

### 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 2010, the Celanese Contracts contributed approximately HK\$143.2 million, HK\$192.0 million and HK\$228.3 million of revenue for our Group, which accounted for more than 90% of our revenue during each of the three years ended 31 December 2010. 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 2010, the annual fixed contract sums of the Celanese Contracts were approximately RMB123.3 million, RMB155.9 million and RMB157.2 million, respectively, which accounted for more than 75% of our revenue during each of the three years ended 31 December 2010. 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 licensed 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 km<sup>2</sup> 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 89.3%, 94.6% and 91.1% 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:–

<b>Terminals</b>		<b>Total actual throughput for the year ended 31 December</b>		
		<b>2008</b>	<b>2009</b>	<b>2010</b>
		<i>(metric tonnes)</i>		
Nanjing terminal operated by our subsidiary	Jetties	750,400	926,600	1,419,260
	Other delivery facilities	<u>100,200</u>	<u>314,800</u>	<u>382,340</u>
	Total	<u><u>850,600</u></u>	<u><u>1,241,400</u></u>	<u><u>1,801,600</u></u>
Tianjin terminal operated by our Associated Entities	Jetty	311,400	242,100	267,700
	Other delivery facilities	<u>–</u>	<u>–</u>	<u>5,300</u>
	Total	<u><u>311,400</u></u>	<u><u>242,100</u></u>	<u><u>273,000</u></u>
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	Jetty	26,200	23,800	37,700
	Other delivery facilities <i>(Note)</i>	<u>167,900</u>	<u>254,900</u>	<u>424,600</u>
	Total	<u><u>194,100</u></u>	<u><u>278,700</u></u>	<u><u>462,300</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 terminals in Nanjing, Tianjin and Ningbo:–

Jetties	Number of berth	Total designed berthing capacity	Total annual designed throughput	Total annual actual throughput			Utilisation rate		
		(Note 1) (dwt)	(metric tonnes)	For the year ended 31 December			For the year ended 31 December		
				2008	2009	2010	2008	2009	2010
				(metric tonnes)			(%)		
Nanjing terminal operated by our subsidiary	2	25,000	2,600,000	750,400	926,600	1,419,260	28.9	35.6	54.6 (Note 3)
Tianjin terminal operated by our Associated Entities	1	3,000	301,600 (Note 4)	250,040 (Note 5)	164,100 (Note 5)	163,980 (Note 5)	82.9	54.4	54.4
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	1	3,000	100,000	26,200	23,800	37,700	26.2	23.8	37.7

*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 m<sup>3</sup> 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 m<sup>3</sup>. 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 61,360 metric tonnes, 78,000 metric tonnes and 103,720 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 31 December			For the year ended 31 December			
	2008	2009	2010	2008	2009	2010	2008	2009	2010	
Nanjing terminal operated by our subsidiary	20	20	20	152,000	152,000	152,000	850,600	1,241,400	1,801,600	Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide
Tianjin terminal operated by our Associated Entities	15	15	15	24,900	24,900	24,900	250,000	164,100	169,290	ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	12	12	12	29,000	29,000	29,000	167,200	185,700	250,900	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 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.

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We have achieved significant growth in our revenue and net profit during the Track Record Period. For the three years ended 31 December 2010, we recorded revenue of approximately HK\$150.1 million, HK\$198.5 million and HK\$233.0 million, respectively. During the same periods, our net profit amounted to approximately HK\$72.0 million, HK\$101.9 million and HK\$117.2 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). 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 and 2010, 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 and HK\$228.3 million, representing approximately 96.7% and 98.0% of our total revenue, respectively.

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 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

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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 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.

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### **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 the three years ended 31 December 2010, (i) revenue derived from Celanese (Nanjing), one of our major customers, accounted for approximately 56.9%, 44.4% and 48.1% of our total revenue, respectively; (ii) revenue derived from Celanese Diversified, one of our major customers, accounted for approximately 29.2%, 42.3% and 41.1% of our total revenue, respectively; and (iii) revenue derived from Celanese Acetyl, one of our major customers, accounted for approximately 9.2%, 10.0% and 8.8% of our total revenue, respectively.

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, and 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



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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, 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

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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, have 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:

#### **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.

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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 m<sup>3</sup>; and four of them are spherical storage tanks dedicated for storage of butylene and butadiene with aggregate storage capacity of 10,000 m<sup>3</sup>.

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 m<sup>3</sup> 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 m<sup>2</sup> in our Nanjing terminal. As of the Latest Practicable Date, such 80,000 m<sup>2</sup> land was vacant for our future development. Such 80,000 m<sup>2</sup> 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.

We intend to cooperate with Nanjing CIPC for the 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

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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 provided that we comply with the legal requirements as deemed necessary by the relevant regulatory authorities. 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 300,000m<sup>3</sup>. 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 construction work will start in the first half of 2012 and operation will commence in the second half of 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

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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 the first half year of 2012 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.

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.

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### 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.

### 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		
	2008 (HK\$'000)	2009 (HK\$'000)	2010 (HK\$'000)
<b>Subsidiary</b>			
Nanjing Dragon Crown (Notes 1 and 5)	150,095	198,547	233,024
<b>Associated Entities/Jointly-controlled Entities</b>			
<b>Ningbo</b>			
Ningbo Ningxiang (Notes 2 and 5)	1,291	1,735	2,917
Ningbo Xinxiang (Notes 3 and 5)	4,102	5,006	5,922
<b>Tianjin</b>			
Tianjin Tianlong (Notes 4 and 5)	15,024	10,467	12,092

*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 consolidated and be included in the relevant components of our consolidated 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

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(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 consolidated 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 consolidated statements of comprehensive income.

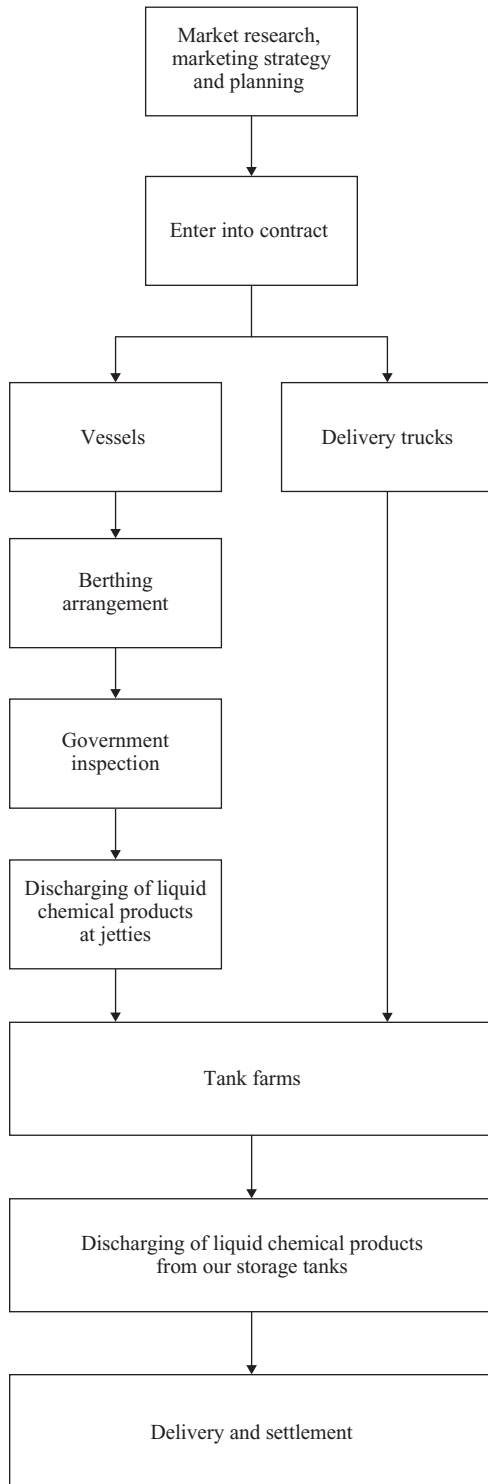
### **Liquid chemical products terminal and storage services**

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.

## BUSINESS

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 31 December 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 31 December 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 m<sup>3</sup> 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 m<sup>3</sup> 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 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.

### **OUR BUSINESS**

#### **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 km<sup>2</sup> 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 31 December 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 31 December 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 facilities in Nanjing 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 (metric tonnes)	Total actual throughput For the year ended 31 December			Utilisation rate (Note 4) For the year ended 31 December		
				2008	2009	2010	2008	2009	2010
Nanjing Dragon Crown, our subsidiary	No. 1 Jetty (Small Jetty) and No. 2 Jetty (Big Jetty)	25,000	2,600,000	750,400	926,600	1,419,260	28.9	35.6	54.6

*Notes:*

- The figure represents the total annual designed throughput capacity of both No. 1 Jetty and No. 2 Jetty.

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2. There were no changes to the designed throughput capacities of our jetties during the Track Record Period and of the Latest Practicable Date.
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		
		2008	2009	2010
		<i>(metric tonnes)</i>		
Nanjing terminal operated by our subsidiary	Jetties	750,400	926,600	1,419,260
	Other delivery facilities	100,200	314,800	382,340
	Total	850,600	1,241,400	1,801,600

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>(m<sup>3</sup>)</i>	Total actual throughput <i>(Note 2)</i>  <i>(metric tonnes)</i>
<b>As of/For the year ended 31 December 2008</b>	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
<b>As of/For the year ended 31 December 2009</b>	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
<b>As of/For the year ended 31 December 2010</b>	Carbon steel	11	Ambient temperature, electrical heating, thermal protection and low temperature	83,000	687,900
	Stainless steel	9	Low temperature and ambient temperature and cryogenic	69,000	1,113,700

*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 m<sup>3</sup> 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 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.

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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 31 December 2010, approximately 1.3% (amounting to approximately 2,000 m<sup>3</sup>) 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:–

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(Number of storage tanks)</i>		
Operated for Celanese	13	13	13
Operated for another long-term service contracts	2	2	2
Operated under short-term service contracts	1	4	1
Available for leasing	4	1	4
	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.

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

	<b>Storage capacity available at our terminal (m<sup>3</sup>)</b>	<b>Occupancy rate (%) (Note)</b>
<b>For the year ended 31 December 2008</b>	152,000	95
<b>For the year ended 31 December 2009</b>	152,000	95
<b>For the year ended 31 December 2010</b>	152,000	95

*Note:* The occupancy rate is calculated by:

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

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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.

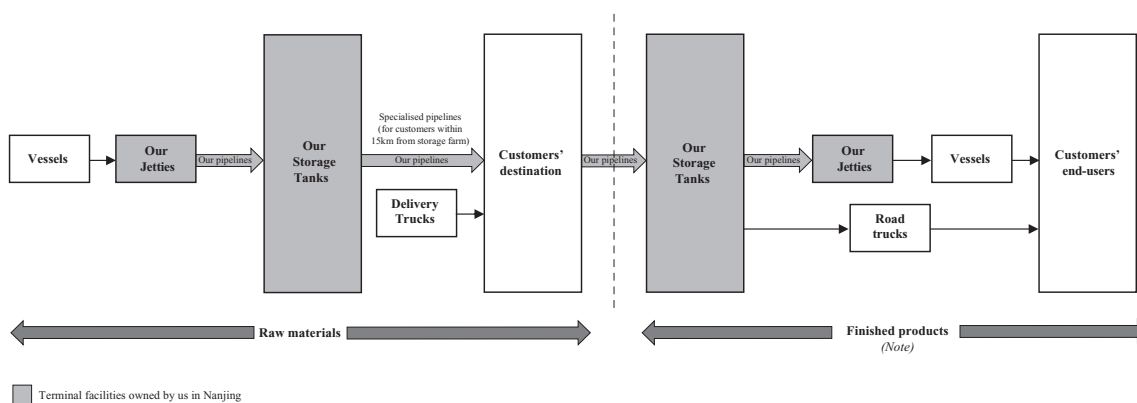
The location of our Nanjing terminal is inside the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009. Further information on the ranking of the 2009 actual production volume of the chemical industry 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 m<sup>2</sup> in our Nanjing terminal. As of the Latest Practicable Date, such 80,000 m<sup>2</sup> 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 m<sup>2</sup> 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.

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

### Nanjing terminal operated by our subsidiary





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*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 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,

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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 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 2010 annual report of Celanese Corporation, it recorded (i) net sales of approximately US\$6,823 million, US\$5,082 million and US\$5,918 million; (ii) operating profit of approximately US\$440 million, US\$290 million and US\$503 million; and (iii) net earnings of approximately US\$282 million, US\$498 million and US\$377 million, for each of the three years ended 31 December 2010, and (i) net assets of approximately US\$182 million, US\$586 million and US\$926 million; and (ii) total assets of approximately US\$7,166 million, US\$8,412 million and US\$8,281 million, as of the year end of each of the three years ended 31 December 2010. 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](http://www.sec.gov). and the website of Celanese Corporation at [www.celanese.com](http://www.celanese.com).

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.

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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.

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, 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.

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(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 Celanese Diversified Contract by giving the other party at least twenty-four months written notice, 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

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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 Celanese Acetyl Contract by giving the other party at least twenty-four months written notice, 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

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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 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 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

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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 2010, the annual fixed contract sums of the Celanese Contracts were approximately RMB123.3 million, RMB155.9 million and RMB157.2 million, respectively, which accounted for more than 75% of our revenue during each of the three years ended 31 December 2010. 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 RMB157.2 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 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.

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(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 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



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– 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 September 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.

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### (i) Jetty

As of 31 December 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 (metric tonnes)	Total actual throughput For the year ended 31 December			Utilisation rate (Note 3) For the year ended 31 December		
				2008	2009	2010	2008	2009	2010
Tianjin Tianlong, our Associated Entity	Tianlong jetty	3,000	301,600 (Notes 1 and 3)	250,040 (Note 4)	164,100 (Note 4)	163,980 (Note 4)	82.9	54.4	54.4

*Notes:*

- There were no changes to the designed berthing capacities of our jetty 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 the jetty divided by the total annual adjusted designed throughput capacity of the jetty.
- The annual designed throughput was 115,600 metric tonnes which was based on the assumption that our storage tank capacity was 16,000 m<sup>3</sup> 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 m<sup>3</sup>. 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.
- 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 61,360 metric tonnes, 78,000 metric tonnes and 103,720 metric tonnes, respectively.

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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		
		2008	2009	2010
		<i>(metric tonnes)</i>		
Tianjin terminal operated by our subsidiary	Jetty	311,400	242,100	267,700
	Other delivery facilities	–	–	5,300
	Total	<u>311,400</u>	<u>242,100</u>	<u>273,000</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.

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>(m<sup>3</sup>)</i>	Total actual throughput <i>(Note 2)</i> <i>(metric tonnes)</i>
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

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	Types of Storage Tanks	No. of Storage Tanks	Features of Storage Tanks	Total designed capacity <i>(Note 1)</i> <i>(m<sup>3</sup>)</i>	Total actual throughput <i>(Note 2)</i> <i>(metric tonnes)</i>
<b>As of/For the year ended 31 December 2010</b>	Carbon steel	12	Ambient temperature, aluminum inner wall, steam heating and thermal protection	20,500	135,220
	Stainless steel	3	Steam heating and thermal protection	4,400	34,070

*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 m<sup>3</sup> 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.

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:-

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(Number of storage tanks)</i>		
Operated under long-term service contract	4	2	13
Operated under short-term service contracts	11	13	1
Available for leasing	—	—	1
	<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.

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

	<b>Storage capacity available at our terminal (<math>m^3</math>)</b>	<b>Occupancy rate (%) (Note)</b>
For the year ended 31 December 2008	24,900	68
For the year ended 31 December 2009	24,900	35
For the year ended 31 December 2010	24,900	74

*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%

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% for the year ended 31 December 2008 to 35% for the year ended 31 December 2009. With the gradual recovery of the global financial market during the year ended 31 December 2010, our Associated Entities in Tianjin recorded an increase of the occupancy rate of storage tanks in Tianjin from approximately 35% to 74%.

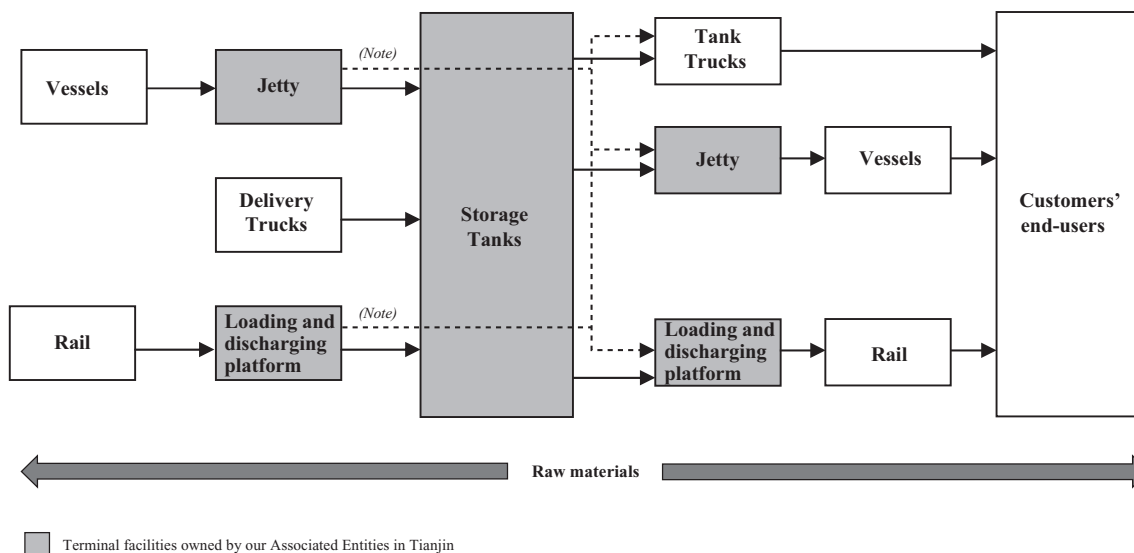
All storage tanks in our Tianjin terminal are owned by Tianjin Tianlong. Tianjin Tianlong, our Associated Entity, is responsible for the daily operation of the storage tanks and shall bear all the expenses such as utility charges in relation to the operation of the terminal.

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.

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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 Xinxiang.

#### (i) Jetty

As of 31 December 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.

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 2010, the fees paid by Ningbo Ningxiang to Ningbo Zhenhai under the arrangement amounted to approximately RMB37,500, RMB108,900 and RMB143,130, respectively.

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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 (metric tonnes) (Notes 1 and 2)	Total actual throughput For the year ended 31 December			Utilisation rate (Note 3) For the year ended 31 December		
				2008	2009	2010	2008	2009	2010
Ningbo Ningxiang and Ningbo Xixiang, our Associated Entity/ Jointly-controlled Entity	Jetty No. 16-2	3,000	100,000	26,200	23,800	37,700	26.2	23.8	37.7

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.

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		
		2008	2009	2010
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	Jetty	26,200	23,800	37,700
	Other delivery facilities	<u>167,900</u>	<u>254,900</u>	<u>424,600</u>
	Total	<u>194,100</u>	<u>278,700</u>	<u>462,300</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.

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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.

*(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 <i>(Note 1)</i> <i>(m<sup>3</sup>)</i>	Total actual throughput <i>(Note 2)</i> <i>(metric tonnes)</i>
<b>As of/For the year ended 31 December 2008</b>	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	138,100
	Stainless steel	3	Thermal heating	4,500	29,100
<b>As of/For the year ended 31 December 2009</b>	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	155,000
	Stainless steel	3	Thermal heating	4,500	30,700
<b>As of/For the year ended 31 December 2010</b>	Carbon steel	9	Ambient temperature, steam heating and thermal heating	24,500	225,400
	Stainless steel	3	Thermal heating	4,500	25,500

*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 m<sup>3</sup> 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:–

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(Number of storage tanks)</i>		
Operated under long-term contract customers	9	8	8
Operated under short-term service contracts	3	4	4
Available for leasing	–	–	–
	<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:

	<b>Storage capacity available at our terminal (m<sup>3</sup>)</b>	<b>Occupancy rate (%) (Note)</b>
For the year ended 31 December 2008	29,000	92
For the year ended 31 December 2009	29,000	87
For the year ended 31 December 2010	29,000	83

*Note:* The occupancy rate is calculated by:

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

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

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.

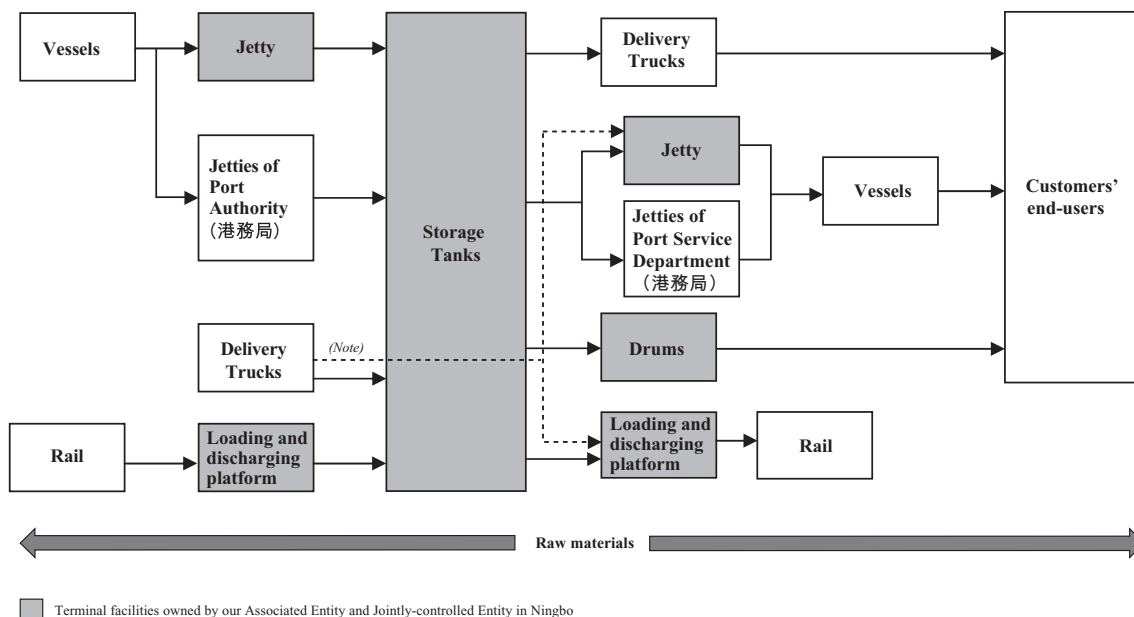
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The following diagram illustrates the different logistics modes of the terminal in Ningbo:

### 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.

### 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

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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 enables us to efficiently manage our storage operations and allows 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 enables our customers and the relevant government authorities to retrieve information in relation to the storage and delivery and also simplifies 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, except for the Sewage Discharge Permit of Nanjing Dragon Crown and the Hazardous Chemicals Storage Registration Certificate of Tianjin Tianlong which are under the process of renewal, we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC and have complied in all material aspects with all applicable laws and regulations in the PRC since our establishment. In relation to the Sewage Discharge Permit of Nanjing Dragon Crown, as confirmed by our PRC Legal Adviser, since we had submitted the renewal application within the time specified by the relevant regulatory authority and the environmental protection department of Nanjing Chemical Industry Park had confirmed that our renewal application was in compliance with the relevant requirements, our PRC Legal Adviser is not aware of any practical legal obstacles for Nanjing Dragon Crown to obtain the renewed Sewage Discharge Permit and continue its existing operation. It is unlikely that Nanjing Dragon Crown will be deemed to be in breach of the relevant laws in relation to the Sewage Discharge Permit. Accordingly, it is unlikely that there will be any potential penalties to be imposed on our Group. In relation to the Hazardous Chemicals Storage Registration Certificate of Tianjin Tianlong, as confirmed by our PRC Legal Adviser, since Tianjin Tianlong had submitted the renewal application to the relevant regulatory authority and Tianjin Tianlong had already obtained the valid Hazardous Chemicals Approval Certificate and Hazardous Chemicals Operation Permit for its operation, our PRC Legal Adviser is not aware of any practical legal obstacles for Tianjin Tianlong to obtain the renewed Hazardous Chemicals Storage Registration Certificate and continue its existing operation. Nonetheless, as the relevant PRC authority was still in the process of reviewing our renewal application, the renewed certificate had not yet been issued as of the Latest

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Practicable Date. As such, Tianjin Tianlong might technically be deemed to be in non-compliance with the relevant laws in relation to the Hazardous Chemicals Storage Registration Certificate and may be subject to a maximum penalty RMB30,000.

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
Nanjing Dragon Crown	1 April 2010	Sewage Discharge Permit (Note) (排放污染物許可證)	The Environmental Protection Bureau of the Nanjing City (南京市環境保護局)	31 March 2011
<b>Associated Entities/ Jointly-controlled Entities</b>	<b>Date of grant</b>	<b>Certificate/Licence</b>	<b>Issuing body</b>	<b>Valid until</b>
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 (Note) (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

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Associated Entities/ Jointly-controlled Entities	Date of grant	Certificate/Licence	Issuing body	Valid until
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
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

*Note:* The Sewage Discharge Permit (排放污染物許可證) and the Hazardous Chemicals Storage Registration Certificate (危險化學品儲存單位登記證) were in the process of renewal as of the Latest Practicable Date.

The above licence and permits require renewal upon expiry except for those that have no validity term. As of the Latest Practicable Date, we 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,

*Note:* Hazardous Chemicals Storage Registration Certificate is under the process of renewal.

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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 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 2008, 2009 and 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%, 99.9% and 99.7% of our total revenue, respectively, and sales to our largest customer, as measured by revenue, accounted for approximately 56.9%, 44.4% and 48.1% of our total revenue, respectively. For each of the three years ended 31 December 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% and 100% of our total revenue, respectively, and our largest customer (being Celanese), as measured by revenue, accounted for approximately 95.4%, 96.7% and 98.0% 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

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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.

### 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 2008, 2009 and 2010, services obtained from our top five suppliers, as measured by the cost of services provided, accounted for approximately 37.9%, 43.4% and 47.5% 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 12.9%, 15.3% and 21.8% 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 3.6%, 2.4% and 2.0% 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.

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### PRICING

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

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, three days and six days at our Nanjing terminal; (ii) 16 days, 15 days and 29 days at our Tianjin terminal; and (iii) nil days, 58 days and 64 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.



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### 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.

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.

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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.

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:-

<b>Name of Chemical Industry Parks</b>	<b>2009</b>	
	<b>Actual production volume <i>Million Tons</i></b>	<b>Total Investment Amount <i>RMB Billion</i></b>
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.

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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.

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

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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 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
<b>Subsidiary</b>					
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
<b>Associated Entity/ Jointly-controlled Entity</b>					
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 Implementation 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, except for the Sewage Discharge Permit of Nanjing Dragon Crown which is under the process of renewal, we had complied with these environmental laws and regulations in all material aspects during the Track Record Period. Our PRC Legal Adviser is not aware of any practical obstacles for Nanjing Dragon Crown to obtain the renewed Sewage Discharge Permit.

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

	For the year ended		
	31 December		
	2008	2009	2010
		(HK\$)	
Nanjing terminal operated by our subsidiary	706,000	2,558,000	1,172,000
Tianjin terminal operated by our Associated Entities	2,000	1,000	117,000
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	234,000	439,000	354,000

It is forecasted that we will incur the following direct expenditure on environmental protection for the year ended 31 December 2011:–

	(HK\$)
Nanjing terminal operated by our subsidiary	950,000
Tianjin terminal operated by our Associated Entities	124,000
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	374,000

### 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 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.

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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 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.

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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.

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.



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

	For the year ended		
	31 December		
	2008	2009	2010
	<i>(HK\$'000)</i>		
Nanjing terminal operated by our subsidiary	1,655	2,336	3,577
Tianjin terminal operated by our Associated Entities	103	254	182
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	1,507	1,851	1,201

It is forecasted that we will incur the following direct expenditure on safety and health matters for the year ended 31 December 2011:–

	<i>(HK\$'000)</i>
Nanjing terminal operated by our subsidiary	3,771
Tianjin terminal operated by our Associated Entities	195
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	1,270

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 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 V 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.

### 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 or 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

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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:–

	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(HKD'000)</i>		
Nanjing terminal operated by our subsidiary	1,279	1,487	1,796
Tianjin terminal operated by our Associated Entities	122	102	216
Ningbo terminal operated by our Associated Entities/Jointly-controlled Entity	859	575	434

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.

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

	<i>(RMB million)</i>
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

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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 policies	Fixed asset <i>(approximately to RMB million)</i>	Inventory <i>(approximately to RMB million)</i>	Loss of profit <i>(approximately to RMB million)</i>	Public liability <i>(approximately to RMB million)</i>	Environmental pollution liability <i>(approximately to RMB million)</i>	Employer's liability <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 31 March 2011, we and our Associated Entity and Jointly-controlled Entities 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 III – Property Valuation" in this prospectus.

#### Leased properties

As of 31 March 2011, we, including our Associated Entity and Jointly-controlled Entities, leased three parcels of land with an aggregate gross floor area of approximately 10,982.24 sq.m and three buildings with an aggregate gross floor area of approximately 215.92 sq.m. in the PRC and two properties, with an aggregate gross floor area of approximately 3,042 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 Xinqu Road, Tanggu District, Tianjin City, the PRC (Property No. 9 of the Valuation Report of Appendix III 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.

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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 PRC 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.

Another leased property in the PRC, with a gross floor area of approximately 86.92 sq.m which is situated at Room 302, Block 14, Meihua Garden, No. 60 Muxuyuan Street, Baixia District, Nanjing City, Jiangsu Province, the PRC (Property No. 8 of the Valuation Report of Appendix III in this Prospectus) is currently occupied by our Group for residential use, subject to the tenancy agreement entered into by Qiu Hong and Qiu Dingsan as landlords and Nanjing Dragon Crown, as tenant.

As advised by our PRC Legal Adviser, the landlords legally own the building ownership of the property, but there is no written document to prove that one of the landlords (Qiu Dingsan) has been authorized by the other landlord (Qiu Hong) and the co-owner (Xue Xiaoqing) of the property to sign the tenancy agreement.

In addition, Nanjing Dragon Crown has obtained a commitment letter from Qiu Dingsan on 14 January 2011, according to which, Qiu Dingsan agrees to compensate for all the loss of Nanjing Dragon Crown in case of a termination of the tenancy agreement due to any disputes among Qiu Dingsan, Qiu Hong and Xue Xiaoqing.

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 III – Property Valuation" in this prospectus.

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### 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.

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 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.