
CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties, and are expected to continue in the foreseeable future.

Except for the Water Supply Agreement, Ningbo Water Supply Agreement I, Ningbo Water Supply Agreement II, Ningbo Electricity Supply Agreement I, Ningbo Electricity Supply Agreement II (all as defined below), the pricing terms of which were determined in accordance with prices set by the government, the pricing term of each of the following connected transactions was not subject to the State's Fixed Price Items Catalogue (《國家政府產品定價目錄》) and was determined at market rates which are on normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties.

Exempt continuing connected transactions

Continuing connected transactions exempt from the reporting, announcement and independent Shareholders' approval requirements

We entered into the following transactions with Nanjing CIPPS, Tianjin Changlu, Ningbo Port, Ningbo Beicang and Ningbo Zhenhai.

Nanjing CIPPS is a wholly-owned subsidiary of Nanjing CIP. Nanjing CIP is a substantial shareholder of Nanjing Dragon Crown, a non-wholly owned subsidiary of our Company, owning approximately 11.39% equity interests in such subsidiary. Nanjing CIPPS is thus a connected person of our Company since it is a wholly-owned subsidiary of Nanjing CIP, a substantial shareholder of Nanjing Dragon Crown. The principal business of Nanjing CIP includes investment and management of high-tech industry, the development of public infrastructure projects, consultancy services on property development, supply of ancillary materials and facilities for enterprises, sales of electrical products, apparatus, telecommunications facilities, research and development of high-tech products.

Tianjin Changlu is a substantial shareholder of Tianjin Tianlong, our Associated Entity, owning approximately 22.5% equity interests in such Associated Entity. Our investments in Tianjin Tianlong are not consolidated into our financial statements. However, since Tianjin Tianlong is considered as a subsidiary undertaking as defined in the twenty-third schedule to the Companies Ordinance by virtue of our Company holding 65% of voting rights and could appoint four out of the seven directors to the board of Tianjin Tianlong, it is deemed to be a subsidiary of our Company under the Listing Rules. Tianjin Changlu, being a substantial shareholder of a subsidiary of our Company, is considered as our connected person under the Listing Rules. The principal business of Tianjin Changlu includes the exploration of salt, production and sale of chemical products.

Ningbo Port is a substantial shareholder of Ningbo Xinxiang and Ningbo Ningxiang, our Jointly-controlled Entities, owning 40% equity interests in each of Ningbo Xinxiang and Ningbo Ningxiang. Our investments in Ningbo Xinxiang and Ningbo Ningxiang are not consolidated into our financial statements. However, since each of Ningbo Xinxiang and

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Ningbo Ningxiang is a subsidiary undertaking as defined in the twenty-third schedule to the Companies Ordinance by virtue of our Company holding 60% of voting rights and could appoint three out of the five directors to the board of each of Ningbo Xianxiang and Ningbo Ningxiang, each of them is deemed to be a subsidiary of our Company under the Listing Rules. Ningbo Port, being a substantial shareholder of a subsidiary of our Company, is considered as our connected person under the Listing Rules. Since Ningbo Beicang is a water plant of Ningbo Port whereas Ningbo Zhenhai is a branch company of Ningbo Port, each of Ningbo Beicang and Ningbo Zhenhai is also considered as a connected person of our Company. The principal business of Ningbo Port includes the development, operation and management of terminal; loading and discharging, storage, packaging of goods at port, international logistics agency services; port information and technical consultancy services, etc.

Since each of Nanjing CIPPS, Tianjin Changlu, Ningbo Port, Ningbo Beicang and Ningbo Zhenhai is considered as a connected person of our Company whereas each of the percentage ratios (other than the profits ratio) of the following transactions on an annual basis is (i) less than 0.1%, or (ii) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of our Company by virtue of its relationship with our Company's subsidiary or subsidiaries; or (iii) less than 5% and the annual consideration is less than HK\$1.0 million, the following de minimis transactions will constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules. The Directors (including the independent non-executive Directors) consider that the terms of the following continuing connected transactions are conducted on an arms' length basis and on normal commercial terms or terms no less favourable to our Company than those available from Independent Third Parties.

Our Directors recognise the risk that if any of these connected persons were to terminate its business relationship with us entirely or in breach of its obligations under the continuing connected transaction contracts with us, there can be no assurance that we would be able to obtain services from other suppliers to replace their services originally provided to us, or if we were to be able to obtain such services, that it would be on commercially reasonable terms. Nonetheless, our Directors consider that such reliance will not have material impacts to our Group's operation in practice because (i) all of them are de minimis transactions under the Listing Rules; (ii) all of the connected persons are owned and/or controlled by the PRC government and the terms were determined on normal commercial terms, pursuant to which if our Group is able to afford such terms as the connected persons charge the Independent Third Parties, the connected persons will continuously provide our Group the relevant services. As such, the Directors consider that it is not necessary to implement any plans or measures to reduce the reliance on the connected persons under the exempt continuing connected transactions.

1. Water Supply Agreement and Waste Water Treatment Agreement

In January 2010, Nanjing Dragon Crown and Nanjing CIPPS entered into a water supply agreement (the "Water Supply Agreement") and in April 2009, Nanjing Dragon Crown and Nanjing CIPPS entered into a waste water treatment agreement (the "Waste Water Treatment Agreement").

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Details of each of the Water Supply Agreement and the Waste Water Treatment Agreement are set forth as follows:-

	Parties	Term	Services	Consideration
Water Supply Agreement	Nanjing Dragon Crown and Nanjing CIPPS	Signed in January 2010 and supplemented by a supplemental agreement dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for the daily operation of Nanjing Dragon Crown	Determined by the volume of water consumed or the minimum charges as stipulated in the Water Supply Agreement
Waste Water Treatment Agreement	Nanjing Dragon Crown and Nanjing CIPPS	Signed in April 2009 and supplemented by a supplemental agreement dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of waste water treatment services in relation to the waste water discharged during the daily operation of Nanjing Dragon Crown	Calculated with reference to the actual volume of waste water which required to be processed and the level of pollution of the water processed

Historical transaction value

The historical transaction values of each of the Water Supply Agreement and the Waste Water Treatment Agreement are as follows:-

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
Water Supply Agreement	RMB675,630 (equivalent to approximately HK\$757,200)	RMB634,610 (equivalent to approximately HK\$720,100)	RMB655,720 (equivalent to approximately HK\$752,640)
Waste Water Treatment Agreement	RMB6,900 (equivalent to approximately HK\$7,700)	RMB32,500 (equivalent to approximately HK\$36,900)	RMB15,100 (equivalent to approximately HK\$17,300)

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Annual caps

The proposed cap amounts payable by us under each of the Water Supply Agreement and the Waste Water Treatment Agreement for each of the two years ending 31 December 2012 are as follows:–

	For the year ending 31 December 2011	For the year ending 31 December 2012
Water Supply Agreement	RMB666,000 (equivalent to approximately HK\$765,520)	RMB698,400 (equivalent to approximately HK\$802,760)
Waste Water Treatment Agreement	RMB141,000 (equivalent to approximately HK\$162,100)	RMB41,000 (equivalent to approximately HK\$47,100)

The proposed cap amounts of each of the Water Supply Agreement and the Waste Water Treatment Agreement are determined based on factors as follows:–

Factors for determining the proposed cap amounts

Water Supply Agreement	<ul style="list-style-type: none"> (i) the actual volume of water consumed by Nanjing Dragon Crown during the Track Record Period; and (ii) the expected volume of water to be consumed for the operation of Nanjing Dragon Crown's business in Nanjing under the Water Supply Agreement during the two years ending 31 December 2012.
Waste Water Treatment Agreement	<ul style="list-style-type: none"> (i) the actual volume of waste water processed by Nanjing CIPPS during the Track Record Period; and (ii) the expected volume of waste water to be processed for the operation of Nanjing Dragon Crown's business in Nanjing under the Waste Water Treatment Agreement during the two years ending 31 December 2012.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Water Supply Agreement and the Waste Water Treatment Agreement have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under the Water Supply Agreement and the Waste Water Treatment Agreement is expected to be less than 5% and the total consideration is less than HK\$1.0

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million. Accordingly, the transactions contemplated under the Water Supply Agreement and the Waste Water Treatment Agreement constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

2. *Preliminary Land Use Agreement*

On 1 July 2010, a preliminary land use agreement (the "Land Use Agreement") was entered into between Tianjin Changlu as landlord and Tianjin Tianlong as tenant in respect of a parcel of land located at No.10 Xihu Road, Tanggu District, Tianjin City, the PRC (the "Xihu Premises"), being property numbered 9 as referred to in the property valuation report as set out in Appendix III to this prospectus, with a total gross floor area of approximately 1,013 square metres for a term commencing on 1 July 2010 and expiring on 27 August 2014. The property is used as an industrial land by our Group. Pursuant to the Land Use Agreement, Tianjin Tianlong shall pay Tianjin Changlu an annual rent in the sum of RMB20,868 (equivalent to approximately HK\$24,000).

Historical transaction value

For the three years ended 31 December 2010, the rent paid by our Group in respect of the Xihu Premises amounted to nil, nil and approximately RMB20,868 (equivalent to approximately HK\$23,950), respectively. We did not record any rent in respect of Xihu Premises for each of the three years ended 31 December 2009 because the Land Use Agreement was only entered into in July 2010.

Annual caps

Pursuant to the Land Use Agreement, the annual rental for the Xihu Premises for each of the three years ending 31 December 2013 is approximately RMB20,868 (equivalent to approximately HK\$24,000), RMB20,868 (equivalent to approximately HK\$24,000) and RMB20,868 (equivalent to approximately HK\$24,000), respectively. The annual rent payable to Tianjin Tianlong was determined at arm's length negotiation between the parties to the Land Use Agreement.

3. *Ningbo Port Agreements*

We entered into eight agreements (the "Ningbo Port Agreements") with Ningbo Beicang and Ningbo Zhenhai for the provision of various services.

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Details of each of the Ningbo Port Agreements are set forth as follows:–

	Parties	Term	Services	Consideration
Ningbo Water Supply Agreement I	Ningbo Xinxiang and Ningbo Beicang	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for Ningbo Xinxiang	Calculated with reference to the actual volume of water consumed
Ningbo Water Supply Agreement II	Ningbo Ningxiang and Ningbo Beicang	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of water services for Ningbo Ninxiang	Calculated with reference to the actual volume of water consumed
Ningbo Electricity Supply Agreement I	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of electricity for Ningbo Xinxiang	Calculated with reference to the actual quantity of electricity consumed
Ningbo Electricity Supply Agreement II	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of electricity for Ningbo Ninxiang	Calculated with reference to the actual quantity of electricity consumed
Public Services Agreement I	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of various public services, including fire services, environmental protection facilities, waste water treatment and cleaning services for Ningbo Xinxiang	Calculated with reference to the actual costs of the services provided
Public Services Agreement II	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Provision of various public services, including fire services, environmental protection facilities, waste water treatment and cleaning services for Ningbo Ninxiang	Calculated with reference to the actual costs of the services provided
Vapour Supply Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Supply of vapour services for Ningbo Ningxiang	Calculated with reference to the actual quantity of vapour consumed and the annual vapour fees
Pipelines Usage Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 30 December 2009 and for a term from 1 January 2010 to 31 December 2012	Grant of pipelines usage right in Ningbo to Ningbo Ninxiang for the loading and delivery of liquid chemical products	Rental fees calculated with reference to the frequency of pipelines used

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Historical transaction value

The historical transaction values of relevant services are as follows:–

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
Ningbo Water Supply Agreement I	Nil (<i>Note 1</i>)	RMB6,800 (equivalent to approximately HK\$7,700)	RMB11,350 (equivalent to approximately HK\$13,000)
Ningbo Water Supply Agreement II	Nil (<i>Note 1</i>)	RMB13,700 (equivalent to approximately HK\$15,500)	RMB22,490 (equivalent to approximately HK\$25,800)
Ningbo Electricity Supply Agreement I	RMB51,200 (equivalent to approximately HK\$57,400)	RMB87,900 (equivalent to approximately HK\$99,700)	RMB119,560 (equivalent to approximately HK\$137,200)
Ningbo Electricity Supply Agreement II	RMB70,100 (equivalent to approximately HK\$78,600)	RMB122,750 (equivalent to approximately HK\$139,300)	RMB134,000 (equivalent to approximately HK\$153,800)
Public Services Agreement I	RMB74,520 (equivalent to approximately HK\$83,500)	RMB79,540 (equivalent to approximately HK\$90,300)	RMB118,000 (equivalent to approximately HK\$135,400)
Public Services Agreement II	RMB51,220 (equivalent to approximately HK\$57,410)	RMB67,940 (equivalent to approximately HK\$77,100)	RMB103,230 (equivalent to approximately HK\$118,490)
Vapour Supply Agreement	RMB139,000 (equivalent to approximately HK\$155,800)	RMB160,000 (equivalent to approximately HK\$181,600)	RMB224,550 (equivalent to approximately HK\$257,740)
Pipelines Usage Agreement	RMB4,000 (equivalent to approximately HK\$4,500)	RMB18,000 (equivalent to approximately HK\$20,400)	RMB42,000 (equivalent to approximately HK\$48,210)

Notes:

1. Before Ningbo Beicang provided us the water services in the first quarter of 2009, water services for Ningbo Xinxiang and Ningbo Ninxiang were provided by another associated entity of Ningbo Port, namely Ningbo Zhenhai. The transaction values for such water services amounted to approximately RMB10,108 (equivalent to approximately HK\$11,330) and RMB1,717 (equivalent to approximately HK\$1,950) for Ningbo Xinxiang and approximately RMB20,216 (equivalent to approximately HK\$22,660) and RMB3,435 (equivalent to approximately HK\$3,900) for Ningbo Ninxiang for the year ended 31 December 2008 and the first quarter of 2009 before the replacement.

Annual caps

The proposed cap amounts payable by us under each of the Ningbo Port Agreements for each of the two years ending 31 December 2012 are as follows:–

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	For the year ending 31 December 2011	For the year ending 31 December 2012
Ningbo Water Supply Agreement I	RMB12,000 (equivalent to approximately HK\$13,800)	RMB13,500 (equivalent to approximately HK\$15,500)
Ningbo Water Supply Agreement II	RMB24,300 (equivalent to approximately HK\$27,900)	RMB26,700 (equivalent to approximately HK\$30,700)
Ningbo Electricity Supply Agreement I	RMB140,000 (equivalent to approximately HK\$160,900)	RMB160,000 (equivalent to approximately HK\$183,900)
Ningbo Electricity Supply Agreement II	RMB150,000 (equivalent to approximately HK\$172,400)	RMB160,000 (equivalent to approximately HK\$183,900)
Public Services Agreement I	RMB138,000 (equivalent to approximately HK\$158,600)	RMB158,000 (equivalent to approximately HK\$181,600)
Public Services Agreement II	RMB123,000 (equivalent to approximately HK\$141,400)	RMB141,000 (equivalent to approximately HK\$162,100)
Vapour Supply Agreement	RMB230,000 (equivalent to approximately HK\$276,000)	RMB250,000 (equivalent to approximately HK\$287,400)
Pipelines Usage Agreement	RMB43,000 (equivalent to approximately HK\$52,000)	RMB45,000 (equivalent to approximately HK\$56,700)

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The proposed cap amounts of each of the Ningbo Port Agreements are determined based on factors as follows:-

Factors for determining the proposed cap amounts

Ningbo Water Supply Agreement I & Ningbo Water Supply Agreement II	(i) the actual volume of water consumed by our Group during the Track Record Period; and (ii) the expected volume of water to be consumed for the operation of our Group's business in Ningbo under the Ningbo Water Supply Agreement I and the Ningbo Water Supply Agreement II during the two years ending 31 December 2012.
Ningbo Electricity Supply Agreement I & Ningbo Electricity Supply Agreement II	(i) the actual quantity of electricity consumed during the Track Record Period; and (ii) the expected quantity of electricity to be consumed for the operation of our Group's business in Ningbo under the Ningbo Electricity Supply Agreement I and the Ningbo Electricity Supply Agreement II for the two years ending 31 December 2012.
Public Services Agreement I & Public Services Agreement II	(i) the actual services provided during the Track Record Period; and (ii) the expected services to be required by Ningbo Xinxiang for the operation of our Group's business in Ningbo under the Public Services Agreement I and the Public Services Agreement II for the two years ending 31 December 2012.
Vapour Supply Agreement	(i) the actual amount paid under the Vapour Supply Agreement during the Track Record Period; and (ii) the expected quantity of vapour to be consumed for the operation of our Group's business in Ningbo and the annual vapour fee under the Vapour Supply Agreement for the two years ending 31 December 2012.
Pipelines Usage Agreement	the expected usage of pipelines for the operation of our Group's business in Ningbo under the Pipelines Usage Agreement.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Ningbo Port Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under each of the Ningbo Port Agreements is expected to be less than 5% and the total consideration is less than HK\$1.0 million. Accordingly, the transactions contemplated under the Ningbo Port Agreements constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

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4. *Ningbo Port Loading and Discharging Agreement*

On 28 August 2010, Ningbo Ningxiang and Ningbo Zhenhai entered into a loading and discharging agreement (the “Ningbo Port Loading and Discharging Agreement”) pursuant to which Ningbo Zhenhai will provide loading and discharging services to Independent Third Parties at Jetty No. 16-2 located at Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC which is owned by Ningbo Ningxiang and the income to be received by Ningbo Zhenhai for the provision for such loading and discharging services shall be shared among Ningbo Ningxiang and Ningbo Zhenhai as to 60% and 40%, respectively. The income sharing ratio was determined based on commercial negotiation between Ningbo Ningxiang and Ningbo Zhenhai with reference to the contributions from parties to the Ningbo Port Loading and Discharging Agreement. The contribution of Ningbo Ningxiang under the Ningbo Port Loading and Discharging Agreement is the provision of the jetty for Ningbo Zhenhai to utilise. The Ningbo Port Loading and Discharging Agreement was supplemented by a supplemental agreement dated 30 December 2009. The term of the Ningbo Port Loading and Discharging Agreement commences from 1 January 2010 to 31 December 2012.

Pursuant to the Ningbo Port Loading and Discharging Agreement, the income to be shared between Ningbo Ningxiang and Ningbo Zhenhai under the Ningbo Port Loading and Discharging Agreement shall be calculated based on the quantity of loading services provided by Ningbo Zhenhai to Independent Third Parties and the income received for such services and to be shared among Ningbo Ningxiang and Ningbo Zhenhai as to 60% and 40%, respectively.

Historical transaction value

For the three years ended 31 December 2010, the amount of Ningbo Ningxiang’s portion of shared income paid by Ningbo Zhenhai to Ningbo Ningxiang under the arrangement with Ningbo Zhenhai amounted to approximately RMB346,360 (equivalent to approximately HK\$388,200), RMB168,390 (equivalent to approximately HK\$191,100) and RMB105,950 (equivalent to approximately HK\$121,600), respectively.

Annual caps

The proposed cap amounts of the amount of Ningbo Ningxiang’s portion of shared income to be payable to Ningbo Ningxiang for the use of its jetty to discharge chemical products under the Ningbo Port Loading and Discharging Agreement for each of the two years ending 31 December 2012 are RMB180,000 (equivalent to HK\$206,900) and RMB185,000 (equivalent to HK\$212,600), respectively. Such proposed cap amounts are determined based on (i) the historical value during the Track Record Period; and (ii) the expected income to be shared between Ningbo Ningxiang and Ningbo Zhenhai under the Ningbo Port Loading and Discharging Agreement.

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5. *Discharging Agreement*

On 30 December 2009, Ningbo Ningxiang and Ningbo Zhenhai entered into a discharging agreement (the “Discharging Agreement”) pursuant to which Ningbo Zhenhai agreed to provide discharging services to Ningbo Ningxiang. The term of the Discharging Agreement commences from 1 January 2010 to 31 December 2012.

Pursuant to the Discharging Agreement, the discharging services fees shall be calculated based on the quantity of loading services provided for different types of liquid chemicals.

Historical transaction value

For the three years ended 31 December 2010, the fees paid by Ningbo Ningxiang to Ningbo Zhenhai for the provision of loading services amounted to RMB37,500 (equivalent to approximately HK\$42,000), RMB108,900 (equivalent to approximately HK\$123,600) and RMB143,130 (equivalent to approximately HK\$164,300), respectively.

Annual caps

The proposed cap amounts of the fees to be payable to Ningbo Zhenhai for the provision of loading services under the Discharging Agreement for each of the two years ending 31 December 2012 are RMB150,000 (equivalent to HK\$172,400) and RMB160,000 (equivalent to HK\$184,000), respectively. Such proposed cap amounts are determined based on the historical value and the expected services to be required from Ningbo Ningxiang under the Discharging Agreement.

CONNECTED TRANSACTIONS

6. *Ningbo Senior Management Service Agreements*

We entered into two senior management service agreements (the “Ningbo Senior Management Service Agreements”) with Ningbo Zhenhai in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai pursuant to the joint venture agreement and articles of association of each of Ningbo Xinxiang and Ningbo Ninxiang.

The services provided by the senior management staff under the Ningbo Senior Management Services Agreements include management over the operations of Ningbo Xinxiang and Ningbo Ninxiang and supervision over the financial matters of Ningbo Xinxiang and Ningbo Ninxiang. The arrangement was made pursuant to the request of Ningbo Zhenhai because the senior management delegated by Ningbo Zhenhai can be taken as employees of Ningbo Zhenhai continuously and their employee benefits as staff of Ningbo Zhenhai can be continued and accumulated under the arrangement. Without the Ningbo Senior Management Service Agreements, our Group would have remunerated such senior management as its staff cost with similar level of expenses under the Ningbo Senior Management Service Agreements.

Details of each of the Ningbo Senior Management Services Agreements are set forth as follows:–

	Parties	Term	Services	Consideration
Ningbo Xinxiang Senior Management Service Agreement	Ningbo Xinxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Fees payable by our Group in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai	Determined with reference to the remuneration policy of Ningbo Zhenhai
Ningbo Ninxiang Senior Management Service Agreement	Ningbo Ninxiang and Ningbo Zhenhai	Dated 1 January 2010 and for a term from 1 January 2010 to 31 December 2012	Fees payable by our Group in relation to services provided by certain senior management staff (including deputy managers and financial supervisors) nominated by Ningbo Zhenhai	Determined with reference to the remuneration policy of Ningbo Zhenhai

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Historical transaction value

The historical transaction values of relevant services are as follows:–

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
Ningbo Xinxiang Senior Management Service Agreement	RMB286,400 (equivalent to approximately HK\$321,000)	RMB296,000 (equivalent to approximately HK\$335,900)	RMB349,800 (equivalent to approximately HK\$401,500)
Ningbo Ninxiang Senior Management Service Agreement	RMB119,000 (equivalent to approximately HK\$133,380)	RMB120,000 (equivalent to approximately HK\$136,170)	RMB128,310 (equivalent to approximately HK\$147,280)

Annual caps

The proposed cap amounts payable by us under each of the Ningbo Senior Management Service Agreements for each of the two years ending 31 December 2012 are as follows:–

	For the year ending 31 December 2011	For the year ending 31 December 2012
Ningbo Xinxiang Senior Management Service Agreement	RMB380,000 (equivalent to approximately HK\$436,800)	RMB425,000 (equivalent to approximately HK\$488,500)
Ningbo Ninxiang Senior Management Service Agreement	RMB151,000 (equivalent to approximately HK\$173,560)	RMB169,000 (equivalent to approximately HK\$194,300)

The proposed cap amounts of each of the Ningbo Port Agreements are determined based on factors as follows:–

Factors for determining the proposed cap amounts

Ningbo Xinxiang Senior Management Service Agreement & Ningbo Ninxiang Senior Management Service Agreement	(i) fees paid during the Track Record Period under the Ningbo Xinxiang and Ningbo Ningxiang Senior Management Service Agreement; and (ii) the remuneration package of Ningbo Zhenhai.
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Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Ningbo Senior Management Service Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed aggregated annual caps each year shown above under the Ningbo Senior Management Service Agreements is expected to be less than 5% and the total consideration is less than HK\$1.0 million. Accordingly, the transactions

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contemplated under the Ningbo Senior Management Service Agreements constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

7. Jetty Lease and Safety Management Agreement

On 25 December 2009, a jetty lease and safety management agreement (the "Jetty Lease Agreement") was entered into between Ningbo Ningxiang as lessor and Ningbo Zhenhai as lessee in respect of Jetty No. 16-2 located at Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC (the "Jetty No. 16-2"), pursuant to which Ningbo Ningxiang leased to Ningbo Zhenhai the Jetty No. 16-2 for the berthing of the marine vessels of Ningbo Zhenhai. The Jetty Lease Agreement was supplemented by a supplemental agreement dated 1 January 2010. The term of the Jetty Lease Agreement is for the period from 1 January 2010 to 31 December 2012.

Historical transaction value

For the three years ended 31 December 2010, the rent received by our Group pursuant to relevant services amounted to RMB200,000 (equivalent to approximately HK\$224,200), RMB150,000 (equivalent to approximately HK\$170,200) and RMB150,000 (equivalent to approximately HK\$172,200), respectively.

Annual caps

Pursuant to the Jetty Lease Agreement, the annual rental for the Jetty No. 16-2 for each of the two years ending 31 December 2012 is approximately RMB150,000 (equivalent to approximately HK\$181,000) and RMB150,000 (equivalent to approximately HK\$189,800), respectively. The annual rent receivable by Ningbo Ningxiang was determined at arm's length negotiation between the parties to the Jetty Lease Agreement.

8. Ningbo Property Agreements

On 18 July 2005, a lease agreement (the "Lease Agreement") was entered into between Ningbo Port as landlord and Ningbo Xinxiang as tenant in respect of a parcel of industrial storage-used land, Zhenhai Port Working Area, Ningbo City, Zhejiang Province, the PRC (the "Zhenhai Port Premises"), being property numbered 10 as referred to in the property valuation report as set out in Appendix III to this prospectus, with a site area of approximately 9,969.24 square metres for a term for 15 years commencing on 1 January 2004. The property is used as an industrial storage-used land by our Group.

In addition, pursuant to the joint venture agreement of Ningbo Ningxiang dated 4 July 1993 (the "Ningbo Ningxiang JV Agreement"), Ningbo Ningxiang shall pay to Ningbo Port the land use right fee in respect of two parcels of land at Zhenhai Port Working Area, Zhenhai District, Ningbo City, Zhejiang Province, the PRC (the "Zhenhai Port Land"), being property numbered 5 as referred to in the property valuation report as set out in Appendix

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III to this prospectus, with a site area of approximately 7,061 square metres for a period of 10 years from 1 January 2009 to 19 October 2018. The property is used as storage-used land by our Group.

Historical transaction value

For the three years ended 31 December 2010, the rent paid by our Group pursuant to the Lease Agreement amounted to RMB418,700 (equivalent to approximately HK\$469,000), RMB418,700 (equivalent to approximately HK\$475,100) and RMB418,700 (equivalent to approximately HK\$480,600), respectively.

For the three years ended 31 December 2010, the rent paid by our Group pursuant to the Ningbo Ningxiang JV Agreement for the use of the Zhenhai Port Land amounted to nil, RMB176,500 (equivalent to approximately HK\$200,300) and RMB176,500 (equivalent to approximately HK\$202,600), respectively. Under the Ningbo Ningxiang JV Agreement, Ningbo Ningxiang is free to use the Zhenhai Port Land for a period of 15 years from 20 October 1993 to 31 December 2008. Accordingly, our Group did not record any rent payables for each of the two years ended 31 December 2008.

Annual caps

Pursuant to the Lease Agreement, the annual rental for the Zhenhai Port Premises for each of the three years ending 31 December 2013 is approximately RMB418,700 (equivalent to approximately HK\$505,000), RMB418,700 (equivalent to approximately HK\$529,800) and RMB418,700 (equivalent to approximately HK\$481,300), respectively. The annual rent payable by Ningbo Xinxiang was determined at arm's length negotiation between the parties to the Lease Agreement. Our Directors (including the independent non-executive Directors) consider that the Lease Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

In addition, pursuant to the Ningbo Ningxiang JV Agreement, the annual rental for the Zhenhai Port Land for the three years ending 31 December 2013 is RMB176,500 (equivalent to approximately HK\$213,000), RMB176,500 (equivalent to approximately HK\$224,000) and RMB176,500 (equivalent to approximately HK\$202,900), respectively. The annual rent payable by Ningbo Ningxiang was determined at arm's length negotiation between the parties to the Ningbo Ningxiang JV Agreement.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Lease Agreement and the land use right under the Ningbo Ningxiang JV Agreement have been aggregated.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Continuing connected transactions subject to the announcement and reporting requirements but exempt from the independent Shareholders' approval requirements

9. *Related Party Terminal Service Agreements*

We entered into three related party terminal service agreements (the “Related Party Terminal Service Agreements”) which constitute continuing connected transactions under the Listing Rules. Details of the Related Party Terminal Service Agreements are as follows:–

(a) Phenol Storage Agreement

On 1 September 2010, Nanjing Dragon Crown and Dragon Crown (Shanghai) entered into a Phenol storage agreement (the “Phenol Storage Agreement”), pursuant to which Nanjing Dragon Crown agreed to provide Dragon Crown (Shanghai) with terminal and storage services for Phenol at the terminal of Nanjing Dragon Crown. The term of the Phenol Storage Agreement is for the period from 1 September 2010 to 31 December 2012.

On 19 April 2011, Nanjing Dragon Crown and DC Investments, being the sole shareholder of Dragon Crown (Shanghai), entered into the new Phenol storage agreement (the “**New Phenol Storage Agreement**”) to replace the Phenol Storage Agreement. The term of the New Phenol Storage Agreement is for the period from 1 January 2011 to 31 December 2012.

Dragon Crown (Shanghai) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, both of DC Investments and Dragon Crown (Shanghai) are associates of Mr. NG and thus connected persons.

As DC Investments is a connected person of the Company, the New Phenol Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

The fees payable by DC Investments to our Group for the services provided are principally determined by (i) the storage capacity of the tank to be provided by the Group to DC Investments; (ii) the duration for the storage of Phenol at our Group’s terminal in Nanjing with reference to the market price. The terms offered by DC Investments to Nanjing Dragon Crown are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2010, the fees paid by Dragon Crown (Shanghai), the wholly owned subsidiary of DC Investments, under the Phenol Storage Agreement to our Group for the provision of terminal and storage services for Phenol at the terminal of Nanjing Dragon Crown amounted to approximately RMB407,090 (equivalent to approximately HK\$456,000), RMB138,420 (equivalent to approximately HK\$157,100) and RMB1,414,200 (equivalent to approximately HK\$1,623,220), respectively. Since Phenol is a market-driven chemical product, the fluctuation of the historical transaction value during the

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Track Record Period was mainly due to different amounts of orders procured by Dragon Crown (Shanghai) in the market during the Track Record Period and the drop for the year ended 31 December 2009 as compared to the year ended 31 December 2008 was mainly due to the financial crisis in the fourth quarter of 2008 and the first quarter of 2009.

Annual caps

Under the Phenol Storage Agreement, our terminal and storage services provided to Dragon Crown (Shanghai) were charged on the actual volume of Phenol used by Dragon Crown (Shanghai). In order to provide a comparatively stable income to our Group and in view of the fluctuation of the historical value of the fees charged under the Phenol Storage Agreement, our Directors consider that it would be more beneficial for our Group to determine a fixed amount of fees to be charged on DC Investments under the New Phenol Storage Agreement. Accordingly, it was agreed under the New Phenol Agreement to provide an exclusive tank with a capacity of 2,000 square metres to DC Investments. Our Group's existing standard monthly rate for terminal and storage services for Phenol is approximately RMB120 per square metre. Therefore, the monthly fee and annual fee for our terminal and storage fee for Phenol charged on DC Investments under the New Phenol Storage Agreement would be RMB240,000 and RMB2,880,000, respectively. Accordingly, the proposed cap amount of the fee to be payable to our Group by DC Investments for the provision of services under the New Phenol Storage Agreement for each of the two years ending 31 December 2012 is RMB2,880,000 (equivalent to approximately HK\$3,456,000 and RMB2,880,000 (equivalent to approximately HK\$3,628,800), respectively, taking into account the anticipated appreciation of RMB against HK\$ of approximately 5% for the year ending 31 December 2012.

(b) Ningbo Ningxiang Storage Agreement

On 1 January 2010, Ningbo Ningxiang and Ningbo FTZ Dragon Crown entered into a storage agreement (the "Ningbo Ningxiang Storage Agreement") pursuant to which Ningbo Ningxiang agreed to provide Ningbo FTZ Dragon Crown with terminal and storage services for Methanol at our Group's terminal in Ningbo. The term of the Ningbo Ningxiang Storage Agreement is for a period from 1 January 2010 to 31 December 2012. It is expected that the Ningbo Ningxiang Storage Agreement will be renewed on substantially the same terms for another one year to 31 December 2013.

Ningbo FTZ Dragon Crown is wholly-owned by DC Investments which is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, Ningbo FTZ Dragon Crown is an associate of Mr. NG and thus a connected person.

As Ningbo FTZ Dragon Crown is a connected person of the Company, the Ningbo Ningxiang Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

The fees payable by Ningbo FTZ Dragon Crown to our Group for the services provided are principally determined by (i) the quantity of the liquid chemical products handled by our Group; and (ii) the period for the storage of the liquid chemical products at our Group's

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terminals with reference to the market price. The terms offered by Ningbo FTZ Dragon Crown to Ningbo Ningxiang are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2010, the fees paid by Ningbo FTZ Dragon Crown to our Group for the provision of terminal and storage services at our Group's terminal in Ningbo amounted to approximately RMB207,850 (equivalent to approximately HK\$232,960), RMB1,130,970 (equivalent to approximately HK\$1,283,300) and RMB3,537,150 (equivalent to approximately HK\$4,059,940), respectively. Since Methanol is a market-driven chemical product, the fluctuation of the historical transaction value during the Track Record Period was mainly due to different amounts of orders procured by Ningbo FTZ Dragon Crown in the market during the Track Record Period.

Annual caps

The proposed cap amounts of the fees to be payable to our Group for the provision of services under the Ningbo Ningxiang Storage Agreement for each of the two years ending 31 December 2012 are RMB3,620,000 (equivalent to HK\$4,161,000) and RMB3,650,000 (equivalent to HK\$4,195,000), respectively. Such proposed cap amounts are determined based on (i) the actual quantity of liquid chemical products to be handled by our Group during the Track Record Period, which was approximately 4,981 metric tonnes, 21,246 metric tonnes and 56,626 metric tonnes, respectively; (ii) the expected growth in quantity of liquid chemical products handled by our Group during the two years ending 31 December 2012; and (iii) the expected growth in rental rate to be charged by our Group during the two years ending 31 December 2012. The expected growth in quantity of Methanol handled by our Group for the two years ending 31 December 2012 is based on the indication from Ningbo FTZ Dragon Crown in relation to its estimation of terminal and storage services it will require with reference to the market condition in 2010.

(c) DC Investments Storage Agreement

On 1 January 2010, Ningbo Ningxiang and DC Investments entered into a storage agreement (the "DC Investments Storage Agreement"), pursuant to which Ningbo Ningxiang agreed to provide DC Investments with terminal and storage services for Phenol at our Group's terminal in Ningbo. The term of the DC Investments Storage Agreement is for the period from 1 January 2010 to 31 December 2012. It is expected that the DC Investments Storage Agreement will be renewed on substantially the same terms for another one year to 31 December 2013.

DC Investments is owned as to 98% by Mr. NG, a Director and Controlling Shareholder. According to the Listing Rules, DC Investments is an associate of Mr. NG and thus a connected person.

As DC Investments is a connected person of the Company, the DC Investments Storage Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

CONNECTED TRANSACTIONS

The fees payable by DC Investments to our Group for the services provided are principally determined by (i) the quantity of the liquid chemical products handled by our Group; and (ii) the period for the storage of the liquid chemical products at the terminal with reference to the market price. The terms offered by DC Investments to Ningbo Ningxiang are no less favourable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2010, the fees paid by DC Investments to our Group for the provision of terminal and storage services at our Group's terminal in Ningbo amounted to approximately RMB1,613,270 (equivalent to approximately HK\$1,808,200), RMB1,601,940 (equivalent to approximately HK\$1,817,700) and RMB2,159,600 (equivalent to approximately HK\$2,478,800), respectively.

Annual caps

The proposed cap amounts of the fees to be payable to our Group for the provision of services under the DC Investments Agreement for each of the two years ending 31 December 2012 are RMB2,320,000 (equivalent to HK\$2,667,000) and RMB2,440,000 (equivalent to HK\$2,805,000), respectively. Such proposed cap amounts are determined based on (i) the actual quantity of liquid chemical products to be handled by our Group during the Track Record Period; (ii) the expected growth in quantity of liquid chemical products handled by our Group during the two years ending 31 December 2012; and (iii) the expected growth in rental rate to be charged by our Group during the two years ending 31 December 2012.

Waiver from announcement requirements

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the Related Party Terminal Service Agreements have been aggregated. The applicable percentage ratios (other than profits ratio) as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transactions under the Related Party Terminal Service Agreements are expected to be less than 5% or 25% and the annual consideration is less than HK\$10,000,000, and such transactions will require satisfaction of reporting and announcement requirements under the Listing Rules.

In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with the transactions under the Related Party Terminal Service Agreements after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from other Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

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On the above basis, the Company has applied to the Stock Exchange for waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above continuing connected transactions under the Related Party Terminal Service Agreements from strict compliance with the announcement requirements subject to (i) our Directors undertaking that our Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

10. Office Lease Agreement

On 12 November 2010, an office lease agreement (the “Office Lease Agreement”) was entered into between DC Investments as landlord and DC Petrochemicals as tenant in respect of the premises located at Unit No. 3 on the 18th Floor of Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong (the “Hong Kong Premises”), being property numbered 12 as referred to in the property valuation report as set out in Appendix III in this prospectus, with a gross floor area of approximately 2,227 square feet for a term commencing on 1 August 2010 and expiring on 31 December 2012. The property is currently occupied by our Group for office use.

DC Investments is owned as to 98% by Mr. NG, our Director and Controlling Shareholder. According to the Listing Rules, DC Investments is an associate of Mr. NG and thus a connected person.

As DC Investments is a connected person of the Company, the Office Lease Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Historical transaction value

For the three years ended 31 December 2010, the rent paid by our Group in respect of the Hong Kong Premises amounted to nil, nil, HK\$622,000 respectively. We did not record any rental expenses in relation to the Hong Kong Premises during the two years ended 31 December 2009 because DC Investments did not charge our Group any rents during the two years ended 31 December 2009 and we were able to occupy the Hong Kong Premises without incurring any rental expenses.

Annual caps

Pursuant to the Office Lease Agreement, the annual rental for the Hong Kong Premises for each of the two years ending 31 December 2012 is approximately HK\$1,494,000 and HK\$1,494,000, respectively, payable by the Company in advance on or before the first day of each calendar month. Hence, the proposed cap amounts of the rental fees to be payable by our Group to DC Investments under the Offer Lease Agreement in each of the two years ending 31 December 2012 are HK\$1,494,000 and HK\$1,494,000, respectively. The annual rent payable to DC Investments was determined at arm’s length negotiation between the parties to the Office Lease Agreement. The independent property valuer of our Company, CB Richard Ellis, has also confirmed that the terms of the Office Lease Agreement are fair and

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reasonable and the rental payment under the Office Lease Agreement reflects the current market rate. Our Directors consider that the Office Lease Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

Waiver from announcement requirements

The expected cap amount of the transaction under the Office Lease Agreement described above will constitute our Company's continuing connected transactions under the Listing Rules after the Listing. The applicable percentage ratios (other than profits ratio) as defined in rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transaction under the Office Lease Agreement are expected to be less than 5% or 25% and the annual consideration is less than HK\$10,000,000, and such transactions will require satisfaction of reporting and announcement requirements under the Listing Rules.

In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from other Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

On the above basis, the Company has applied to the Stock Exchange for waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above continuing connected transaction with DC Investments from strict compliance with the announcement requirements subject to (i) our Directors undertaking that the Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

Continuing connected transactions subject to the announcement, reporting and independent shareholders' approval requirements

11. Pipe Racks Agreements

In March 2007, Nanjing Dragon Crown and Nanjing CIPC entered into a pipe racks services agreement (the "Pipe Racks Services Agreement") pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Acetic Acid pipelines and Methanol pipelines at the Nanjing Chemical Industry Park. The Pipe Racks Services Agreement was supplemented by (i) a supplemental agreement dated 28 September 2007, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Vinyl acetate and Acetic Anhydride pipelines at the Nanjing Chemical Industry Park; (ii) a supplemental agreement dated 12 October 2007, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the Ethylene pipelines at the Nanjing Chemical Industry Park; and (iii) a supplemental agreement dated June 2008, pursuant to which Nanjing CIPC agreed to lease to our Group the pipe racks for the sub-pipelines of our Group connecting to the pipelines

CONNECTED TRANSACTIONS

of Ling Tian Company (菱天公司) and Dynamic Chemical Industry Co., Ltd. (德納公司), both are Independent Third Parties and, to the best knowledge of our Directors, both are customers of Celanese. The arrangement of sub-pipelines was made to facilitate the direct delivery of liquid chemicals to the customers of Celanese under the direction of Celanese. The Pipe Racks Services Agreement is for a period of 15 years from 15 March 2007 to 14 March 2022 and can be extended for a further five years upon expiry unless the parties thereto terminate the Pipe Racks Services Agreement.

In addition, in March 2007, Nanjing Dragon Crown and Nanjing CIPPS, a wholly-owned subsidiary of Nanjing CIPC, entered into a security services agreement (the “Security Services Agreement”), pursuant to which Nanjing CIPPS agreed to provide security services for the pipe racks rented by our Group at the Nanjing Chemical Industry Park. Nanjing CIPPS shall provide security, patrol and monitor services of our Group’s pipelines at the Nanjing Chemical Industry Park. The Security Services Agreement is for a period of 15 years from 15 March 2007 to 14 March 2022.

The expiry date of each of the Pipe Racks Services Agreement and the Security Services Agreement in March 2022 is to mirror the first Celanese Contract, being the Celanese (Nanjing) Contract, which will also expire in March 2022. Even though the other Celanese Contracts will expire at a later date, our Directors are of the view that our Group will not be materially affected because they consider that there will be no difficulties in renewing the Pipe Racks Services Agreement and the Security Services Agreement upon their expiry dates in March 2022. Our Group did not operate the pipe rack services under the Pipe Racks Service Agreement and the security services under the Security Services Agreement itself because (i) our Group does not have the expertise in such operations; and (ii) Nanjing CIPC is the operator of Nanjing Chemical Industrial Park which provides such services, through itself or Nanjing CIPPS, to all relevant enterprises.

As required by Rule 14A.35(1) of the Listing Rules, the period of the Pipe Racks Services Agreement must not exceed three years, except in special circumstances which are limited to cases where the nature of the transactions requires the contract to be of a duration longer than three years.

Our Company and the Sponsor consider that the nature of the transactions under the Pipe Racks Services Agreement require the Pipe Racks Services Agreement to be of a duration of longer than three years owing to the following principal factors and reasons:

- (i) our Group has significantly invested for our terminal in Nanjing and it is one of the important competitive advantages of our Group to have dedicated pipelines connecting our terminal and our customers in the Nanjing Chemical Industry Park. Pipe racks are the essential facilities for our Group’s dedicated pipelines connecting the jetties, tank farm and the destinations of our Group’s customers in the Nanjing Chemical Industry Park. Dedicated pipelines together with the pipe racks are crucial facilities for our Group’s operation and business expansion of business in Nanjing;

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- (ii) the Celanese Contracts entered into between our Group and Celanese are for a term of fifteen years commencing from the respective commercial operation dates, pursuant to which our Group has agreed to provide dedicated pipelines connecting our Group's terminal and Celanese's manufacturing base in the Nanjing Chemical Industry Park. Our Group's business with Celanese in Nanjing provides a stable and profitable business to our Group. The Pipe Racks Services Agreement for a term of 15 years mirrors the contract terms of the Celanese Contracts and ensures our Group's performance of our obligations under the Celanese Contracts;
- (iii) Nanjing CIPC is the developer and operator of the Nanjing Chemical Industry Park, and the sole owner of the pipe racks in the Nanjing Chemical Industry Park. Prior approval from Nanjing CIPC is required for any operating activities and construction work involving the pipe racks. Therefore, it is necessary for our Group to enter into the Pipe Racks Services Agreement with Nanjing CIPC. As confirmed by Nanjing CIPC, it is a normal practice to enter into long-term rental contracts with the rentees given the importance of pipe racks. In addition, the rental rate under the Pipe Racks Services Agreement is comparable with other rental agreement entered into with other independent rentees; and
- (iv) it is commercially favourable for our Group and in line with the industry practice to enter into the long-term rental contracts with pre-determined rental rate for the pipe racks rental services to ensure that the operation would not be interrupted.

In addition, our Company and the Sponsor consider that the nature of the transactions under the Security Services Agreement require the Security Services Agreement to be of a duration of longer than three years owing to the following principal factors and reasons:

- (i) our Group entered into the Pipe Racks Services Agreement with Nanjing CIPC for a term of 15 years;
- (ii) Nanjing CIPC, the parent company of Nanjing CIPPS is the sole owner of the pipe racks in the Nanjing Chemical Industry Park and prior approval from Nanjing CIPC is required for any operating activities involving the pipe racks. In order to ensure the safety and security management of our Group's pipelines at the Nanjing Chemical Industry Park, it is commercially favourable for our Group to enter into the Security Services Agreement for a duration consistent with the term of the Pipe Racks Services Agreement; and
- (iii) it is common for industrial concerns to enter into long-term Security Services Agreement with pre-determined terms for the pipelines to ensure our Group's operation in Nanjing would not be interrupted.

The fees payable for the pipe racks rental by our Group are principally determined by the occupied area of pipelines in the pipe racks rented to our Group by Nanjing CIPC subject to adjustment with reference to the bank lending interest rate, consumer price index, inflation, etc.. The terms offered by Nanjing CIPC to Nanjing Dragon Crown are no less

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favourable than those offered by other Independent Third Parties in the ordinary course of business. The fees for the pipe racks rental are standard charges applicable to all enterprises inside the Nanjing Chemical Industry Park.

In addition, the fees payable for the security services by our Group under the Security Services Agreement are principally determined by the length of pipe racks which requires the provision of security services by Nanjing CIPPS. The terms offered by Nanjing CIPPS to Nanjing Dragon Crown are no less favourable than those offered by other Independent Third Parties in the ordinary course of business. The fees for the security services are standard charges applicable to all enterprises inside the Nanjing Chemical Industry Park.

Our Directors (including the independent non-executive Directors) confirm that the rental fees under the Pipe Racks Services Agreement and the service fees under the Security Services Agreement are agreed in arm's length terms and on the market price and they are of the view that the long-term Pipe Racks Services Agreement and the Security Services Agreement have been entered into in the usual and ordinary course of business of our Group and are in the interest of the Company and its Shareholders as a whole.

Nanjing CIPC is a substantial shareholder of Nanjing Dragon Crown, a non-wholly owned subsidiary of the Company, owning 11.39% interest in such subsidiary. Nanjing CIPC is thus a connected person of the Company solely by reason that it is a substantial shareholder of Nanjing Dragon Crown. In addition, since Nanjing CIPPS is a wholly-owned subsidiary of Nanjing CIPC. Accordingly, Nanjing CIPPS is thus a connected person of the Company by reason that it is a wholly-owned subsidiary of Nanjing CIPC, a substantial shareholder of Nanjing Dragon Crown.

As each of Nanjing CIPC and Nanjing CIPPS is a connected person of our Company, each of the Pipe Racks Services Agreement and the Security Services Agreement will constitute a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Historical transaction value

For the three years ended 31 December 2010, the fees paid to Nanjing Dragon Crown to Nanjing CIPC for leasing the pipe racks under the Pipe Racks Services Agreement amounted to approximately RMB6,436,400 (equivalent to approximately HK\$7,213,900), RMB7,786,660 (equivalent to approximately HK\$8,835,500) and RMB7,786,660 (equivalent to approximately HK\$8,937,530), respectively.

In addition, for the three years ended 31 December 2010, the fees paid to Nanjing CIPPS by Nanjing Dragon Crown for the security services under the Security Services Agreement amounted to approximately RMB1,101,000 (equivalent to approximately HK\$1,234,000), RMB913,770 (equivalent to approximately HK\$1,036,900) and RMB889,200 (equivalent to approximately HK\$1,020,620), respectively. For the three years ended 31 December 2010, we recorded a decreasing historical transaction value under the Security Services Agreement because more enterprises joined the Nanjing Chemical Industry Park during the period and they shared the pipe racks which diluted the security patrolling service charges.

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Annual caps

The proposed cap amounts of the fees to be payable to Nanjing CIPC for leasing the pipe racks under the Pipe Racks Services Agreement for each of the two years ending 31 December 2012 are RMB8,200,000 (equivalent to HK\$9,425,300) and RMB8,400,000 (equivalent to HK\$9,655,200), respectively. Such proposed cap amounts are determined based on the expected increase of rental fee (subject to adjustment) under the Pipe Racks Services Agreement.

The proposed cap amounts of the fees to be payable to Nanjing CIPPS for the security services under the Security Services Agreement for each of the two years ending 31 December 2012 are RMB889,200 (equivalent to approximately HK\$1,022,100) and RMB799,320 (equivalent to approximately HK\$918,800), respectively. Such proposed cap amounts are determined based on the expected length of pipelines which will require the provision of security services by Nanjing CIPPS and the agreed fixed rate for the provision of security services for each km of pipelines. The fees payable to Nanjing CIPPS for the security services under the Security Services Agreement will decrease from RMB889,200 for the year ending 31 December 2011 to RMB799,320 for the year ending 31 December 2012 because Nanjing CIPPS expected that more enterprises will join the Nanjing Chemical Industrial Park and the relevant expenses can be shared with more enterprises in the future.

Waiver from announcement and independent Shareholders' approval requirements

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under each of the Pipe Racks Services Agreement and the Security Services Agreement have been aggregated. The expected aggregate cap amounts of the transactions under the Pipe Racks Services Agreement and the Security Services Agreement for each of the two years ending 31 December 2012 exceed HK\$10,000,000 and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable and on an annual basis, is higher than 5%. As such, the transactions under the Pipe Racks Services Agreement and the Security Services Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

On the above basis, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the above non-exempt continuing connected transactions under the Pipe Racks Services Agreement and the Security Services Agreement from strict compliance with the announcement requirements and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules subject to (i)

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our Directors' undertaking that the Company would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company, under Rule 14A.42 of the Listing Rules, has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to the continuing connected transactions above from the announcement and/or independent shareholders' approval requirements requirement under Rules 14A.47 and 14A.48 of the Listing Rules, provided that the said continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the Stock Exchange.

CONFIRMATION FROM THE SPONSOR AND OUR DIRECTORS

The Sponsor and our Directors (including the independent non-executive Directors) are of the view that:

- (i) the above continuing connected transactions for which waivers are sought have been entered into in the ordinary and usual course of the business of the Company on normal commercial terms and the terms of such transactions are fair and reasonable as far as the Company is concerned and are in the interests of the Shareholders as a whole;
- (ii) it is in the interest of the Company and the Shareholders to have a term of each of the Pipe Racks Services Agreement and the Security Services Agreement in excess of three years and it is a normal business practice for contracts of these types to be of such duration after having considered the principal factors and reasons as provided by the Company as set forth in “– Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Continuing connected transaction subject to the announcement, reporting and independent Shareholders' approval requirements” in this prospectus; and
- (iii) that the proposed annual caps for the above continuing connected transactions referred to above are fair and reasonable and in the interests of the Shareholders taken as a whole.