore as at 30 June 2010, the Company had no assets and liabilities. Pursuant to the Reorganisation, the Company became the holding company of the Group by 29 November 2010.

37. REMUNERATION FOR THE COMPANY'S DIRECTORS

Save as disclosed herein, no fee has been paid or is payable in the Relevant Periods by the Company, or any of the other companies now comprising the Group, to the directors of the Company. Under the arrangements currently in force, the estimated amount of directors' fees and other remuneration payable to the directors of the Company for the year ending 31 December 2010 will be approximately HK\$665,000, excluding discretionary bonuses payable under the directors' service contracts. Further details of the directors' service contracts are set out in the Prospectus.

III. SUBSEQUENT EVENTS

Subsequent to 30 June 2010, the following events occurred:

- (a) The companies now comprising the Group underwent a Reorganisation in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Reorganisation" and in Appendix VI "Statutory and General Information" to the Prospectus. As a result of the Reorganisation, the Company became the holding company of all the subsidiaries, associates and jointly-controlled entities now comprising the Group by 29 November 2010.

On 30 November 2010, resolutions in writing of the shareholders of the Company were passed to approve the matters set out in the section headed "Resolutions in writing of the Shareholders passed on 30 November 2010" in Appendix VI to the Prospectus.

- (b) On 27 September 2010, the Group entered into a sale and purchase agreement with Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited to acquire the remaining 40% equity interests in Dragon Bussan International Limited ("Dragon Bussan") not already owned by the Group for a total cash consideration of US\$1,457,600. The principal activity of Dragon Bussan is investment holding of a 60% interest in 寧波寧翔液化儲運碼頭有限公司, which is accounted for by Dragon Bussan as an investment in a jointly-controlled entity. Upon completion of the acquisition on 29 November 2010, Dragon Bussan became a wholly owned subsidiary of the Group.

The following table illustrates the financial information of Dragon Bussan for the Relevant Periods

Statements of income

	Year ended 31 December			Six-month period ended	
	2007	2008	2009	30 June 2009	30 June 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Other income	50	7	1	–	–
Administrative expenses	(25)	(23)	(200)	(11)	(81)
Share of profits and losses of:					
Jointly-controlled entity	1,915	2,152	2,891	1,197	1,309
PROFIT BEFORE TAX	1,940	2,136	2,692	1,186	1,228
Tax	–	(109)	(144)	(60)	(65)
PROFIT FOR THE YEAR/ PERIOD	1,940	2,027	2,548	1,126	1,163

Statements of financial position

	At 31 December			At 30 June
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS				
Interest in a jointly-controlled entity	11,056	11,884	12,635	11,384
CURRENT ASSETS				
Prepayments, deposits and other receivables	–	–	–	2,578
Cash and bank balances	4,515	4,179	6,189	6,215
	<u>4,515</u>	<u>4,179</u>	<u>6,189</u>	<u>8,793</u>
CURRENT LIABILITIES				
Other payables and accruals	2,373	17	17	162
Due to a majority shareholder	–	–	176	248
Total current liabilities	<u>2,373</u>	<u>17</u>	<u>193</u>	<u>410</u>
NET CURRENT ASSETS	<u>2,142</u>	<u>4,162</u>	<u>5,996</u>	<u>8,383</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>13,198</u>	<u>16,046</u>	<u>18,631</u>	<u>19,767</u>
NON-CURRENT LIABILITY				
Deferred tax liabilities	–	109	148	82
Net assets	<u>13,198</u>	<u>15,937</u>	<u>18,483</u>	<u>19,685</u>
EQUITY				
Equity attributable to the owner of the Company				
Issued share capital	11,700	11,700	11,700	11,700
Reserves	<u>1,498</u>	<u>4,237</u>	<u>6,783</u>	<u>7,985</u>
Total equity	<u>13,198</u>	<u>15,937</u>	<u>18,483</u>	<u>19,685</u>

- (c) Pursuant to a board of directors' meeting on 1 September 2010, NJDC declared dividends of RMB172,579,000 to its shareholders, including DCPI. Pursuant to the shareholders' resolutions in writing dated 3 November 2010, 18 November 2010 and 29 November 2010, the then shareholders of the Group's subsidiaries, DCPI, Dragon Source Industrial Limited and Dragon Bussan International Limited declared dividends of HK\$131,000,000, HK\$1,380,000 and US\$1,000,000, respectively.

Save as aforesaid, no other significant events took place subsequent to 30 June 2010.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 30 June 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information" in this prospectus and the "Accountants' Report" as set forth in Appendix I in this prospectus.

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out herein to provide prospective investors with further financial information about (i) how the proposed listing might have affected the combined net tangible assets of the Group after the completion of the Global Offering; and (ii) how the proposed listing might have affected the unaudited pro forma forecast earnings per share of the Group for the year ending 31 December 2010 as if the Global Offering had taken place on 1 January 2010.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position of the financial periods concerned.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2010. It is based on the audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 as shown in the accountants' report of the Group, the text of which is set out in Appendix I in this prospectus, and is adjusted as follows:

	Audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds received by the Company from the Global Offering <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.35 per Offer Share	281,244	342,000	623,244	0.57
Based on an Offer Price of HK\$2.05 per Offer Share	281,244	529,000	810,244	0.74

Notes:

1. Audited combined net tangible assets attributable to owners of the Company as at 30 June 2010 is based on the combined net assets extracted from the Accountants' Report set out in Appendix I in this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer prices of HK\$1.35 per Share and HK\$2.05 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,100,000,000 Shares were in issue assuming that the Global Offering has been completed on 30 June 2010 but takes no account of the Over-allotment Option.
4. We declared special cash dividends of HK\$131 million, HK\$1.38 million and US\$1 million on 3 November 2010, 18 November 2010 and 29 November 2010 to the respective shareholders of DC Petrochemicals, Dragon Source and Dragon Bussan as of the dates of the respective resolutions. The unaudited pro forma adjusted combined net tangible assets had not taken into account the above special cash dividends.
5. As of 30 September 2010, our property interests were valued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix IV – Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book values, is approximately HK\$22.4 million. Such revaluation surplus has not been included in unaudited pro forma adjusted combined net tangible assets and will not be included in our financial statements for the year ending 31 December 2010.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the years ending 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial results of the Group following the Global Offering.

Forecast combined net profit attributable to owners
of the Company for the year ending
31 December 2010 (*Note 1*) Not less than HK\$93.8 million

Unaudited pro forma forecast earnings per Share
(*Note 2*) Not less than HK\$0.085

Notes:

- (1) The forecast combined net profit attributable to owners of the Company for year ending 31 December 2010 is extracted from the “Profit Forecast” as set forth in Appendix III in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on forecast combined net profit attributable to owners of the Company for the year ending 31 December 2010, assuming that the Company had been listed since 1 January 2010 and a total of 1,100,000,000 Shares had been in issue on 1 January 2010. This calculation assumes that the Over-allotment Option will not be exercised.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(C) LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the Company's reporting accountants, Ernst & Young, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

15 December 2010

The Board of Directors
Dragon Crown Group Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets and unaudited pro forma forecast earnings per share (the “Unaudited Pro Forma Financial Information”) of Dragon Crown Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 275,000,000 shares of HK\$0.10 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 15 December 2010 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future dates; or
- the forecast earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of our combined profit attributable to owners of the Company for the year ending 31 December 2010 is set forth in the section headed “Financial information” in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of our combined profit for the year ending 31 December 2010 attributable to the owners of the Company based on our combined results as shown in our audited combined financial statements for the six months ended 30 June 2010, unaudited combined management account for the four months ended 31 October 2010 and a forecast of the combined results of our Group for the remaining two months ending 31 December 2010.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I in this prospectus.

Our Directors have made the following principal assumptions in the preparation of the profit forecast:

- (a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which we operate;
- (b) there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the respective countries in which our Group operates;
- (c) there will be no material changes in the bases or rates of taxation applicable to our Group in the respective jurisdictions in which we operate; and
- (d) our Group’s operations and business will not be severely interrupted by any force majeure events or unforeseeable factors, or for any unforeseeable reasons, that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report, received from the Company's reporting accountants, Ernst & Young, in respect of the profit forecast for the purpose of incorporation in this prospectus.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

15 December 2010

The Board of Directors
Dragon Crown Group Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the combined profit attributable to owners of Dragon Crown Group Holdings Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" in the prospectus of the Company dated 15 December 2010 (the "Prospectus") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited combined results of the Group for the six months ended 30 June 2010, the unaudited combined results of the Group for the four months ended 31 October 2010 and a forecast of the combined results of the Group for the remaining two months ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Part A of Appendix III to the Prospectus, and is presented on bases consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 15 December 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SPONSOR



China Everbright Capital Limited
40/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

15 December 2010

The Directors
Dragon Crown Group Holdings Limited

Dear Sirs,

We refer to the forecast of the combined profit attributable to equity holders of Dragon Crown Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 December 2010 (the “Forecast”), as set out in the prospectus of the Company dated 15 December 2010 (the “Prospectus”).

The Forecast, for which the Directors are solely responsible, has been prepared by the Directors based on the combined results of the Company for the six months ended 30 June 2010, unaudited combined management account of the Company for the four month ended 31 October 2010 and a forecast of the combined results of our Group for the remaining two month ending 31 December 2010.

We have discussed with you the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 15 December 2010 addressed to you and us from Ernst & Young regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we have formed the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
China Everbright Capital Limited
Jacky Ho **Alvin Kam**
Managing Director *Director*

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at 30 September 2010 of all the property interests of the Group.

CBRE
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世邦魏理仕

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地產代理(公司)牌照號碼
Estate Agent's License No: C-004065

15 December 2010

The Board of Directors,
Dragon Crown Group Holdings Limited,
Unit No.3, 18th Floor, Convention Plaza, Office Tower,
No.1 Harbour Road,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Dragon Crown Group Holdings Limited (the "Company") and its subsidiaries (hereinafter together know as the "Group") in the People's Republic of China ("the PRC"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30 September 2010 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in

Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realised on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analysed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are held by the Group for occupation in the PRC, we have valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In our valuation, completed real estate developments are those with the Completed Construction Works Certified Reports or Building Ownership Certificates or any other documents certifying the completion of the building thereof has (have) been issued by the relevant local authorities.

For the property interests in Group II which are rented by the Group in the PRC, we have attributed no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

For the property interests in Group III which are rented by the Group in Hong Kong, we have attributed no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group’s PRC legal advisor, King & Wood PRC Lawyers (the “PRC Legal Opinion”). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the

information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose here with a summary of valuation and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo MY Lo
MHKIS MRICS

Director
Valuation & Advisory Services

Note: Mr. Leo MY Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 7 years’ valuation experience in the PRC, Hong Kong and Asia Pacific Regions.

SUMMARY OF VALUES

Property Interests	Capital value in existing state as at 30 September 2010 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 September 2010 (RMB)
Group I – Property interests held by the Group for occupation in the PRC			
1. An industrial complex, No.101, Hao-Jia-Ba, Xinli Village, County of Yudai, Nanjing Chemical Industry Park, Liuhe District, Nanjing City, Jiangsu Province, the PRC	78,000,000	88.61%	69,115,800
2. An industrial complex, No. 10 Xinhu Road, Tanggu District, Tianjin City, the PRC			No commercial value (Note i)
3. Room 303, Block 9-1, Changchunli, Fujian Road West, Tanggu District, Tianjin City, the PRC	970,000	65.00%	630,500
4. An office building, various residential units and car parking spaces No. 338 Houda Street, No. 14 Danshuijingtou, Zhaobaoshan Street, Zhenhai District, Ningbo City, Zhejiang Province, the PRC	3,880,000	60.00%	2,328,000
5. Two parcels of land Zhenhai Port Working Area, Zhenhai District, Ningbo City, Zhejiang Province, the PRC	1,670,000	60.00%	1,002,000
		Group I Sub-total:	<u><u>73,076,300</u></u>

Property Interests	Capital value in existing state as at 30 September 2010 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 September 2010 (RMB)
Group II – Property interests rented by the Group in the PRC			
6. Room 1620, Lakeview Xuanwu Hotel, No. 193 Zhongyang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC			No commercial value
7. Room 504, Block 9, Meihua Garden, No. 60 Muxuyuan Street, Baixia District, Nanjing City, Jiangsu Province, the PRC			No commercial value
8. Room 203, Block 14, Meihua Garden, No. 60 Muxuyuan Street, Baixia District, Nanjing City, Jiangsu Province, The PRC			No commercial value
9. A parcel of land, No. 10 Xinhua Road, Tanggu District, Tianjin City, the PRC			No commercial value
10. Two parcels of land, Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC			No commercial value
11. An office unit, No. 2 Zhenyuan Road, Zhenhai District, Ningbo City, Zhejiang Province, the PRC			No commercial value
		Group II Sub-total:	<u>No commercial value</u>

Property Interests	Capital value in existing state as at 30 September 2010 (RMB)	Interests attributable to the Group	Capital value attributable to the Group as at 30 September 2010 (RMB)
Group III – Property interests rented by the Group in Hong Kong			
12. Unit No. 3 on the 18th Floor of Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong			No commercial value
		Group III Sub-total:	<u>No commercial value</u>
		Grand total:	<u><u>73,076,300</u></u>

Note:

- i) As the Group has not obtained the land use rights of the property at the date of valuation, we have ascribed no commercial value to the property. Had the Group obtained the land use rights of the property, the capital value of the property in existing state as at 30 September 2010 would be in the sum of RMB3,000,000 (65.00% interests attributable to the Group: RMB1,950,000).

VALUATION CERTIFICATE

Group I – Property interests held by the Group for occupation in the PRC

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
1. An industrial complex, No.101, Hao-Jia-Ba, Xinli Village, County of Yudai, Nanjing Chemical Industry Park, Liuhe District, Nanjing City, Jiangsu Province, the PRC	As advised by the Group, the property comprises various workshops, an office building, a power station, a staff dormitory, a canteen and various ancillary buildings with a total gross floor area of approximately 10,191.33 sq.m., erected on a site with an area of approximately 231,960.30 sq.m. (the "Site"). The property was completed by phases in 2007 and 2008 respectively. The Site is held under four State-owned Land Use Rights Certificates with various land use terms expiring on 16 March 2056, 26 July 2056 and 9 January 2060 for industrial use.	The property is currently occupied by the Group for industrial storage use.	78,000,000 (88.61% interests attributable to the Group: RMB69,115,800)

Notes:

- a) Pursuant to the following State-owned Land Use Rights Grants Contracts, the land use rights of the Site with an area of approximately 231,960.3 sq.m. have been contracted to be granted to Nanjing Dragon Crown Liquid Chemical Terminal Co., Ltd. (南京龍翔液體化工儲運碼頭有限公司) ("Nanjing Dragon Crown")

State-owned Land Use Rights

Contract Number	Date of Issuance	Site Area (sq.m.)	Consideration (RMB)
3201632010CR0001	30 December 2009	21,156.6	6,100,000
Liu Guo Tu Zi Rang He (2006) No. 082	7 July 2006	80,804.1	10,504,533
Liu Guo Tu Zi Rang He (2006) No. 21	20 March 2006	129,999.6	16,899,948
	Total	231,960.3	33,504,481

- b) Pursuant to the following State-owned Land Use Rights Certificates issued by the People's Government of Nanjing Municipal, the land use rights of the Site with a total site area of approximately 231,960.30 sq.m. have been granted to Nanjing Dragon Crown.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Expiry Date
Ning Liu Guo Yong (2006) No.00606	21 March 2006	129,999.6	Industrial: 16 March 2056
Ning Liu Guo Yong (2006) No.02027	9 August 2006	80,804.1	Industrial: 26 July 2056
Ning Liu Guo Yong (2010) No.00642	9 March 2010	19,070.4	Industrial: 9 January 2060
Ning Liu Guo Yong (2010) No.00643	9 March 2010	2,086.2	Industrial: 9 January 2060
	Total:	<u>231,960.3</u>	

- c) Pursuant to the following Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately 10,191.33 sq.m. has been held by Nanjing Dragon Crown.

Building Ownership Certificates Number	Date of Issuance	Gross Floor Area (sq.m.)
Ning Fang Quan Zheng He Chu Zi No. 30821	17 July 2010	3,696.91
Ning Fang Quan Zheng He Chu Zi No. 30828	17 June 2010	1,263.87
Ning Fang Quan Zheng He Chu Zi No. 30663	17 June 2010	227.25
Ning Fang Quan Zheng He Chu Zi No. 30825	17 June 2010	1,137
Ning Fang Quan Zheng He Chu Zi No. 30820	17 June 2010	54.89
Ning Fang Quan Zheng He Chu Zi No. 30822	17 June 2010	75.52
Ning Fang Quan Zheng He Chu Zi No. 30805	17 June 2010	71.08
Ning Fang Quan Zheng He Chu Zi No. 30826	17 June 2010	108.75
Ning Fang Quan Zheng He Chu Zi No. 30819	17 June 2010	204.92
Ning Fang Quan Zheng He Chu Zi No. 30808	17 June 2010	528.69
Ning Fang Quan Zheng He Chu Zi No. 30806	17 June 2010	526.9
Ning Fang Quan Zheng He Chu Zi No. 30809	17 June 2010	801.74
Ning Fang Quan Zheng He Chu Zi No. 30824	17 June 2010	194.75
Ning Fang Quan Zheng He Chu Zi No. 30823	17 June 2010	16.52
Ning Fang Quan Zheng He Chu Zi No. 30818	17 June 2010	155.36
Ning Fang Quan Zheng He Chu Zi No. 30817	17 June 2010	17.06
Ning Fang Quan Zheng He Chu Zi No. 30816	17 June 2010	117.21
Ning Fang Quan Zheng He Chu Zi No. 30812	17 June 2010	17.06
Ning Fang Quan Zheng He Chu Zi No. 30811	17 June 2010	118.01
Ning Fang Quan Zheng He Chu Zi No. 30827	17 June 2010	221.28
Ning Fang Quan Zheng He Chu Zi No. 30829	17 June 2010	619.7
Ning Fang Quan Zheng He Chu Zi No. 30810	17 June 2010	<u>16.86</u>
	Total:	<u>10,191.33</u>

- d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

- i) Nanjing Dragon Crown legally owns the land use rights and corresponding building ownership and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

- ii) Regarding the non-mortgaged portion of the property, Nanjing Dragon Crown is entitled to transfer, lease, mortgage or otherwise dispose of the property according to the PRC laws.
- iii) Regarding the mortgaged portion of the property as below mentioned, the mortgaged contract is legal and valid and Nanjing Dragon Crown is entitled to transfer, lease, remortgage or otherwise dispose of the property subject to the prior consent from the mortgagee with the mortgage period.
- iv) The following portions of the property are subject to mortgages:

State-owned Land Use Rights Certificate Mortgaged	Encumbrance Number	Date of Issuance	Creditor
Ning Liu Guo Yong (2006) No. 02027	Di He (2007) Zi No. 119	17 October 2007	Nanjing Branch, Hang Seng Bank
Ning Liu Guo Yong (2006) No. 00606	No. 1060478	30 May 2006	Nanjing Branch, Bank of Communication

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
2. An industrial complex, No. 10 Xinhua Road, Tangu District, Tianjin City, the PRC	<p>As advised by the Group, the property comprises various buildings with a total gross floor area of approximately 885.26 sq.m., erected on a parcel of land with a site area of approximately 15,161.92 sq.m. (the "Site").</p> <p>As advised by the Group, the buildings were completed around 1995.</p> <p>The Site is held under one State-owned Land Use Rights Certificate with a land use term expiring on 27 August 2014 for storage use.</p>	The property is currently occupied by the Group for industrial storage use.	No commercial value

Notes:

- a) Pursuant to the State-owned Land Use Rights Certificate Jin Guo Yong (95) Zi No. 018 dated 21 April 1995 issued by Tianjin Municipal State-owned Land and Resource Bureau and a confirmation letter dated 13 August 2010 issued by the government, the land use rights of the site with an area of approximately 15,161.92 sq.m. have been allocated to Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd. (天津天龍液體化工儲運有限公司) ("Tianjin Tianlong") for storage use with a land use term expiring on 27 August 2014.
- b) Pursuant to the Building Ownership Certificate Fang Quan Zheng Jin Wai Fang Zi No. 070001605 issued by Tianjin Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of 1,189.28 sq.m. is held by Tianjin Tianlong.
- c) As advised by the Group, portion of the property as abovementioned in note b), with a total gross floor area of approximately 304.02 sq.m. has been demolished.
- d) As the Group has not obtained the land use rights of the property at the date of valuation, we have ascribed no commercial value to the property. Had the Group obtained the land use rights of the property, the capital value of the property in existing state as at 30 September 2010 would be in the sum of RMB3,000,000 (65.00% interests attributable to the Group: RMB1,950,000).
- e) Pursuant to the tenancy agreement between Tianjin Tianlong ("Lessor") and Tianjin City Tianlong Haixiang Logistics Agency Co., Ltd. (天津市天龍海翔貨運代理有限公司) ("Lessee"). The Lessee is permitted to occupy the property owned by the Lessor free of charge.

- f) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
 - i) The Lessor legally owns the land use rights and corresponding building ownership of the property as mentioned in note a) and b) above.
 - ii) The Lessee is entitled to use the property in accordance with the relevant laws.
 - iii) After the Lessor obtained the approval by the government and complied necessary procedures as required by the PRC laws, the Lessor is entitled to transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
3. Room 303, Block 9-1, Changchunli, Fujian Road West, Tangu District, Tianjin City, the PRC	As advised by the Group, the property comprises an unit with a gross floor area of approximately 70.62 sq.m. The property is held under one Realty Title Certificate with a land use term expiring on 18 July 2064.	The property is currently vacant.	970,000 (65.00% interests attributable to the Group: RMB630,500)

Notes:

- a) Pursuant to the Realty Title Certificate Fang Di Zheng Jin Zi No. 107031027496 issued by People's Government of Tianjin Municipal, the building ownership of the property with a gross floor area of 70.62 sq.m. and the land use rights with a site area of approximately 25 sq.m. have been granted to Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd. (天津天龍液體化工儲運有限公司) ("Tianjin Tianlong").
- b) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
 - i) Tianjin Tianlong legally owns the land use rights and corresponding building ownership and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
4. An office building, various residential units and covered car parking spaces No. 338 Houda Street, No. 14 Danshuijingtou, Zhaobaoshan Street, Zhenhai District, Ningbo City, Zhejiang Province, the PRC	As advised by the Group, the property comprises a 4-storeyed office building, two residential units and two covered car parking spaces with a total gross floor area of approximately 542.12 sq.m. The property was completed in 1996. The property is held under three State-owned Land Use Rights Certificates with various land use terms expiring on 14 May 2045, 14 May 2065.	The property is currently occupied by the Group as an office building, residential units and car parking spaces.	3,880,000 (60.00% interests attributable to the Group: RMB2,328,000)

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the property with a total site area of approximately 203.47 sq.m. have been granted to Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd. (寧波寧翔液化儲運碼頭有限公司) (“Ningbo Ningxiang”) and (Ningbo Xinxiang Liquid Chemical Store Co., Ltd. (寧波新翔液體化工倉儲有限公司) (“Ningbo Xinxiang”).

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Owner/Use/Expiry Date
Zhen Guo Yong (2004) No. 007259	30 August 2004	15.59	Owner: Ningbo Xinxiang Residential: 14 May 2065
Zhen Guo Yong (2004) No. 007258	30 August 2004	84.85	Owner: Ningbo Xinxiang Public facility: 14 May 2045
Zhen Guo Yong (1997) No. 014001	10 January 1997	103.03	Owner: Ningbo Ningxiang Residential and Commercial:
	Total	<u>203.47</u>	

- b) Pursuant to the following Building Ownership Certificates the building ownership of the property with a total gross floor area of approximately 542.12 sq.m. has been granted to the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Details
Zhen Cheng Zi No. 4 – 5115	30 April 1997	448.54	Owner: Ningbo Ningxiang Office: 339.42 sq.m. Residential Unit: 82.49 sq.m. Car Parking Space: 26.63 sq.m.
Fang Quan Zheng Zhen Cheng Zi No. 2004002392	18 June 2004	433	Owner: Ningbo Xinxiang Office: 339.42 sq.m. Residential Unit: 67.88 sq.m. Car Parking Space: 25.7sq.m.
		Total:	<u><u>542.12*</u></u>

* As advised by the Group and legal advisor, Ningbo Ningxiang and Ningbo Xinxiang equally share the building ownership of the office unit as abovementioned, with a total gross floor area of approximately 339.42 sq.m..

- c) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
- i) Ningbo Ningxiang and Ningbo Xinxiang legally own the land use rights and corresponding building ownership and are entitled to transfer, lease, mortgage or otherwise dispose of the property.
 - ii) Regarding the shared office unit of the property as abovementioned in note b), Ningbo Ningxiang and Ningbo Xinxiang are entitled to transfer, lease, mortgage or otherwise dispose of the property with the consent of the other side.
 - iii) Regarding the other portion of the property as mentioned in note a) and note b), Ningbo Ningxiang and Ningbo Xinxiang are entitled to transfer, lease, mortgage or otherwise dispose of property owned individually.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
5. Two parcels of land, Zhenhai Port Working Area, Zhenhai District, Ningbo City, Zhejiang Province, the PRC	As advised by the Group, the property comprises two parcels of land with a total site area of approximately 7,061 sq.m. (the "Site"). The Site is held under two State-owned Land Use Rights Certificates with a land use term of 25 years from 30 December 1993.	The property is currently occupied by the Group for storage use.	1,670,000 (60.00% interests attributable to the Group: RMB1,002,000)

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates with a total site area of approximately 7,061 sq.m. have been granted to Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd. (寧波寧翔液化儲運碼頭有限公司) ("Ningbo Ningxiang").

State-owned Land Use Rights

Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Expire Date
Zhen Guo Yong (93) No. 0170016 Zi	30 December 1993	6,474	Storage: 30 December 2018
Zhen Guo Yong (93) No. 0170017 Zi	30 December 1993	587	Storage: 30 December 2018
	Total:	<u>7,061</u>	

- b) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
- i) Ningbo Ningxiang legally owns the land use rights and is entitled to transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

Group II – Property interests rented by the Group in the PRC

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
6. Room 1620, Lakeview Xuanwu Hotel, No. 193 Zhongyang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	As advised by the Group, the property comprises a hotel room with a gross floor area of approximately 40 sq.m.. The property was completed in 1985. The property is leased to the Group for a term from 1 June 2010 to 31 May 2011.	The property is currently occupied by the Group for residential use.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Lakeview Xuanwu Hotel Co., Ltd. (南京玄武飯店有限責任公司) (“Lessor”) and Nanjing Dragon Crown Liquid Chemical Terminal Co., Ltd. (南京龍翔液體化工儲運碼頭有限公司) (“Lessee”). The Lessor agreed to lease the property to the Lessee for a daily rent of RMB350 with a lease term from 1 June 2010 to 31 May 2011.
- b) Pursuant to the Building Ownership Certificate Ning Fang Quan Zheng Gu Zhuan Zi No. 236605 issued by Nanjing Municipal Real Estate Management Bureau, the building ownership with a total gross floor area of approximately 19,850 sq.m. has been granted to the Lessor.
- c) As advised by the Group, the Lessor is an independent third party of the Group.
- d) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Lessor legally owns the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property. The lease agreement is accordance with the law.
 - ii) The Lessee is entitled to use the property in accordance with the lease agreement.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
7. Room 504, Block 9, Meihua Garden, No. 60 Muxuyuan Street, Baixia District, Nanjing City, Jiangsu Province, the PRC	As advised by the Group, the property comprises a residential unit with a gross floor area of approximately 89 sq.m.. The property was completed in 1995. The property is leased to the Group from 19 October 2005 to 18 October 2006 at a monthly rent of RMB2,800.	The property is currently occupied by the Group as a residential unit.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Dong Ping, He Ping (董平、何萍) (“Lessors”) and Nanjing Dragon Crown Liquid Chemical Terminal Co., Ltd. (南京龍翔液體化工儲運碼頭有限公司) (“Lessee”). The Lessors agreed to lease the property to the Lessee with a monthly rent of RMB2,800 with a lease term from 19 October 2005 to 18 October 2006.
- b) As advised by the Group, the tenancy agreement above mentioned is continuously executed by the Lessors and the Lessee after the lease term.
- c) Pursuant to the Building Ownership Certificate Ning Fang Bai Zhuan Zi No. 229578, the property with a gross floor area of approximately 89 sq.m. has been granted to the Lessors.
- d) As advised by the Group, the Lessors are independent third party of the Group.
- e) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Lessors legally own the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property.
 - ii) The Lessee is entitled to use the property in accordance with the lease agreement.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
8. Room 203, Block 14, Meihua Garden, No. 60 Muxuyuan Street, Baixia District, Nanjing City, Jiangsu Province, The PRC	As advised by the Group, the property comprises a residential unit with a gross floor area of approximately 86.92 sq.m. The property was completed in 1995. The property is leased to the Group for a term from 24 December 2009 to 23 December 2010 at a monthly rent of RMB2,400.	The property is currently occupied by the Group as a residential unit.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Zhang Cuiyu (張萃鈺) (“Lessor”) and Nanjing Dragon Crown Liquid Chemical Terminal Co., Ltd. (南京龍翔液體化工儲運碼頭有限公司) (“Lessee”). The Lessor agreed to lease the property to the Lessee with a total monthly rent of RMB2,400 with a lease term from 24 December 2009 to 23 December 2010.
- b) Pursuant to the Building Ownership Certificate Bai Shang Zi No. 00533 issued by People’s Government of Nanjing Municipal, the property with a gross floor area of approximately 86.92 sq.m. has been granted to the Lessor.
- c) As advised by the Group, the Lessor is an independent third party of the Group.
- d) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Lessor legally owns the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property. The lease agreement is accordance with the law.
 - ii) The Lessee is entitled to use the property in accordance with the lease agreement.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
9. A parcel of land, No. 10 Xinhua Road, Tangu District, Tianjin City, the PRC	As advised by the Group, the total site area of the land is approximately 1,013 sq.m.. The property is leased to the Group for a term from 1 July 2010 to 27 August 2014 at an annual rent of RMB20,868.	The property is currently occupied by the Group for industrial use.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Tianjin Changlu Haijing Group Co., Ltd. (天津長蘆海晶集團有限公司) (“Lessor”) and Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd. (天津天龍液體化工儲運有限公司) (“Lessee”). The Lessor agreed to lease the property to the Lessee with a total annual rent of RMB20,868 with a lease term from 1 July 2010 to 27 August 2014.
- b) Pursuant to the Realty Title Certificate Fang Di Zheng Jin Zi No. 107020821652 with a land area of approximately 65,105.6 sq.m., where the property is located therein, has been allocated to the Lessor.
- c) As advised by the Group, the Lessor is an independent third party of the Group.
- d) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Lessor has obtained the Realty Title Certificate as abovementioned in note b). However the Lessor failed to comply the necessary procedures of leasing the allocated land use rights as required by the relevant PRC laws. The Lessee may bear the risk of unable to continue the tenancy of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
10. Two parcels of land, Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC	As advised by the Group, the property comprises two parcels of land with a site area of approximately 9,969.24 sq.m. The property is leased to the Group for a term of 15 years from 1 January 2004 at an aggregate rent of RMB418,700.	The property is currently occupied by the Group for storage use.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Ningbo Port Co., Ltd. (寧波港股份有限公司) (“Lessor”) and Ningbo Xinxiang Liquid Chemical Store Co., Ltd. (寧波新翔液體化工倉儲有限公司) (“Lessee”). The Lessor agreed to lease the property, with a gross floor area of approximately 9,969.24 sq.m., to the Lessee for a 15-year lease term from 1 January 2004, with an aggregate rent of RMB418,700.
- b) Pursuant to the State-owned Land Use Rights Certificates issued by People’s Government of Ningbo Municipal, with a land area of 9,969.24 sq.m. in which the property is therein, with a land use term expiring on 25 December 2053 has been granted to the Lessor.

State-owned Land Use Rights

Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Expiry Date
Yong Guo Yong (2009) No. 0600945	16 February 2009	2,963	Storage: 25 December 2053
Yong Guo Yong (2009) No. 0600950	16 February 2009	7,006	Storage: 25 December 2053
		Total:	<u>9,969</u>

- c) As advised by the Group, the Lessor is an independent third party of the Group.
- d) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- i) The Lessor legally owns the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property. The lease agreement is accordance with the law.
- ii) The Lessee is entitled to use the property in accordance with the lease agreement.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
11. An office unit No. 2 Zhenyuan Road, Zhenhai District, Ningbo City, Zhejiang Province, the PRC	As advised by the Group, the property comprises an office unit on the first floor with a total gross floor area of approximately 222 sq.m. The property is leased to the Group for a term of one year from 1 November 2009.	The property is currently occupied by the Group for office use.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Cao Licheng (曹利成) (“Lessor”) and Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd. (寧波寧翔液化儲運碼頭有限公司) (“Lessee A”), the Lessor agreed to lease a portion of the property with a gross floor area of approximately 122 sq.m. to the Lessee A for a term of a year from 1 November 2009 at an annual rent of RMB40,000.
- b) Pursuant to the tenancy agreement between Cao Licheng (曹利成) (“Lessor”) and Ningbo Xinxiang Liquid Chemical Store Co., Ltd. (寧波新翔液體化工倉儲有限公司) (“Lessee B”), the Lessor agreed to lease a portion of the property with a gross floor area of approximately 100 sq.m. to the Lessee B for a term of a year from 1 November 2009 at an annual rent of RMB40,000.
- c) Pursuant to the State-owned Land Use Rights Certificate Zhen Guo Yong(2002) Zi No. 0110362, the land use rights of the property with a land area of approximately 31.71 sq.m., in which the property is located therein, has been granted to the Lessor.
- d) Pursuant to the Building Ownership Certificate Fang Quan Zheng Zhen Cheng Zi No.2001003740, the building ownership of the property with a total gross floor area of 222 sq.m., in which the property is located therein, has been granted to the Lessor.
- e) As advised by the Group, the Lessor is an independent third party of the Group.
- f) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Lessor legally owns the land use rights and the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property. The lease agreement is accordance with the law.
 - ii) The Lessee A and the Lessee B are entitled to use the property in accordance with the lease agreement.

VALUATION CERTIFICATE

Group III – Property interests rented by the Group in Hong Kong

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2010 (RMB)
12. Unit No. 3 on the 18th Floor of Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong	As advised by the Group, the property comprises an office unit with a gross floor area of approximately 2,227 sq.ft.. As advised by the Group, the property is leased at total monthly rent of HK\$124,499, with a lease term commencing from 1 August 2010 to 31 December 2012.	The property is currently occupied by the Group for office use.	No commercial value

Notes:

- a) Pursuant to the tenancy agreement between Dragon Crown Investments Limited (“Lessor”) and Dragon Crown Petrochemicals Terminal (Holdings) Limited (“Lessee”), the Lessor agreed to lease the property with a gross floor area of approximately 2,227 sq. ft. to the Lessee with a lease term commencing from 1 August 2010 to 31 December 2012 at a monthly rent of Hong Kong dollar 124,499.
- b) As advised by the Group, the Lessee is a connected party of the Group.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 July 2010 under the Companies Law. The Memorandum of Association (the “Memorandum”) and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted, and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 30 November 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived);
or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

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(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the

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previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

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- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with

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the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear

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days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

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(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be

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entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the

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excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the

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par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a

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company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 August, 2010.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged

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to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

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(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**A. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability in the Cayman Islands on 16 July 2010. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 30 September 2010. Mr. CHONG Yat Chin and Mr. KWAN Chun Yuen have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and to our constitution comprising our memorandum of association and the Articles. A summary of certain provisions of our Company's constitution and relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

B. Change in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each.

On 16 July 2010, one subscriber Share with the par value of HK\$0.1 of our Company which was nil paid was transferred to Lirun.

On 4 August 2010, 97 Shares and two shares were allotted and issued to each of Lirun and Silver Coin nil paid, respectively.

On 29 November 2010, resolutions were passed by our Company to capitalise an advances in an aggregate amount of US\$1,457,600 due to Lirun and Silver Coin by (i) issuing 112,602 Shares, credited as fully paid, to Lirun and crediting in full at par the 98 nil paid Shares held by Lirun; and (ii) issuing 2,298 Shares, credited as fully paid, to Silver Coin and crediting in full at par the two nil paid Shares held by Silver Coin.

On 29 November 2010, resolutions were passed by our Company to capitalise an advances in an aggregate amount of US\$26,600,000 due to Lirun, Ansen and Silver Coin by (i) issuing 635,500 Shares, credited as fully paid, to Lirun; (ii) under the direction of Lirun, issuing 16,500 Shares, credited as fully paid, to Sure Port; (iii) issuing 33,000 Shares, credited as fully paid, to Ansen; and (iv) issuing 13,650 Shares, credited as fully paid, to Silver Coin.

On 29 November 2010, resolutions were passed by our Company to capitalise an advance in an amount of HK\$26,000,000 due to Lirun by issuing 11,350 Shares, credited as fully paid, to Lirun.

On 30 November 2010, pursuant to the resolutions in writing of the Shareholders, details of which are set out in the sub-paragraph headed “C. Resolutions in writing of the Shareholders passed on 30 November 2010” of this paragraph, our authorised share capital of HK\$380,000 was increased to HK\$400,000,000 divided into 4,000,000,000 Shares.

Immediately following completion of the Global Offering and the Capitalisation Issue (and before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$110,000,000 divided into 1,100,000,000 Shares, all fully paid or credited as fully paid and 2,900,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the sub-paragraph headed “C. Resolutions in writing of the Shareholders passed on 30 November 2010” below, there has been no alteration in the share capital of our Company since its incorporation.

C. Resolutions in writing of the Shareholders passed on 30 November 2010

Pursuant to the resolutions in writing passed by the Shareholders on 30 November 2010, the following resolutions, among other resolutions, were duly approved:

- (a) our Company approved and adopted the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$400,000,000 by the creation of an additional 3,996,200,000 Shares;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the Over-allotment Option and options which may be granted under the Share Option Scheme); (ii) the Offer Price has been determined by our Company and the Sole Global Coordinator by entering into the Price Determination Agreement by the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and the Directors were unconditionally authorised to effect the same and to allot and issue new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to effect the Over-allotment Option and to allot and issue the Shares which may be required to be issued if the Over-allotment Option is exercised;

- (iii) the Share Option Scheme, the principal terms of which are set out in the paragraph headed “A. Share Option Scheme” under the section entitled “7. Other information” in this Appendix, was approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of our Offer Shares by our Company pursuant to the Global Offering, the Directors were authorised to capitalise the amount of up to HK\$82,417,500 from the amount standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par up to 824,175,000 Shares for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on 30 November 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their existing shareholdings in our Company and our Directors were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents thereof.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than the issue of Shares pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or an issue of Shares upon the exercise of the Over-allotment Option, or an issue of Shares upon the exercise of the subscription rights under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue, such mandate to remain in effect until whichever is earlier of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the revocation or variation of this resolution by an ordinary resolution of the Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of and on behalf of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number

of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue, such mandate to remain in effect until whichever is earlier of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the revocation or variation of this resolution by an ordinary resolution of the Shareholders in general meeting; and

- (f) conditional upon resolutions mentioned in paragraphs (d) and (e) above being passed, the aggregate nominal amount of the Shares which are repurchased by our Company under the authority granted to our Directors as mentioned in resolution mentioned in paragraph (e) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to resolution mentioned in paragraph (d) above.

2. CORPORATE REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. As a result, our Company became the holding company of our Group. A diagram illustrating our Group's corporate structure after completion of the Reorganisation as of the date of this prospectus is set forth in "Reorganisation" in this prospectus. The Reorganisation involved the following principal steps:–

- establishment of our Company, Lirun, Silver Coin, Ansen, Sure Port, Ocean Ahead, Sinolake, Quick Response, Sea Triumph, Ideal Huge and Ocean Access;
- acquisition of 65% equity interests in Tianjin Tianlong from DC Investments;
- acquisition of 40% shareholding interests in Dragon Bussan from Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited; and
- subscriptions for new shares and/or conversions of certain shares into non-voting deferred shares in Dragon Bussan, DC Petrochemicals and Dragon Source.

Details of the Reorganisation are set forth in "Reorganisation" in this prospectus.

3. CHANGES IN SHARE CAPITAL OF SUBSIDIARIES OF OUR COMPANY

Our Company's subsidiaries include Ocean Ahead, Sinolake, Quick Response, Sea Triumph, Ideal Huge, Ocean Access, Dragon Bussan, DC Petrochemicals, Dragon Source, Tianjin Tianlong, Tianlong Haixiang, Ningbo Ningxiang, Nanjing Dragon Crown and Ningbo Xinxiang. Details of our subsidiaries are set forth in "History and development – Our corporate history" in this prospectus. Save as disclosed above and in "History and Development" and "Reorganisation" in this prospectus, there has been no alterations in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Set out below are the rights and restrictions of non-voting deferred shares in Dragon Bussan, DC Petrochemicals and Dragon Source:–

A. Rights and restrictions of non-voting deferred shares in Dragon Bussan

- (a) *as regards income.* The profits which Dragon Bussan may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;
- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of Dragon Bussan to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and
- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary shares held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

B. Rights and restrictions of non-voting deferred shares in DC Petrochemicals

- (a) *as regards income.* The profits which DC Petrochemicals may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;

- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of DC Petrochemicals to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and
- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary shares held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

C. Rights and restrictions of non-voting deferred shares in Dragon Source

- (a) *as regards income.* The profits which Dragon Source may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares;
- (b) *as regards capital.* On a return of assets on winding up or otherwise, the assets of Dragon Source to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in each case in proportion to the nominal amounts of the shares held by them respectively; and
- (c) *as regards voting.* On a show of hands, every holder of ordinary shares (being an individual) present in person or by proxy or (being a corporation) is represented by its duly authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or in the case of a corporation, by its authorised representative, shall have one vote for every ordinary shares held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting.

4. REPURCHASE OF SHARES BY THE COMPANY

A. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to resolution passed by the Shareholders on 30 November 2010, a general unconditional mandate (the "Repurchase Mandate") was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

B. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

C. Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

D. General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeover Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Takeover Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 110,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of the Controlling Shareholders of our Company, will be

increased to approximately 78.39% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rule requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

5. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

A. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:



- (a) the share sale agreement dated 27 September 2010 entered into among Mitsui & Co., Ltd., Mitsui & Co. (Hong Kong) Ltd. and Quick Response, pursuant to which Mitsui & Co., Ltd. and Mitsui & Co. (Hong Kong) Ltd. agreed to sell and Quick Response agreed to purchase an aggregate of 600,000 shares in Dragon Bussan at an aggregate consideration of US\$1,457,600;
- (b) the deed of novation dated 29 November 2010 entered into among Lirun, Silver Coin, Quick Response and our Company, pursuant to which our Company agreed to assume all obligations as debtor in respect of indebtedness of Quick Response due to Lirun and Silver Coin in an aggregate amount of US\$1,457,600;
- (c) the deed of novation dated 29 November 2010 entered into among Lirun, Ansen, Silver Coin, Sea Triumph and our Company, pursuant to which our Company agreed to assume all obligations as debtor in respect of indebtedness of Sea Triumph due to Lirun, Ansen and Silver Coin in an aggregate amount of US\$26,600,000;
- (d) the deed of novation dated 29 November 2010 entered into among Lirun, Ideal Huge and our Company, pursuant to which our Company agreed to assume all obligations as debtor in respect of indebtedness of Ideal Huge due to Lirun in an amount of HK\$26,000,000;
- (e) the deed of indemnity dated 30 November 2010 entered into between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, a summary of which is set out in the section headed “Other information – Estate duty, tax and other indemnities” in Appendix VI to this prospectus; and

(f) the Hong Kong Underwriting Agreement.





B. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had filed applications for the registration of the following trademark in the PRC:

Trademark	Application No.	Applicant	Application Date	Class	Place of Application
(A) 	8614787	DC Petrochemicals	27 August 2010	39	the PRC
(B) 					

As of the Latest Practicable Date, our Group had filed applications for the registration of the following trademarks in Hong Kong:

Trademark	Application No.	Applicant	Application Date	Class	Place of Application
(A)  Petrochemicals	301655424	DC Petrochemicals	5 July 2010	39	Hong Kong
(B)  Petrochemicals					
(A) 	301657341	DC Petrochemicals	7 July 2010	39	Hong Kong
(B) 					

(b) Domain Name

As of the Latest Practicable Date, our Group is a registered proprietor of the following domain name:

Domain name	Name of Proprietor	Expiry Date
www.dragoncrown.com	Our Company	12 October 2013

6. FURTHER INFORMATION ABOUT OUR DIRECTORS AND OUR SUBSTANTIAL SHAREHOLDERS

A. Directors

(a) Disclosure of interest – interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration of the Shares which may be taken up under the Global Offering and that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, the interest or short position of the Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

(i) Long positions in Shares

Name of Director	Nature of interest	Number of Shares	Approximate Percentage of interest immediately after the completion of the Global Offering and the Capitalisation Issue (%)
Mr. NG ⁽¹⁾⁽²⁾	Corporate interest	776,050,000	70.55
Mr. TING Yian Ann ⁽³⁾	Corporate interest	33,000,000	3
Mr. CHONG Yat Chin ⁽⁴⁾	Corporate interest	15,950,000	1.45

Notes:

- (1) Mr. NG is the beneficial owner of all the issued share of Lirun which holds 759,550,000 Shares.
- (2) Mr. NG is the beneficial owner of all the issued share of Sure Port which holds 16,500,000 Shares. Sure Port was incorporated as a holding company for the interests of Mr. NG in our Group with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, the allocation of interests of our Group held by Sure Port was yet to be determined.
- (3) Mr. TING Yian Ann is the beneficial owner of all the issued share of Ansen which holds 33,000,000 Shares.
- (4) Mr. CHONG Yat Chin is the beneficial owner of all the issued share of Silver Coin which holds 15,950,000 Shares.

(ii) Long positions in shares of associated corporations

Name of Director	Name of associated corporations	Capacity	Number of shares	Percentage of issued shares (%)
Mr. NG	Lirun	Beneficial owner	40	100
Mr. NG	Sure Port	Beneficial owner	10	100
Mr. TING Yian Ann	Ansen	Beneficial owner	20	100
Mr. CHONG Yat Chin	Silver Coin	Beneficial owner	30	100

(b) Particulars of our Directors' service contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from 1 December 2010, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) *Directors' remuneration*

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. The current annual director's fees and remuneration of the executive Directors are as follows:

Mr. NG – HK\$935,000 per annum
Mr. TING Yian Ann – HK\$3,000,000 per annum
Mr. CHONG Yat Chin – HK\$1,300,200 per annum
Ms. CHAN Wan Ming – HK\$1,200,000 per annum
Mr. KWAN Chun Yuen – HK\$1,002,000 per annum

The independent non-executive Directors have been appointed for a term of one year commencing from 1 December 2010. Our Company will pay the following director's fees to the independent non-executive Directors:–

Mr. LUO Shijie – HK\$150,000 per annum
Mr. ZHU Wujun – HK\$150,000 per annum
Mr. LAU Sik Yuen – HK\$240,000 per annum

The aggregate amount of remuneration (including fees, salaries, discretionary bonus, retirement benefit contribution (including pension), housing and other allowances, and other benefits in kind) that was payable our Directors during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was approximately nil, HK\$157,000, HK\$295,000 and HK\$228,000, respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors for the year ending 31 December 2010 will be approximately HK\$665,000.

Further details of the terms of the above service contracts are set out in “Further information about our Directors and our substantial Shareholders – Directors – Particulars of our Directors' service contracts” in this Appendix.

B. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation issue and Global Offering without taking into consideration of the Shares which may be taken up under the Global Offering and that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, the following persons will have or be deemed or taken to have an

interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest immediately after the Global Offering and the Capitalisation issue (%)
Lirun	Beneficial owner	759,550,000 Shares	69.05
Sure Port	Beneficial owner	16,500,000 Shares	1.5
Mr. NG ⁽¹⁾	Corporate interest ⁽²⁾⁽³⁾	776,050,000 Shares	70.55

Notes:

1. Mr. NG is an executive Director.
2. Pursuant to the SFO, as Mr. NG holds 100% interest in Lirun, Mr. NG is deemed to be interested in the 759,550,000 Shares held by Lirun.
3. Pursuant to the SFO, as Mr. NG holds 100% interest in Sure Port, Mr. NG is deemed to be interested in the 16,500,000 Shares held by Sure Port.

Sure Port was incorporated as a holding company for the interests of Mr. NG in our Group with his intent to distribute such interests to his designated management members in the future. As of the Latest Practicable Date, Mr. NG had not yet made up his final decision as to the allocation of interests of our Group held by Sure Port.

C. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (b) none of our Directors or experts referred to under “Other information – Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering and Shares to be issued upon the exercise of the Over-allotment Option or the option to be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under “Other information – Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and

- (h) save as disclosed in this prospectus, none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

7. OTHER INFORMATION

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of the Shareholders of our Company passed on 30 November 2010.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

(collectively, the “**Eligible Participants**”)

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of

dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 110,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the Over-allotment Option and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is

given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations

(if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 110,000,000 Shares in total.

B. Estate duty, tax and other indemnities

The Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (i) of the subsection headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which dealings in Shares first commence on the Stock Exchange (the “Effective Date”).

The deed of indemnity also contain, amongst other things, indemnities given by the Controlling Shareholders in respect of taxation resulting from income, profits, gains, transactions, events, matters or things earned, accrued, received entered into or occurring on or before the Effective Date which might be payable by any member of our Group.

C. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

D. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

E. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$10,000 and are payable by our Company.

F. Promoter

There are no promoters of our Company.

G. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares. There is no estate duty payable in Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

H. Qualification of experts

The following are qualifications of experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) activities
Ernst & Young	Certified Public Accountants
King & Wood	PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
CB Richard Ellis Limited	Property valuers

I. Consents of experts

Each of China Everbright Capital Limited, Ernst & Young, King & Wood, Conyers Dill & Pearman and CB Richard Ellis has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

J. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

L. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no outstanding convertible debt securities or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) none of the persons named in “Other information – Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2010 (being the date to which the latest audited combined financial statements of our Group were made up);

- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) all necessary arrangement have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:–

- (a) a copy of each of the Application Forms;
- (b) the written consents referred to in “Other information – Consents of experts” in Appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Further information about the business of our Group – Summary of material contracts” in Appendix VI in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:–

- (a) the memorandum of association of the Company and the Articles;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the subsidiaries of our Group, where there is a statutory audit requirement, for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010;
- (d) the letter from Ernst & Young relating to the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
- (e) the letters from Ernst & Young and the Sponsor relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, valuation certificate and report dated the date of this prospectus relating to our property interests prepared by CB Richard Ellis, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter dated the date of this prospectus and prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in “Summary of the constitution of the Company and the Cayman Islands company law” in Appendix V to this prospectus;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (h) the Companies Law;
- (i) the material contracts referred to in the section entitled “Further information about the business of our Group – Summary of material contracts” in Appendix VI to this prospectus;
- (j) the written consents referred to in the section entitled “Other information – Consents of experts” in Appendix VI to this prospectus;
- (k) the service contracts referred to in the section entitled “Further information about our Directors and our substantial Shareholders – Directors – Particulars of our Directors’ service contracts” in Appendix VI to this prospectus;
- (l) the PRC legal opinion issued by King & Wood, our PRC Legal Adviser dated the date of this prospectus; and
- (m) the rules of the Share Option Scheme.

Dragon Crown Group Holdings Limited
龍翔集團控股有限公司