
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

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- 《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

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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 customised 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.

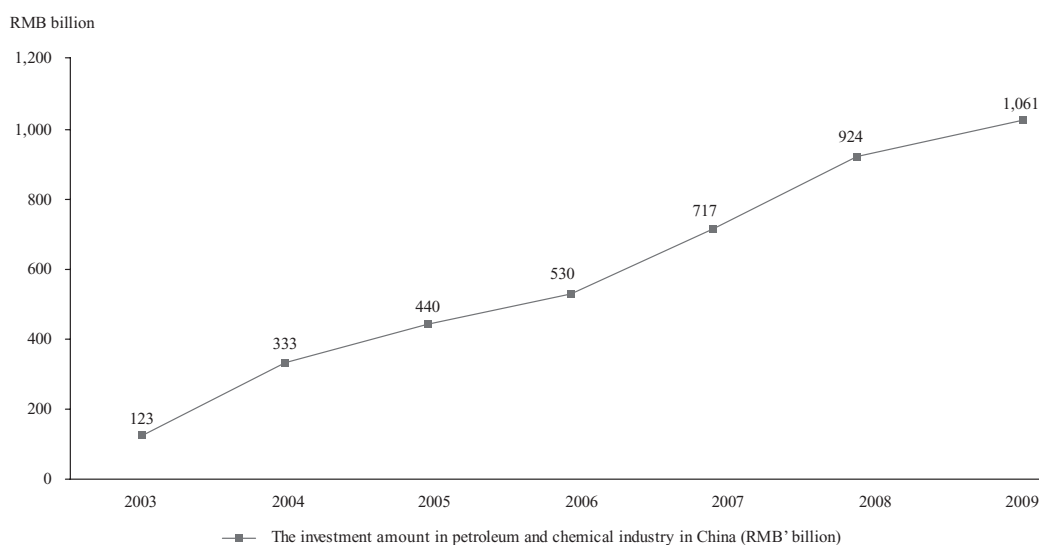
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CHEMICAL INDUSTRY

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:–



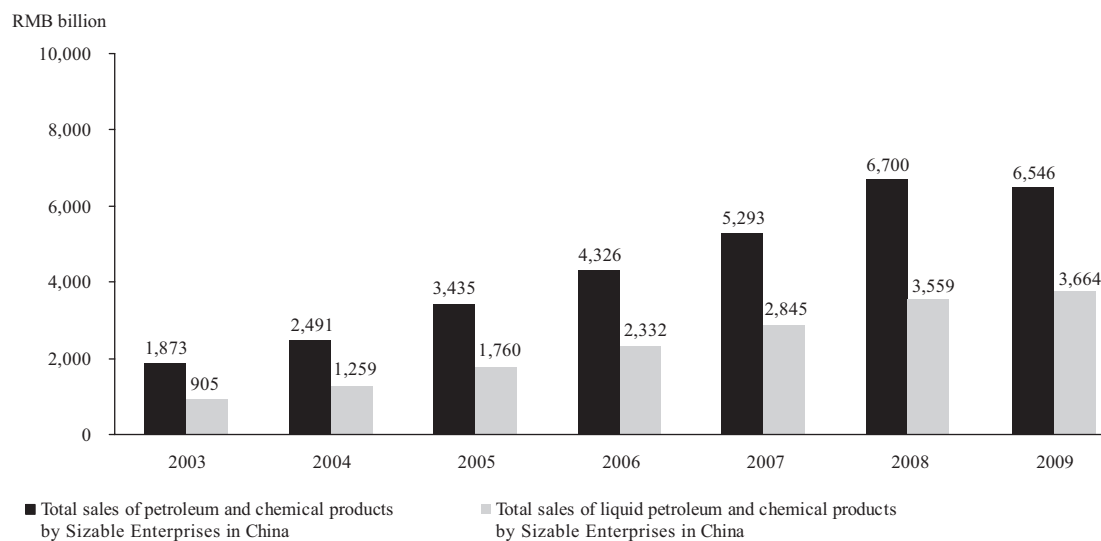
Source: National Bureau of Statistics of China

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

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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

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 <i>RMB billion</i>	2011 <i>RMB billion</i>	2012 <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

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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.

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 <i>RMB Billion</i>	Total Sales <i>RMB Billion</i>
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.

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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.

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.

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	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.

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

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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.

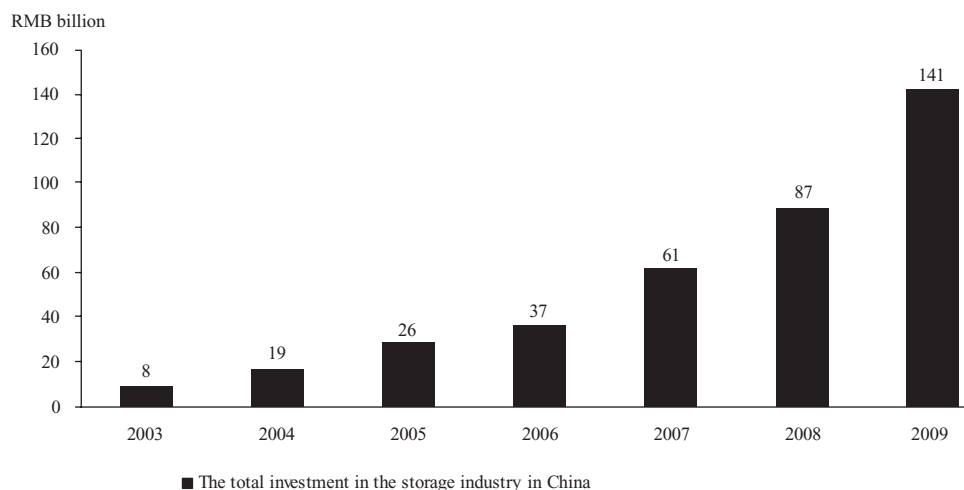
The storage and logistics for handling chemicals industry in China

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; iii) multinational petroleum and chemical companies are seeking logistics partners for handling liquid chemicals; and iv) the number of foreign chemical enterprises in China has reached 2,000 with most of them outsource their logistics arrangements. Moreover, since numerous foreign enterprises have 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.

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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 which seven of them are major chemical industry parks located along the coastal line of the Yangtze River Delta region. The following tables illustrate 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 <i>Million Tons</i>	2009 Total Investment Amount <i>RMB Billion</i>
	Nanjing Chemical Industry Park	9.70
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 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 is 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 acetylation 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 31 December 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