
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, our Controlling Shareholders will own an aggregate of 776,050,000 Shares (representing 70.55% of the Shares then in issue, assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). Other than their interest in our Group, as of the Latest Practicable Date, our Controlling Shareholders and their associates were also interested in the following entities principally engaging in the chemical product trading business or oil products railway logistics and storage business in Xinjiang (the “**Excluded Business**”):

- *DC Investments* – DC Investments is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Upon completion of the Reorganisation, DC Investments will focus on the trading of chemical products.

As of the Latest Practicable Date, DC Investments was in the process of applying from the relevant government authorities for the land use rights of a parcel of land (the “**Dongguan Land Parcel**”) in Dongguan. The proposed grant of the land use rights is a compensation under the government’s land acquisition scheme provided by the relevant government authority for the surrender of another land use rights owned by DC Investments and/or its subsidiaries in its liquid chemical product terminal in Dongguan which ceased operation in 2007. As of the Latest Practicable Date, the location and details of Dongguan Land Parcel were not yet finalised by the relevant government authority.

In order to prevent possible business competition between our Group and DC Investments, on 30 November 2010, we and DC Investments entered into an option agreement. Pursuant to the option agreement, DC Investments has granted to our Group an option (the “**Option**”) to acquire Dongguan Land Parcel from DC Investments, at a reasonable and mutually agreeable price, subject to the necessary governmental approvals, board approvals and shareholders approvals (as required under the Listing Rules, if applicable).

In addition, the following additional corporate measures will be adopted by our Company to protect the minority Shareholders’ rights:–

1. decision for the exercise or non-exercise of the Option shall be determined by our independent non-executive Directors only;
2. our independent non-executive Directors are empowered to engage professional advisors at our costs for advices on matters relating to the Option; and
3. our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the exercise of the Option.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As the Dongguan Land Parcel is expected to be restricted for the construction of terminal, subject to the necessary governmental approvals, board approvals and shareholders approvals (as required under the Listing Rules, if applicable), we intend to exercise the Option and acquire the Dongguan Land Parcel from DC Investments and develop our liquid chemical product terminal at the Dongguan Land Parcel.

If we cannot acquire Dongguan Land Parcel from DC Investments, DC Investments undertakes that it will not compete with our business through the development of the Dongguan Land Parcel.

- *Ningbo FTZ Dragon Crown* – Ningbo FTZ Dragon Crown is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Ningbo FTZ Dragon Crown is focusing on the trading of chemical products.
- *Dragon Crown (Shanghai)* – Dragon Crown (Shanghai) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Dragon Crown (Shanghai) is focusing on the trading of chemical products.
- *Beijing Gang Long Run Import and Export Company Limited* (北京港龍潤進口有限公司) – Beijing Gang Long Run Import and Export Company Limited (北京港龍潤進口有限公司) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Beijing Gang Long Run Import and Export Company Limited (北京港龍潤進口有限公司) is focusing on trading of chemical products.
- *Guangzhou Dragon Crown Chemical Trade Company Limited* (廣州龍翔化工貿易有限公司) – Guangzhou Dragon Crown Chemical Trade Company Limited (廣州龍翔化工貿易有限公司) is wholly-owned by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Guangzhou Dragon Crown Chemical Trade Company Limited (廣州龍翔化工貿易有限公司) is focusing on trading of chemical products.
- *Dragon Crown Chemicals Macao Commercial Offshore Ltd.* (龍翔化工澳門離岸商業服務有限公司) – Dragon Crown Chemicals Macao Commercial Offshore Ltd. (龍翔化工澳門離岸商業服務有限公司) is owned as to 98% by Dragon Apex Holdings Inc. which is wholly-owned by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Dragon Crown Chemicals Macao Commercial Offshore Ltd. (龍翔化工澳門離岸商業服務有限公司) is focusing on the trading of chemical products.
- *Dragon Crown (SEA) Pte. Ltd.* – Dragon Crown (SEA) Pte. Ltd. is owned as to 60% by Mr. NG and is therefore an associate of our Controlling Shareholder. Dragon Crown (SEA) Pte. Ltd. is focusing on the trading of chemical products.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- Xinjiang Xinlong Storage Co. Ltd. (新疆新龍儲運有限公司) – Xinjiang Xinlong Storage Co. Ltd. (新疆新龍儲運有限公司) (“**Xinjiang Xinlong**”) is owned as to 51% by DC Investments which is owned as to 98% by Mr. NG and is therefore an associate of our Controlling Shareholder, Mr. NG. Xinjiang Xinlong is principally engaged in the provision of loading and unloading service for imported crude oil and heavy oil in A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan.

As the width of railroad tracks is different in the PRC and the Republic of Kazakhstan, railroad cars from the Republic of Kazakhstan need to unload crude products at A La Shan Kou (阿拉山口), and then load the same crude products into the PRC domestic railroad cars before they enter into the PRC railway system.

Through its rail transfer and switch platform equipped with pumps for unloading and re-loading crude products, Xinjiang Xinlong is capable to provide loading and unloading service for its customers, which mainly include local and national oil product importers.

According to the articles of associations of Xinjiang Xinlong, the number of directors of Xinjiang Xinlong is nine, five of them are nominated by DC Investments and four of them are nominated by the minority shareholders of Xinjiang Xinlong. According to unaudited management accounts of Xinjiang Xinlong, its revenue amounted to approximately RMB27 million, RMB22 million and RMB28 million during each of the three years ended 31 December 2010. Its unaudited net profit reached approximately RMB8.6 million, RMB5.7 million and RMB8.6 million during the same period, respectively. During each of the three years ended 31 December 2010, the total quantities of crude oil and heavy oil handled by Xinjiang Xinlong amounted to approximately 578,000 metric tonnes, 249,000 metric tonnes and 323,000 metric tonnes, respectively.

Set out below is a table summarising the difference in business natures, geographic locations, customer segments and business operation of our Group and Xinjiang Xinlong:

	Xinjiang Xinlong	The Group
Business natures:	Provision of unloading and re-loading service for imported crude oil and heavy oil	Provision of terminal and storage services for liquid chemical products
Geographic locations:	A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan	Eastern coastal regions including Nanjing, Tianjin and Ningbo
Customer segments:	Local and national oil product importers	Mainly chemical manufacturers located in the proximity of our terminals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Xinjiang Xinlong	The Group
Business operations:	Mainly unload crude products at A La Shan Kou (阿拉山口), and then load the same crude products into the PRC domestic railroad cars before they enter into the PRC railway system	Mainly unload and load liquid chemical products from/ to vessels at our jetties, and deliver liquid chemical products to our customers' specified destinations through (i) dedicated pipelines; (ii) delivery trucks; (iii) rail; (iv) drums; or (v) vessels.

COMPETITION

No competing business

We are an integrated terminal service provider in the PRC specialised in the storage and handling of liquid chemical products. We principally provide our terminal and storage services in Nanjing, Ningbo and Tianjin. Our Directors have confirmed that currently there is no direct or indirect competition between our business and that of our Controlling Shareholders. The principal activities of our Controlling Shareholders or their respective associates and their subsidiaries are clearly delineated and different from ours in either customer segment, service, business nature or geographical location. Our Directors have further confirmed that none of our Controlling Shareholders is interested in any business which competes either directly or indirectly with, or is it otherwise materially relevant to, our business.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, DC Investments and executive Directors (collectively, the "Covenantors") has entered into the deed of non-competition with our Company to the effect that each of them jointly and severally, irrevocably and unconditionally, undertakes with our Company (on behalf of itself and our Group) that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and our Controlling Shareholders individually or collectively with their associates are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders, or remain as an executive Director, each of the relevant Covenantors shall, and shall procure that their respective associates shall:-

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with our Group in any business activities which our Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group; and
- (c) keep our Directors informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (including its associates) and our Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes with the Company (on behalf of itself and our Group) that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than members of our Group), he or she or it will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity.

None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until we decide not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our prevailing business and financial resources, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

Save as disclosed in this section of this prospectus, none of the Covenantors is interested in any business apart from the business operated by members of our Group which competes or is likely to compete, directly or indirectly, with our Group’s business under Rule 8.10 of the Listing Rules.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that it or he or she will (i) provide to us all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether it or he or she has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:-

- (a) our Company becomes wholly-owned by the Covenantors and/or their associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Controlling Shareholders and/or their associates in our Shares falls below 30% of the number of Shares in issue or the relevant Covenantor shall cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) in the case of any executive Director who is not a Controlling Shareholder, ninety (90) days from the date of resignation or termination of his or her service contract with our Company as a result of his or her breach of the relevant service contract, provided that if the relevant service contract is terminated by our Company without any breach on the part of the relevant executive Director, the date of termination of the relevant service contract; or
- (d) our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from competing businesses and to safeguard the interests of our Shareholders, including:–

- (a) review by our independent non-executive Directors on an annual basis on the compliance with the deed of non-competition by the Covenantors, the options, the pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses;
- (b) undertakings by the Covenantors that they will provide to us all information necessary for the enforcement of the deed of non-competition, and confirm to us on an annual basis as to whether he or she or it has complied with the above non-competition undertakings;
- (c) decision for the exercise or non-exercise of the right of first refusal for the Business Opportunity shall be determined by our independent non-executive Directors only;
- (d) our independent non-executive Directors are empowered to engage professional advisors at our costs for advises on matters relating to any Business Opportunities;
- (e) our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the Business Opportunities;
- (f) disclosure by us on decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition in our annual report; and
- (g) the Covenantors making an annual statement on compliance with the deed of non-competition in our annual report, including the disclosure on how the deed of non-competition was complied with and enforced, which is consistent with the principles of making voluntary disclosure in the corporate governance report of the annual report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that we can carry on our business independent of and without financial reliance on our Controlling Shareholders (and the associates of our Controlling Shareholders) following the Listing, and that we satisfy the relevant requirements under the Listing Rules.

Management independence

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. One of our executive Directors is our Controlling Shareholder.

Each of our Directors is fully aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefit and in our best interests and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In addition, members of our senior management are also independent from our Controlling Shareholders and their respective associates.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our organisation structure is made of various departments and divisions, each with specific areas of responsibility. Our management team is also independent from our Controlling Shareholders. We have obtained all necessary qualifications for us to operate our current businesses. Our Group has established independent accounting and financial reporting systems. Our Group has independent access to source of supplies and also to customers. We have also established various internal control procedures to facilitate the effective operation of our business. We have our own investment committee which assesses business opportunities and makes investment decisions.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. During the Track Record Period, Mr. NG, our Controlling Shareholder has provided guarantees to the extent of approximately HK\$86,943,000 as of 31 December 2008, HK\$41,379,000 as of 31 December 2009 and HK\$121,396,000 as of 31 December 2010, respectively relating to bank credit facilities granted to us. The guarantees granted by Mr. NG for the credit facilities of approximately HK\$121,396,000 as of the Latest Practicable Date will be released upon the Listing. On this basis, our Directors believe that we are financially independent from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-INCLUSION OF THE EXCLUDED BUSINESS

Our Group's operation which principally engaging in the terminal and storage services of liquid chemical products in Nanjing, Tianjin and Ningbo is established as a distinct line of the Excluded Business which mainly focuses on trading of chemical products or provision of loading and unloading service for imported crude oil and heavy oil in A La Shan Kou (阿拉山口), Xinjiang, which is near the border of the PRC and the Republic of Kazakhstan. Since our Group's inception, our Group and the Excluded Business are independent of each other in various aspects, including our Group is financially and operationally independent from the Excluded Business and the Controlling Shareholders with a separate management team, geographical focus, sales and marketing channels and the overall management strategies of operating the Excluded Business were determined by the board of directors of the respective associates of our Controlling Shareholders.

Taking into account of the foregoing and given the different business natures, geographical locations, customer segments and mode of business operation of the Excluded Business, our Directors consider that, our operational efficiency may be affected as significant financial and managerial resources would be deployed to coordinate and assimilate the Excluded Business if the Excluded Business, which operations are currently in a different nature and in different geographical location, is to be included into our Group.

Further, our Directors believe that the listing of our Group without the inclusion of the Excluded Business will provide more diversified funding sources and management resource for our Group to develop its more focused line of business operations, namely the terminal and storage services of liquid chemical products in Nanjing, Tianjin and Ningbo, and that a listing of our Group without the inclusion of the Excluded Business will enable us to achieve our valuation potential which, in turn, will be beneficial to our Shareholders as a whole.

Taking into account of the above, our Directors believe that it will be in the best interests of our Company and its Shareholders if our Group maintains its focus in the business and we are to exclude the Excluded Business from our Group.

Our Directors believe that with the deed of non-competition and the corporate governance measures as mentioned above put into place after the Listing, any potential competition between our Group and the Excluded Business operated by our Controlling Shareholders will be minimised and monitored.

On the basis of the above, the Excluded Business was not included in our Group and our Directors currently have no intention to inject the Excluded Business into our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:–

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:–

- (a) when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters referred to above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.