The following discussion and analysis should be read in conjunction with our consolidated financial statements at and for the years ended 31 December 2010, 2009 and 2008, together with the accompanying notes, included in Appendix I in this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth in the section headed "Risk Factors" in this prospectus.

For the purposes of this section, and unless the context otherwise requires, references to "2010", "2009", and "2008" refer to our financial year ended 31 December of such year.

(I) OVERVIEW

We are an integrated terminal service provider specialised in the storage and handling of liquid chemical products in the PRC. We offer a comprehensive range of terminal and storage of liquid chemical services ranging from loading and discharging of liquid chemical products at our jetties and storage of liquid chemical products at our tank farm and delivery of such products by utilising our dedicated pipelines and other basic terminal infrastructure.

Over the Track Record Period, we operated our business in the PRC through (i) Nanjing Dragon Crown, our subsidiary located in Nanjing; (ii) our three Associated Entities, namely Ningbo Ningxiang, Tianjin Tianlong and Tianlong Haixiang which is wholly-owned by Tianjing Tianlong, located in Ningbo, Tianjin and Tianjin respectively; and (iii) our Jointly-controlled Entities, Ningbo Xinxiang and Ningbo Ningxiang located in Ningbo.

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

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

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

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

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

Notes:

1. There were no changes to the designed capacity of our jetties during the Track Record Period and as of the Latest Practicable Date.

2. The utilisation rate is calculated by our record of the annual actual throughput via jetties divided by (i) the total annual designed throughput capacity of jetties for the Nanjing terminal and Ningbo terminal in relation to the operating period; and (ii) the total annual adjusted designed throughput capacity of the jetty for the Tianjin terminal in relation to the operating period.

3. Based on the historical growth of the utilisation rate, it is expected that the utilisation rate of jetties at our Nanjing terminal will be further increased and it is necessary for us to construct an additional jetty to cope with our future growth.

4. The annual designed throughput was 115,600 metric tonnes which was based on the assumption that our storage tank capacity was 16,000 m^3 and its turnaround was 8.5 times per year. Due to the growth of our storage tank capacity, our storage tank capacity has been increased to 24,900 m^3. In addition, since it is operated substantially under short-term spot rental service contracts, we could efficiently improve the turnaround of jetty facilities. As such, we have improved the annual designed throughput capacity of our jetty in Tianjin to 301,600 metric tonnes.

5. The designed throughput capacity of the jetty is calculated based on the storage tank capacity related to the jetty when the jetty was being constructed. During the Track Record Period, in relation to the Tianjin terminal, which was operated by our Associated Entities, the handling of liquid chemicals might be delivered directly without involving the usage of storage tanks. During the Track Record Period, in addition to the actual throughput passing through our jetty set forth above, the total actual throughput passing through our jetty without involving the usage of storage tanks in the Tianjin terminal amounted to approximately 61,360 metric tonnes, 78,000 metric tonnes and 103,720 metric tonnes, respectively.

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

	Number of storage tanks			Total designed storage capacity			Total actual throughput			
	As of 31 December			As of 31 December			For the year ended 31 December			Types of liquid chemical products handled
Storage tanks	2008	2009	2010	2008	2009	2010	2008	2009	2010	
					(m^3)			(metric tonnes)		
Nanjing terminal operated by our subsidiary	20	20	20	152,000	152,000	152,000	850,600	1,241,400	1,801,600	Methanol, Acetic Acid, Cryogenic Ethylene, VAM, Acetic Anhydride, Phenol and Propylene Oxide
Tianjin terminal operated by our Associated Entities	15	15	15	24,900	24,900	24,900	250,000	164,100	169,290	ortho-xylene, para-xylene, VAM, Molten Sulphur, Sulphuric Acid, Phenol
Ningbo terminal operated by our Associated Entity/ Jointly-controlled Entity	12	12	12	29,000	29,000	29,000	167,200	185,700	250,900	adiponitrile, methanol, phenol, Dimethylformamide and Diethanolamine

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

The Celanese Contracts provided for an aggregate annual fixed contract sum, which is calculated based on the minimum throughput volume and which is payable monthly, and subject to adjustment to be paid by each of Celanese (Nanjing), Celanese Diversified and Celanese Acetyl throughout the contract term, and hence maintain our gross profit margin. The adjustment terms in such long-term service contracts relate to annual adjustments to be made on changes of consumer price index, utilities charges and wages during the contract term.

Any early termination of the Celanese Contracts by Celanese will subject them to the payment of a termination fee comprises, inter alia, the fixed fee adjusted by an agreed interest discounting factor for the remaining years of the initial term of the long-term contract. For further details of the Celanese Contracts, please refer to sub-section headed "Our relationship with Celanese" under section headed "Business" in this prospectus.

We entered into the Celanese Contracts with remaining terms of over 10 years as of the Latest Practicable Date. For each of the three years ended 31 December 2010, the Celanese Contracts contributed approximately HK$143.2 million, HK$192.0 million and HK$228.3 million of revenue for our Group, which accounted for more than 90% of our revenue for each of the three years ended 31 December 2010. For each of the three years ended 31 December 2010, the annual fixed contract sums of the Celanese Contracts were approximately RMB123.3 million, RMB155.9 million and RMB157.2 million, respectively, which accounted for more than 75% of our revenue during each of the three years ended 31 December 2010. The long-term nature of the Celanese Contracts enables us to achieve a sustainable and predictable operating cash inflow during the term of the Celanese Contracts, which can finance our business expansion plans with Celanese in the Nanjing Chemical Industry Park in the future.

The table below presents, for the periods indicated, our revenue, gross profit, share of profits of Associated Entities and Jointly-controlled Entity and net profit in terms of amount and as a percentage of our total revenue during the Track Record Period, as well as the CAGR from 2008 to 2010.

	For the year ended 31 December						
	2008		2009		2010		
	Amount	Percentage to total revenue	Amount	Percentage to total revenue	Amount	Percentage to total revenue	CAGR (2008-2010)
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*%*
Revenue	150,095	100.0	198,547	100.0	233,024	100.0	24.6
Gross profit	94,386	62.9	122,947	61.9	143,441	61.6	23.3
Share of profits of:							
Associated Entities	6,525	4.3	3,854	1.9	5,305	2.3	–9.8
Jointly-controlled Entities	1,527	1.0	2,101	1.1	2,654	1.1	31.8
Profit for the year	72,021	48.0	101,936	51.3	117,157	50.3	27.5

Our revenue increased by approximately 32.2% from approximately HK$150.1 million in 2008 to approximately HK$198.5 million in 2009, and by further 17.4% to approximately HK$233.0 million in 2010.

Our gross profit increased by approximately 30.2% from approximately HK$94.4 million in 2008 to approximately HK$122.9 million in 2009, and by further 16.7% to approximately HK$143.4 million in 2010.

Our net profit increased by approximately 41.5% from approximately HK$72.0 million in 2008 to approximately HK$101.9 million in 2009, and by further 15.0% to approximately HK$117.2 million in 2010.

The substantial increase in revenue, gross profit and net profit during the Track Record Period was mainly attributable to (i) the growing trend of our liquid chemicals throughput volume; and (ii) the commencement of operation of our phase II facilities in Nanjing. Our phase I facilities in Nanjing was completed in 2007 and operation for the Celanese (Nanjing) Contract commenced in April 2007 (for Acetic Acid and Methanol). Our phase II facilities in Nanjing was completed in 2008 and operation for (i) the Celanese Acetyl Contract commenced in April 2008 (for Acetic Anhydride) and (ii) the Celanese Diversified Contract commenced in May 2008 (for VAM) and July 2008 (for Ethylene). In 2008, all of the Celanese Contracts in aggregate contributed revenue of approximately HK$143.2 million, representing approximately 95.4% of the total revenue. In 2009 and 2010, all of the Celanese Contracts, were in full year operation and the total revenue contributed amounted to approximately HK$192.0 million and HK$228.3 million, representing approximately 96.7% and 98.0% of the total revenue, respectively.

Our share of profits of Associated Entities decreased by approximately 40.0% from approximately HK$6.5 million in 2008 to approximately HK$3.9 million in 2009, and increased by 35.9% to approximately HK$5.3 million in 2010.

Our share of profits of a Jointly-controlled Entity was approximately HK$1.5 million, HK$2.1 million for the two years ended 31 December 2009, respectively. Our share of profits of jointly-controlled entities was approximately HK$2.7 million for the year ended 31 December 2010.

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

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

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

Notes:

1. Ocean Access and Dragon Source are both indirectly wholly-owned subsidiaries of our Company.

2. Tianlong Haixiang is wholly-owned by Tianjin Tianlong and since Tianjin Tianlong is our Associated Entity, Tianlong Haixiang is also considered as our Associated Entity.

3. Before the Dragon Bussan Reorganisation, the shareholding interests of Dragon Bussan were held by DC Investments (60%), Mitsui & Co., Ltd. (24%) and Mitsui & Company (Hong Kong) Limited (16%). After the completion of the Dragon Bussan Reorganisation, Dragon Bussan became an indirectly wholly-owned subsidiary of our Company.

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

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

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

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

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

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

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

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

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

(II) BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Controlling Shareholder owned and controlled members of our Group during the Track Record Period. In preparation for the Listing, members of our Group underwent the Reorganisation, with further information set forth in the section headed "Reorganisation" in this prospectus.

Since the Company and the companies now comprising the Group were under common control of the Controlling Shareholder both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting.

The consolidated results, cash flows and financial position of the companies now comprising our Group have been prepared on the basis as if the Company had always been the holding company of the companies now comprising our Group, and as if our group structure had been in existence throughout the Track Record Period and that all of the business to be listed was transferred to our Group as of the earliest period presented.

Our consolidated statements of financial position as at 31 December 2008, 2009 and 2010 are prepared to present the state of affairs of the members of Group as of the respective dates as if the current ownership and corporate structure had been in existence as of the respective dates.

According to our accounting policies, the financial performance of our subsidiaries, including Nanjing Dragon Crown, are accounted for using the merger basis under which the assets and liabilities, income and expenses and cash flows of our subsidiaries are consolidated and included in the relevant components of our consolidated financial accounts.

Our interests in Associated Entities are stated in the consolidated statements of financial position at our Group's share of net assets under the equity method of accounting, less any impairment losses. Our interests in Jointly-controlled Entities are stated in the consolidated statements of financial position at our Group's share of net assets under the equity method of accounting, less any impairment losses.

(III) FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our operating results and financial condition have been and will continue to be affected by various factors that may be beyond our control. A summary of these factors is set forth below:–

Ability to secure additional contracts

Our aggregate storage capacity for phase I and phase II facilities in Nanjing is approximately 152,000 m^3. For the three years ended 31 December 2010, the total actual throughput of our Nanjing terminal were approximately 850,600 metric tonnes, 1,241,400 metric tonnes and 1,801,600 metric tonnes respectively. The ability to secure of additional service contracts will directly affect the actual throughput volume of our Nanjing terminal in future, which in turn may affect our revenue and growth.

Fee charged on the provision of storage of liquid chemical products under short term service contracts

Except for the Celanese Contracts we entered into with Celanese (Nanjing), Celanese Diversified and Celanese Acetyl which provide us a minimum contract sum subject to adjustment, we also entered into short-term service contracts with our customers for the provision of storage of liquid chemical products for less than one year. During the Track Record Period, our revenue contributed by the short-term service contracts amounted to approximately HK$434,000, HK$1,512,000 and HK$1,632,000 respectively, and accounted for approximately 0.3%, 0.8% and 0.7% respectively of our total revenue. As of 31 December 2010, approximately 1.3% (amounting to approximately 2,000 m^3) of our storage tanks at our Nanjing terminal was under short term service arrangements. In relation to our short term service contracts, we generally charge our customers a fee based on the actual throughput volume. Our pricing terms under short term service contracts may also vary as the determination is subject to a number of factors, including length of services required and types of product. Our results of operations may be adversely affected if our fee charged on the provision of terminal and storage of liquid chemical products services drops.

The ability to secure investment projects

Due to the increasing demand of storage capacity from our customers, we had constructed and completed the facilities phase by phase in Nanjing in mid 2008. During the Track Record Period, the occupancy rates of our storage tanks in Nanjing reached 95%, 95% and 95%. In addition to organic growth, our current strategy involves growth through investments in new projects, for example, phase III facilities in Nanjing. We may be unable to continue to implement our growth strategy, or these projects may ultimately not be successfully secured by us. If we fail to identify or invest in new projects, our business growth will be hindered, which in turn could have a material and adverse impact on our business and results of operations.

Capital expenditures

Our business operation and development require significant capital expenditures. The capital investment is required to develop and construct jetties, storage tanks and associated facilities. Our storage tanks are designed and constructed to different engineering standard and specifications, so as to suit that particular chemical's physical and chemical characteristics, ranging from cryogenic condition, to ordinary cooled condition, to ambient temperature condition, to heated condition, depending on the chemicals that we handle. We plan to invest in our Nanjing phase III facilities. Other factors affecting the amount of capital investment required include, among others, construction costs. Most of our storage tanks are made of coal steel or stainless-steel and our jetties are made of steel and concrete, if there is any significant increase in the construction costs of these materials for our new jetties and storage tanks, it could have a material adverse effect on our results of operations.

Interest rate fluctuations

As our business is capital intensive in nature, we have relied on both long-term and short-term borrowings to fund certain portion of our capital requirements during the Track Record Period, and expect to continue to do so in the foreseeable future. During the Track Record Period, we incurred finance costs of approximately HK$18.3 million, HK$12.9 million and HK$8.9 million, respectively. The decreasing trend of our finance costs was because we repaid our bank borrowings using our operating cash inflows and the fluctuations in the interest rates had no material impact on our finance costs and our results of operations during the Track Record Period.

However, we are exposed to interest rate risk resulting from fluctuations in interest rates on our borrowings, and any change in interest rates in future may affect our finance expenses and, ultimately, our results of operations.

(IV) CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information. Our principal accounting policies, which are important for an understanding of our financial position and results of operations, are set forth in detail in Note 3 of Section II to our consolidated financial statements in the accountants' report set out in Appendix I in this prospectus.

The preparation of financial information set forth in this prospectus in conformity with HKFRS which requires us to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We set forth below those accounting policies that we believes involve the most significant estimates and judgements used in the preparation of our financial information.

(1) Judgements

In the process of applying our accounting policies, we have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in financial information set forth in this prospectus:

Impairment of accounts receivable

We assess at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

We maintain an allowance for estimated impairment of accounts receivable arising from the inability of its debtors to make the required payments. We make our estimates based on the ageing of its trade receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of our debtors was to deteriorate so that the actual impairment loss might be higher than expected, we would be required to revise the basis of making the allowance.

Over the Track Record Period, our customers had very good credit records with us. Our account receivables were not impaired and there was no recent history of default.

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. We estimate the useful lives of our property, plant and equipment to be five to thirty years. Changes in the expected level of usage and/or the period over which future economic benefits are generated could impact the economic useful lives of our assets and, therefore, future depreciation charges could be revised.

Impairment of non-financial assets

We assess whether there are any indicators of impairment for all non-financial assets at each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, we must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

Significant judgements from our management on the future tax treatment of certain transactions are required in determining income tax provisions. We carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(V) OUR OPERATING RESULTS DURING THE TRACK RECORD PERIOD

(A) Selected profit and loss data

The information presented below for the Track Record Period is derived from our consolidated financial statements included in the accountants' report as set forth in Appendix I in this prospectus.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	150,095	198,547	233,024
Cost of services provided	(55,709)	(75,600)	(89,583)
Gross profit	94,386	122,947	143,441
Other income	1,078	6,023	11,817
Administrative expenses	(9,557)	(14,033)	(29,094)
Finance costs	(18,295)	(12,913)	(8,930)
Share of profits of:			
Associated Entities	6,525	3,854	5,305
Jointly-controlled Entities	1,527	2,101	2,654
Profit before tax	75,664	107,979	125,193
Tax	(3,643)	(6,043)	(8,036)
Profit for the year	72,021	101,936	117,157
Exchange differences on translation of foreign operations	24,934	1,333	19,819
Total comprehensive income for the year	96,955	103,269	136,976
Profit for the year attributable to:			
The owners of the Company	60,447	85,304	96,745
Non-controlling interests	11,574	16,632	20,412
	72,021	101,936	117,157
Total comprehensive income attributable to:			
The owners of the Company	81,767	86,294	114,550
Non-controlling interests	15,188	16,975	22,426
	96,955	103,269	136,976

(B) Analysis of the principal components in our income statement

Revenue

Our revenue represents the terminal storage and handling of liquid chemicals. During the Track Record Period, we generated all of our revenue from customers in the PRC.

Set out below is a breakdown of the revenue generated by our subsidiary, Associated Entities and Jointly-controlled Entities during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Subsidiary			
Nanjing Dragon Crown *(Notes 1 and 5)*	150,095	198,547	233,024
Associated Entities			
Ningbo Ningxiang *(Notes 2 and 5)*	1,291	1,735	1,840
Tianjin Tianlong *(Notes 3 and 5)*	15,024	10,467	12,092
Jointly-controlled Entities			
Ningbo Xinxiang *(Notes 4 and 5)*	4,102	5,006	5,922
Ningbo Ningxiang *(Notes 2 and 5)*	–	–	1,077

Notes:

1. We owned approximately 88.61% equity interest in Nanjing Dragon Crown as of the Latest Practicable Date.

2. We owned approximately 60% equity interest in Ningbo Ningxiang as of the Latest Practicable Date.

3. We owned approximately 65% equity interest in Tianjin Tianlong as of the Latest Practicable Date.

4. We owned approximately 60% equity interest in Ningbo Xinxiang as of the Latest Practicable Date.

5. Nanjing Dragon Crown, being our subsidiary, accounted for using merger basis under which its assets and liabilities, income and expenses and cash flows are consolidated and included in the relevant components of our consolidated financial accounts. Tianjin Tianlong and Tianlong Haixiang are our Associated Entities; Ningbo Xinxiang is our Jointly-controlled Entity; and Ningbo Ningxiang was our Associated Entity (before the Dragon Bussan Reorganisation) and is our Jointly-controlled Entity (pursuant to the Dragon Bussan Reorganisation). According to our accounting policies, our interests in these Associated Entities and Jointly-controlled Entities are stated in the consolidated statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Our share of the results of Associated Entities and Jointly-controlled Entities is included in the consolidated statements of comprehensive income.

Cost of services provided

The following table sets forth the principal components of our cost of services provided and these constituent costs as a percentage of total cost of services provided during the Track Record Period:

	Year ended 31 December					
	2008		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Depreciation	23,290	41.8	29,868	39.5	30,646	34.2
Diesel fuel cost	4,937	8.9	11,777	15.6	19,500	21.8
Consumables	1,083	1.9	2,366	3.1	2,497	2.8
Utilities expenses	6,002	10.8	6,660	8.8	7,466	8.3
Pipe racks rental fee	7,214	12.9	8,835	11.7	8,938	10.0
Staff costs	3,492	6.3	4,907	6.5	5,845	6.5
Amortisation of prepaid land lease payments	688	1.2	696	0.9	908	1.0
Repair and maintenance	1,500	2.7	3,857	5.1	5,472	6.1
Government service fee	4,319	7.8	3,252	4.3	3,031	3.4
Other	3,184	5.7	3,382	4.5	5,280	5.9
Total	55,709	100	75,600	100	89,583	100

Gross profit and gross profit margin

We recorded gross profit of approximately HK$94.4 million, HK$122.9 million and HK$143.4 million for the three years ended 31 December 2010, with gross profit margin, of approximately 62.9%, 61.9% and 61.6% for the corresponding years.

Our gross profit margins were relatively stable during the Track Record Period because we were entitled to charge a minimum fixed contract sum under the Celanese Contracts. Pursuant to the Celanese Contracts, the minimum fixed contract sum comprises a fixed fee and operational fee which is determined by the minimum throughput volume. The fixed fee is calculated with reference to our estimated return of our investments in constructing the terminal facilities and is not adjustable during the contract term. The operational fee is calculated with reference to our expected operational costs which include without limitation to energy cost (diesel fuel and gas consumption), pipe racks rental fee and utilities expenses. Any actual throughput volume in excess of the minimum throughput volume during the Track Record Period should be charged at an excess operational fee rate as specified under the Celanese Contracts. During the Track Record Period, except for the throughput volume of Methanol for the contract period from 1 April 2008 to 31 March 2009, the actual throughput volume of Acetic Acid and Methanol were in excess of their minimum throughput volumes under the Celanese (Nanjing) Contract. In relation to Ethylene and VAM under the Celanese Diversified Contract and Acetic Anhydride under the Celanese Acetyl Contract, we recorded increasing trends of their actual throughput volumes.

However, since the operations were still at the early stage of development, their actual throughput volumes did not meet the specified minimum throughput volumes under their respective contractual years during the Track Record Period. As our operational fee is subject to annual adjustment with reference to changes of consumer price index, utilities charges, wages, actual energy consumption cost and actual throughput volume, we are able to maintain a stable gross profit margin during the Track Record Period.

Other income

Our other income mainly consists of bank interest income, gross rental income, government subsidies from a PRC port authority, gain on revaluation of pre-existing interest in an acquired subsidiary to fair value and various sundry income.

Administrative expenses

The following table sets forth the principal components of our administrative expenses during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	3,805	4,893	6,497
Entertainment expenses	715	980	1,357
Depreciation	928	1,220	1,242
Levy and tax	1,821	2,043	1,729
Afforestation fee	–	2,048	400
Traveling expenses	664	540	637
Office supplies and utilities	600	711	667
Listing expenses	–	–	11,397
Rental expense	–	–	729
Director's remuneration	157	295	665
Others	867	1,303	3,774
	9,557	14,033	29,094

Finance costs

Finance costs primarily consist of interests on bank loans and interests on amount due to former ultimate holding company and after deducting any finance costs capitalised to construction in progress.

Share of profits of Associated Entities

Share of profits of Associated Entities included our share of the post-tax results of the investments in Associated Entities and any impairment losses for the year.

Set out below is a breakdown of the share of profits of Associated Entities during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	16,315	12,202	13,932
Other income	255	194	123
	16,570	12,396	14,055
Total expenses	(9,438)	(8,147)	(8,189)
Tax	(607)	(395)	(561)
Profit after tax	6,525	3,854	5,305

The decrease in our share of profits of Associated Entities from approximately HK$6.5 million in 2008 to approximately HK$3.9 million in 2009 was mainly due to the decrease in our share of revenue of Associated Entities by approximately HK$4.1 million from HK$16.3 million in 2008 to HK$12.2 million in 2009 under a general slowdown of market condition amid the global financial crisis. Our share of profits of Associated Entities increased by approximately HK$1.4 million from HK$3.9 million in 2009 to HK$5.3 million in 2010 as the market showed recovery in the year.

Share of profits of Jointly-controlled Entities

Share of profits of Jointly-controlled Entities included our share of the post tax results of the investment in Jointly-controlled Entities and any impairment losses for the year.

Set out below is a breakdown of the share of profits of Jointly-controlled Entities during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	4,102	5,006	6,999
Other income	134	112	153
	4,236	5,118	7,152
Total expenses	(2,461)	(2,241)	(3,537)
Tax	(248)	(776)	(961)
	1,527	2,101	2,654

Our share of profits of Jointly-controlled Entities was approximately HK$1.5 million, HK$2.1 million and HK$2.7 million for the three years ended 31 December 2010, respectively. Such increase in our share of profits of Jointly-controlled Entities was mainly due to general increase in our share of revenue of Jointly-controlled Entities from approximately HK$4.1 million in 2008 to approximately HK$5.0 million in 2009, and further to approximately HK$7.0 million in 2010.

Tax

During the Track Record Period, our tax was constituted by (i) current tax from our Subsidiary, Nanjing Dragon Crown; and (ii) deferred tax from our Subsidiary, Nanjing Dragon Crown; Associated Entities, Tianjin Tianlong; and Jointly-controlled Entity, Ningbo Xinxiang. Our effective tax rates were 4.8%, 5.6% and 6.4% in 2008, 2009 and 2010, respectively. During the Track Record Period, our effective tax rates remained low primarily due to (i) our PRC subsidiary, Nanjing Dragon Crown was entitled to preferential tax treatment with full tax exemption from PRC income tax during the Track Record Period; and (ii) the requirement to levy withholding tax on distributable profits to foreign investors from our PRC subsidiary, Associated Entities and Jointly-controlled Entities pursuant to the PRC corporate Income Tax Law was implemented since 2008.

Our Company and our subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

BVI and Cayman Islands profits tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to any profits tax in the Cayman Islands and BVI.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the companies now comprising the Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

PRC income tax

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the new PRC Corporate Income Tax Law and its Implementation Rules (effective from 1 January 2008), the PRC corporate income tax rates for domestic and foreign-invested enterprises are unified at 25%. The other major tax concessions applicable to the Group's Mainland China subsidiary are detailed as below.

Pursuant to the tax document Guoshui Han 2007 No.2 "Approval on Corporate Income Tax" issued by the national tax authority of Nanjing City, Jiangsu Province, the PRC, Nanjing Dragon Crown is entitled to preferential tax treatment with full tax exemption from PRC corporate income tax ("CIT") for the first five profitable years, commencing from 1 January 2007, and thereafter is entitled to a 50% deduction in CIT rate for the subsequent five years.

Set out below is a summary of applicable income tax rates of and concessions granted to our PRC subsidiary, Associated Entities and Jointly-controlled Entities during the Track Record Period:

Principal operating entities	**Income tax exposure and tax concession**	**Period**	**Tax rate**
Subsidiary – Nanjing Dragon Crown	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for five years from the first profit-making year in 2007, followed by a 50% reduction in the PRC Enterprise Income Tax for the five years to 2016	1 January 2008 to 31 December 2010	Nil

Principal operating entities	Income tax exposure and tax concession	Period	Tax rate
Associated Entity – Tianjin Tianlong	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for five years from the first profit-making year in 2003, followed by a 50% reduction in the PRC Enterprise Income Tax for the five years to 2012 and during which subject to a gradual increment from the rate of 18% up to the unified rate of 25% in 2012	1 January 2008 to 31 December 2008	9%
		1 January 2009 to 31 December 2009	10%
		1 January 2010 to 31 December 2010	11%
Associated Entity – Tianjin Tianlong Haixiang	PRC Enterprise Income Tax (no tax concession was granted)	1 January 2008 to 31 December 2010	25%
Associated Entity – Ningbo Ningxiang	PRC Enterprise Income Tax, subject to low tax rate of 15% to 2007, followed by a gradual increment from the rate of 18% up to the unified rate of 25% in 2012	1 January 2008 to 31 December 2008	18%
		1 January 2009 to 31 December 2009	20%
		1 January 2010 to 31 December 2010	22%
Jointly-controlled Entity – Ningbo Xinxiang	PRC Enterprise Income Tax, subject to tax concession period during which it is fully exempted from PRC Enterprise Income Tax for two years from the first profit-making year in 2004, followed by a 50% reduction in the PRC Enterprise Income Tax for the three years to 2008	1 January 2008 to 31 December 2008	12.5%
		1 January 2009 to 31 December 2010	25%

For details about the PRC tax incentives enjoyed by our PRC subsidiary and the effect of the New EIT Law, please refer to the sub-section headed "Enterprise income tax" under the section headed "Regulations" in this prospectus.

Share option expenses

The Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest, and we will incur additional expenses to the extent we grant options under the Share Option Scheme. Please refer to section headed "Share Option Scheme" in Appendix V in this prospectus.

(C) Management discussion and analysis

Year ended 31 December 2009 compared to year ended 31 December 2010

Revenue

Revenue increased by approximately HK$34.5 million, or 17.4%, from approximately HK$198.5 million in 2009 to approximately HK$233.0 million in 2010. The total actual throughput of our Nanjing terminal increased from 1,241,400 metric tonnes in 2009 to 1,801,600 metric tonnes in 2010.

Such increase in the actual throughput volume of our Nanjing terminal was mainly due to the increased demand of our provision of terminal and chemical storage for Acetic Acid and Methanol from Celanese (Nanjing) and for Ethylene and VAM from Celanese Diversified in 2010. Revenue from Celanese (Nanjing) increased by approximately HK$24.0 million from approximately HK$88.1 million in 2009 to approximately HK$112.1 million in 2010. Revenue from Celanese Diversified increased by approximately HK$11.7 million from approximately HK$84.0 million in 2009 to approximately HK$95.7 million in 2010.

Cost of services provided

Our cost of services provided increased by approximately HK$14.0 million, or 18.5%, from approximately HK$75.6 million in 2009 to approximately HK$89.6 million in 2010. As a percentage of total revenue, our cost of services provided remained stable at 38.1% and 38.4% in 2009 and 2010, respectively.

The increase in our cost of services provided was mainly due to (i) an increase in diesel fuel cost by approximately HK$7.7 million from approximately HK$11.8 million in 2009 (accounted for 15.6% of the cost of services provided) to approximately HK$19.5 million in 2010 (accounted for 21.8% of the cost of services provided), as the general price of diesel fuel experienced substantial increase in 2010 after the financial crisis; and (ii) an increase in repair and maintenance by approximately HK$1.6 million from approximately HK$3.9 million in 2009 to approximately HK$5.5 million in 2010.

Gross profit

As a result of the factors discussed above, our gross profit increased by approximately HK$20.5 million, or 16.7%, from approximately HK$122.9 million in 2009 to approximately HK$143.4 million in 2010. We are able to maintain a stable gross profit margin at 61.9% and 61.6% in 2009 and 2010, respectively.

Other income

Our other income increased by approximately HK$5.8 million, from approximately HK$6.0 million in 2009 to approximately HK$11.8 million in 2010. Such increase in other income was mainly due to (i) the increase in subsidies we received from a PRC port authority of approximately HK$7.6 million in 2010 as compared to approximately HK$4.7 million; (ii) gain on revaluation of pre-existing interest in the acquisition of Dragon Bussan to fair value, of approximately HK$2.5 million in 2010 during Reorganisation.

Administrative expenses

Our administrative expenses increased by approximately HK$15.1 million, or 107.9%, from approximately HK$14.0 million in 2009 to approximately HK$29.1 million in 2010. The increase was mainly due to (i) an increase in staff costs of approximately HK$1.6 million from approximately HK$4.9 million in 2009 to approximately HK$6.5 million in 2010; and (ii) one-off listing expenses of approximately HK$11.4 million in 2010 as compared to nil in 2009. As a percentage of total revenue, our administrative expenses increased from 7.1% in 2009 to 12.5% in 2010, which was mainly due to we incurred one-off listing expenses in relation to our listing preparation in 2010.

Finance costs

Our finance costs decreased by approximately HK$4.0 million, or 31.0%, from approximately HK$12.9 million in 2009 to approximately HK$8.9 million in 2010. As we repaid HK$160.6 million bank loans in 2010, the finance costs on bank loans decreased accordingly in the same period.

Share of profits of Associated Entities

Our share of profits of Associated Entities increased by approximately HK$1.4 million, or 35.9%, from approximately HK$3.9 million in 2009 to approximately HK$5.3 million in 2010. The increase in our share of profits of Associated Entities was mainly due to the improving business environment and the increase in share of revenue of Associated Entities from approximately HK$12.2 million in 2009 to approximately HK$13.9 million in 2010.

Share of profits of Jointly-controlled Entities

Our share of profits of Jointly-controlled Entities increased slightly from approximately HK$2.1 million in 2009 to that of approximately HK$2.7 million in 2010. Such slight increase in our share of profits of Jointly-controlled Entities was the net effect of (i) increase in share of revenue of Jointly-controlled Entities from approximately HK$5.0 million in 2009 to approximately HK$7.0 million in 2010; and (ii) increase in share of total expenses of Jointly-controlled Entities from approximately HK$2.2 million in 2009 to approximately HK$3.5 million in 2010.

Tax expenses

Our tax expenses increased by approximately HK$2.0 million, or 33.3%, from approximately HK$6.0 million in 2009 to approximately HK$8.0 million in 2010. The increase in tax expenses was mainly due to the increase in withholding tax levied on the distributable profits of our PRC subsidiary, Associated Entities and Jointly-controlled Entities from approximately HK$4.6 million in 2009 to approximately HK$6.0 million in 2010 which was in line with the increase in distributable profits of these entities.

Profit for the year

Our profit for the year increased by approximately HK$15.3 million, or 15.0%, from approximately HK$101.9 million in 2009 to approximately HK$117.2 million in 2010, which was in line with the increased throughput volume of liquid chemical products handled by us during the year. Our net profit margin remained stable at 50.3% in 2010 as compared to that of 51.3% in 2009.

Year ended 31 December 2008 compared to year ended 31 December 2009

Revenue

Revenue increased by approximately HK$48.4 million, or 32.3%, from approximately HK$150.1 million in 2008 to approximately HK$198.5 million in 2009. Such increase was principally due to the full-year operation of our phase II facilities in Nanjing in 2009. Our terminal and chemical storage service for VAM and Ethylene to Celanese Diversified commenced operation since May 2008 and July 2008, respectively. As such, our revenue from Celanese Diversified increased from approximately HK$43.9 million in 2008 to approximately HK$84.0 million in 2009. Our Nanjing terminal's total actual throughput reached 1,241,400 metric tonnes in 2009 as compared to 850,600 metric tonnes in 2008.

Cost of services provided

Our cost of services provided increased by approximately HK$19.9 million, or 35.7% from approximately HK$55.7 million in 2008 to approximately HK$75.6 million in 2009. As a percentage of total revenue, our cost of services provided increased slightly from 37.1% in 2008 to 38.1% in 2009.

The increase in our cost of services provided was mainly due to: (i) an increase in depreciation by approximately HK$6.6 million from approximately HK$23.3 million in 2008 to approximately HK$29.9 million in 2009 which was mainly attributable to the full-year operation of our Nanjing's phase II facilities in 2009; (ii) an increase in diesel fuel cost by approximately HK$6.9 million from approximately HK$4.9 million in 2008 to approximately HK$11.8 million in 2009 which was in line with our increased throughput volume of liquid chemical products handled during the year; (iii) an increase in consumables by approximately HK$1.3 million which was mainly attributable to the increase in throughput volume in 2009 and (iv) an increase in pipe racks rental fee by approximately HK$1.6 million from approximately HK$7.2 million in 2008 to approximately HK$8.8 million in 2009, the pipe racks rental fee was paid to Nanjing CIPC for supporting our pipelines to transport liquid chemicals to Celanese plants. In general, the increase in the above diesel fuel cost, consumables and pipe racks rental fee mainly attributable to the full-year operation of our Nanjing's phase II facilities in 2009.

Gross profit

As a result of the factors discussed above, our gross profit increased by approximately HK$28.5 million, or 30.2%, from approximately HK$94.4 million in 2008 to approximately HK$122.9 million in 2009. Our gross profit margin decreased slightly from 62.9% in 2008 to 61.9% in 2009.

Other income

Other income increased by approximately HK$4.9 million, or 445.5%, from approximately HK$1.1 million in 2008 to approximately HK$6.0 million in 2009. Such increase was mainly due to government subsidies from PRC port authority of HK$4.7 million for the period from April 2007 to September 2009 received in 2009 as compared to nil in 2008.

Administrative expenses

Our administrative expenses increased by approximately HK$4.4 million, or 45.8%, from approximately HK$9.6 million in 2008 to approximately HK$14.0 million in 2009. As our phase II facilities in Nanjing commenced operation in mid 2008, we incurred more administrative expenses for the full-year operation of our phase II facilities in 2009. The increase in administrative expenses was primarily due to (i) an increase in staff costs by approximately HK$1.1 million from approximately HK$3.8 million in 2008 to approximately HK$4.9 million in 2009; (ii) an increase in afforestation fee by approximately HK$2.0 million from nil in 2008 to approximately HK$2.0 million in 2009 due to our voluntary greening program in the Nanjing facilities (where no additional provision was required); and (iii) an increase in depreciation charges by approximately HK$0.3 million from approximately HK$0.9 million in 2008 to approximately HK$1.2 million in 2009. As a percentage of total revenue, our administrative expenses increased slightly from 6.4% in 2008 to 7.1% in 2009.

Finance costs

Our finance costs decreased by approximately HK$5.4 million, or 29.5%, from approximately HK$18.3 million in 2008 to approximately HK$12.9 million in 2009. Such decrease was mainly due to (i) the repayment of bank loans in relation to the construction of our facilities in Nanjing of approximately HK$164.7 million in 2009 which led to decrease in interest expenses on bank loans by approximately HK$5.6 million; (ii) the repayment of an amount due to the former ultimate holding company, DC Investments, of approximately HK$58.6 million which led to a decrease in interest expenses due to the former ultimate holding company by approximately HK$3.6 million, and partially offset by (iii) decrease in interest capitalised to construction in progress of approximately HK$3.8 million.

Share of profits of Associated Entities

Our share of profits of Associated Entities decreased by approximately HK$2.6 million, or 40.0%, from approximately HK$6.5 million in 2008 to approximately HK$3.9 million in 2009. Such decrease in 2009 mainly reflected the decrease in share of revenue of our Associated Entities from approximately HK$16.3 million in 2008 to approximately HK$12.2 million in 2009 as the financial performance of our Associated Entities slightly deteriorated in the first ten months of 2009.

Share of profits of Jointly-controlled Entity

Our share of profits of Jointly-controlled Entity increased from approximately HK$1.5 million in 2008 to approximately HK$2.1 million in 2009, which was a result of the increase in share of revenue of Jointly-controlled Entity from approximately HK$4.1 million in 2008 to approximately HK$5.0 million in 2009.

Tax expenses

Our tax expenses increased by approximately HK$2.4 million, or 66.7%, from approximately HK$3.6 million in 2008 to approximately HK$6.0 million in 2009. Such increase in our tax expenses was mainly due to (i) an increase in withholding tax on the distributable profits by our PRC subsidiary, Associated Entities and Jointly-controlled Entity from approximately HK$3.6 million in 2008 to approximately HK$4.6 million in 2009; and (ii) the increase in income tax of approximately HK$1.4 million from Nanjing Dragon Crown due to the tax charged on government subsidies received from PRC Port Authority.

Profit for the year

As a result of the factors discussed above, our profit for the year increased by approximately HK$29.9 million, or 41.5%, from approximately HK$72.0 million in 2008 to approximately HK$101.9 million in 2009. Our net profit margin increased from 48.0% in 2008 to 51.3% in 2009.

(VI) ANALYSIS ON CERTAIN BALANCE SHEET ITEMS AND SELECTED FINANCIAL RATIOS

(A) Analysis on certain balance sheet items

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	566,866	544,984	541,742
Interests in Associated Entities	33,791	32,486	23,148
Interest in Jointly-controlled Entities	6,645	7,223	25,780
Prepayments, deposits and other receivables			
– Non-current	–	–	7,132
– Current	14,932	2,079	10,008
Accounts receivable	25,123	35,329	45,152
Other payables and accruals	22,832	25,154	35,511
Interest-bearing bank loans			
– Non-current	95,202	76,862	162,188
– Current	133,057	88,504	56,472
Amount due to the former ultimate holding company	257,729	199,092	249
Amount due to a director	2,462	1,996	–
Amount due from a non-controlling shareholder	4,871	208	–

Property, plant and equipment

Our property, plant and equipment amounted to approximately HK$566.9 million, HK$545.0 million and HK$541.7 million as of 31 December 2008, 2009 and 2010, respectively. In responding to our major customers' growing demand for liquid chemical products terminal and storage services, we completed phase II facilities by phases in Nanjing in 2008.

For the details of our Group's property, plant and equipment, please refer to Note 15 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interests in Associated Entities

Our interests in Associated Entities amounted to approximately HK$33.8 million, HK$32.5 million and HK$23.1 million as of 31 December 2008, 2009, and 2010, respectively.

Set out below is a breakdown of our share of the Associated Entities' assets and liabilities as of 31 December 2008, 2009 and 2010:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	13,955	16,842	13,034
Non-current assets	20,822	20,122	11,435
Current liabilities	(921)	(4,390)	(1,321)
Non-current liabilities	(65)	(88)	–
Net assets	33,791	32,486	23,148

For details of our interests in Associated Entities, please refer to Note 19 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interest in Jointly-controlled Entities

Our interest in Jointly-controlled Entities amounted to approximately HK$6.6 million, HK$7.2 million and HK$25.8 million as of 31 December 2008, 2009 and 2010, respectively.

Set out below is a breakdown of our share of Jointly-controlled Entities' assets and liabilities as of 31 December 2008, 2009 and 2010:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	3,796	4,281	13,718
Non-current assets	3,080	3,326	13,383
Current liabilities	(231)	(384)	(1,321)
Net assets	6,645	7,223	25,780

For details of our interest in Jointly-controlled Entities, please refer to Note 20 to the Accountants' Report as set forth in Appendix I in this prospectus.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables amounted to approximately HK$14.9 million, HK$2.1 million and HK$17.1 million as of 31 December 2008, 2009 and 2010, respectively.

We recorded non-current portion of prepayments, deposits and other receivables approximately HK$7.1 million as of 31 December 2010. The balances represented prepayments and deposits paid for the acquisition of property, plant and equipment of a subsidiary in Nanjing. As such prepayments and deposits were paid for property, plant and equipment which were non-current in nature, thus were classified under non-current assets.

Accounts receivable

Our accounts receivable amounted to approximately HK$25.1 million, HK$35.3 million and HK$45.2 million as of 31 December 2008, 2009 and 2010, respectively.

Our increasing accounts receivable balance mainly reflected the growth in our revenue during the Track Record Period. Our credit period is generally 30 days, extending up to 60 days for major customers. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our senior management. Accounts receivable are non-interest-bearing.

An aged analysis of our accounts receivable as of 31 December 2008, 2009 and 2010 is as follows:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current to 30 days	18,300	20,953	41,598
31 to 60 days	6,823	11,909	3,554
61 to 90 days	–	910	–
Over 90 days	–	1,557	–
	25,123	35,329	45,152

Accounts receivable that was past due but not impaired related to a number of independent debtors that have a good track record with us. Based on past experience, our Directors were of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral or other credit enhancements over these balances. As of 31 December 2009 and 31 December 2010, certain of our accounts receivable with a net carrying amount of HK$15,910,000 and HK$14,241,000, respectively, were pledged to the banks to secure banking facilities granted to us.

For details of our accounts receivable, please refer to Note 21 to the Accountants' Report as set forth in Appendix I in this prospectus.

Other payables and accruals

Our other payables and accruals amounted to approximately HK$22.8 million, HK$25.2 million and HK$35.5 million as of 31 December 2008, 2009 and 2010, respectively.

Set out below is a breakdown of our other payables and accruals as of 31 December 2008, 2009 and 2010:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Other payables			
– Construction cost			
– Retention money	10,006	12,238	4,187
– Dividend payables	–	–	11,361
– Other payables	100	94	–
	10,106	12,332	15,548
Accruals			
– Accrued construction cost	8,912	5,509	2,001
– Accrued tax payables	966	1,349	1,212
– Accrued expenses	1,476	5,525	16,421
– Accrued interests	1,372	439	329
	12,726	12,822	19,963
	22,832	25,154	35,511

As of 31 December 2010, balance of other payables and accruals amount to approximately HK$35.5 million. The balance mainly comprised of (i) dividend declared and payable to non-controlling shareholders, Nanjing CIPC, of approximately HK$11.4 million which will be settled using the internal resources of Nanjing Dragon Crown; and (ii) accrued expenses of approximately HK$16.4 million including diesel fuel cost and utilities expenses of Nanjing Dragon Crown and accrued listing expenses of approximately HK$5.6 million.

For details of our other payables and accruals, please refer to Note 25 to the Accountants' Report as set forth in Appendix I in this prospectus.

Interest-bearing bank loans

Our total interest-bearing bank loans amounted to approximately HK$228.3 million, HK$165.4 million and HK$218.7 million as of 31 December 2008, 2009 and 2010, respectively.

We finance our phase II facilities in Nanjing by bank loans. As our phase II facilities in Nanjing commenced operations by phases in 2008 which strengthened our cash inflows from operation, we repaid bank loans of approximately HK$164.6 million in 2009, and thus, reduced our bank loans to approximately HK$165.4 million as of 31 December 2009. In 2010, we repaid bank loans of approximately HK$160.6 million and further obtained new bank loans of approximately HK$209.1 million for general working capital. As such, our bank loan balance increased to approximately HK$218.7 million as of 31 December 2010.

As at 31 December 2010, DC Investments, our former ultimate holding company, who being the guarantor of the bank borrowings of Nanjing Dragon Crown, breached certain financial covenants including the current ratio and the interest coverage ratio as set out in the bank facilities letter. Since our Group was in the process of the Reorganisation, subsidiaries and associates previously held by DC Investments were transferred to our Group. As a result of the breach of financial covenants, bank borrowing of approximately HK$28.2 million became due for repayment on demand as at 31 December 2010, and therefore, the non-current portion of the secured bank loan of HK$14,118,000 as at 31 December 2010, with original maturity terms on 31 October 2012, was classified as current liabilities as at 31 December 2010. Subsequent to the Balance sheet date on 20 May 2011, our Group was granted waivers from the bank in relation to its non-compliance of the covenant requirements, and the corporate guarantees previously granted by DC Investments will be released and replaced by our Company upon the Listing.

For details of our interest-bearing bank loans, please refer to Note 27 to the Accountants' Report as set forth in Appendix I in this Prospectus.

Due to the former ultimate holding company

The amounts due to DC Investments, which was the former ultimate holding company of DC Petrochemicals immediately prior to the Reorganisation, amounted to approximately HK$257.7 million, HK$199.1 million and HK$249,000 as of 31 December 2008, 2009 and 2010, respectively. We recorded a balance due to DC Investments with the carrying amount of HK$186,000 and HK$249,000 as of 31 December 2009 and 2010 were non-trade in nature and represented payments by DC Investments on behalf of our Group. The balance was unsecured, interest-free and repayable on demand. The balance was fully settled before the Listing. The remaining balances due to DC Investments were non-trade in nature and represented working capital funds to our Nanjing terminal and facilities provided by the former ultimate holding company. The balances were unsecured and not repayable within twelve months from the end of the respective reporting periods. The balances were fully settled during the year ended 31 December 2010.

For details of the amounts due to the former ultimate holding company, please refer to Note 28 to the Accountants' Report as set forth in Appendix I in this prospectus.

Amount due to a director

The amount due to a director, Mr. Ng, amounted to approximately HK$2.5 million, HK$2.0 million and nil as of 31 December 2008, 2009 and 2010, respectively. The balance due to Mr. Ng was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 December 2010.

For details of the amount due to a director, please refer to Note 26 to the Accountants' Report as set forth in Appendix I in this prospectus.

Amount due from a non-controlling shareholder

The amount due from a non-controlling shareholder, Nanjing CIPC, amounted to approximately HK$4.9 million, HK$0.2 million and nil as of 31 December 2008, 2009 and 2010, respectively. Such amount mainly represented the utilities expense paid by us on behalf of Nanjing CIPC which was non-trade in nature. Such balance was unsecured, interest-free and has no fixed terms of repayment, and the carrying amount of the balance approximates to its fair value. The balance was fully settled during the year ended 31 December 2010.

For details of the amount due from a non-controlling shareholder, please refer to Note 22 to the Accountants' Report as set forth in Appendix I in this prospectus.

(B) Key financial ratios

		Year ended 31 December		
	Notes	**2008**	**2009**	**2010**
Accounts receivable turnover days	*(1)*	53 days	56 days	63 days
Gross profit margin	*(2)*	62.9%	61.9%	61.5%
Net profit margin	*(3)*	48.0%	51.3%	50.3%
Return on equity	*(4)*	15.1%	20.2%	22.1%

		As of 31 December		
		2008	**2009**	**2010**
Current ratio	*(5)*	0.4	0.5	1.1
Gearing ratio	*(6)*	32.3%	24.0%	29.4%

Notes:

1. The calculation of accounts receivable turnover days is based on the average of the opening and closing accounts receivable balances divided by turnover and multiplied by 365 days for the year.

2. The calculation of gross profit margin is based on gross profit divided by the revenue.

3. The calculation of net profit margin is based on net profit divided by the revenue.

4. The calculation of return on equity is based on profit attributable to the owner of the Company divided by the adjusted equity of the Company. The adjusted equity of the Company includes equity attributable to the owners of the Company and an amount due to the former ultimate holding company used as the Group's working capital funds.

5. The calculation of current ratio is based on current assets divided by current liabilities.

6. The calculation of gearing ratio is based on the sum of non-current and current bank loans divided by total assets and multiplied by 100%.

(1) Accounts receivable turnover days

Our accounts receivable turnover days were approximately 53 days, 56 days and 63 days in 2008, 2009 and 2010, respectively. We offer Celanese credit terms ranging from 45 days to 60 days and other major customers credit terms ranging from 30 days to 60 days. For other customers, payments are settled either on a monthly basis or upon the delivery of the products. Payments are settled by bank acceptance and telegraphic transfer.

The accounts receivable turnover days were relatively stable during the Track Record Period and comparable to the credit terms we offered to our major customers. It was mainly attributed to our effective implementation of collection policy. There was no impairment on the accounts receivable during the Track Record Period.

Up to 31 March 2011, 57% of the accounts receivable as of 31 December 2010 have been settled.

(2) Gross profit margin

Our gross profit margin were 62.9%, 61.9% and 61.5%, respectively during the Track Record Period, which were relatively stable, since almost all of our revenue was generated from the annual minimum fixed contract sum of the Celanese Contracts.

(3) Net profit margin

Our net profit margin increased from 48.0% in 2008 to 51.3% in 2009 and such increase in our net profit margin was primarily due to (i) decrease in our finance costs as we repaid bank loans of approximately HK$164.6 million in 2009; and (ii) decrease in interest amount due to our former ultimate holding company as we repaid approximately HK$58.6 million to our former ultimate holding company, DC Investments, in 2009. Our net profit margin was 50.3% in 2010 which was comparable to that of 51.3% in 2009.

(4) Return on equity

The return on equity attributable to our equity owner increased from 15.1% in 2008 to 20.2% in 2009, and further increased to 22.1% in 2010.

(5) Current ratios

As of 31 December 2008, 2009 and 2010, our current ratios were 0.4, 0.5 and 1.1, respectively. Our phase II facilities in Nanjing commenced operation in mid 2008. Benefiting from business expansion, we recorded substantial growth in revenue and maintained stronger liquidity position during the Track Record Period, hence, our current ratio improved as at 31 December 2008, 2009 and 2010. The cash and bank balances were approximately HK$18.5 million, HK$23.2 million and HK$46.6 million as of 31 December 2008, 2009 and 2010, respectively; and we repaid bank loans using our operating cash flows, the current portion of our bank loans were approximately HK$133.1 million, HK$88.5 million and HK$56.5 million as of 31 December 2008, 2009 and 2010, respectively.

(6) Gearing ratios

The gearing ratio decreased from 32.3% as of 31 December 2008 to 24.0% as of 31 December 2009. As our phase II facilities had full year operations in 2009 which strengthened our cash inflows from operation, we repaid bank loans of approximately HK$164.6 million in 2009 to reduce our debt level. The gearing ratio increased from 24.0% as of 31 December 2009 to 29.4% as of 31 December 2010. We repaid bank loans of approximately HK$160.6 million in 2010 and obtained new bank loans of approximately HK$209.1 million by the end of 2010 for general working capital.

(VIII) CAPITAL STRUCTURE, LIQUIDITY AND FINANCE RESOURCES

(A) Overview

We generally finance our operations through, to a substantial extent, cash generated from operation and a combination of borrowings from banks and cash advances from DC Investments, which was our former ultimate holding company of Nanjing Dragon Crown immediately prior to the Reorganisation.

During the Track Record Period, we had not experienced any difficulty in raising funds from bank loans, and we had not experienced any liquidity problems in settling our payables in the normal course of business and in repaying our bank loans when they were due.

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that the proceeds from the Global Offering, our cash and bank deposits, cash flows from operations, banking relationships and future financing will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure that such capital will be available to the Group on acceptable terms.

We had cash and bank balances of approximately HK$18.5 million, HK$23.2 million and HK$46.6 million as of 31 December 2008, 2009 and 2010, respectively.

(B) Net current assets/(liabilities)

As of 31 December 2008 and 2009, we had net current liabilities of approximately HK$93.1 million and HK$54.5 million, respectively. We had net current assets of approximately HK$11.3 million as of 31 December 2010.

The following sets forth detailed information on our current assets and current liabilities as of 31 December 2008, 2009 and 2010:–

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current assets:			
Inventories	1,820	1,808	2,416
Accounts receivable	25,123	35,329	45,152
Due from a non-controlling shareholder	4,871	208	–
Prepayments, deposits and other receivables	14,932	2,079	10,008
Cash and bank balances	18,527	23,249	46,611
Total current assets	65,273	62,673	104,187
Current liabilities			
Other payables and accruals	22,832	25,154	35,511
Due to a director	2,462	1,996	–
Interest-bearing bank loans	133,057	88,504	56,472
Due to the former ultimate holding company	–	186	249
Tax payable	–	1,342	629
Total current liabilities	158,351	117,182	92,861
Net current assets/(liabilities)	(93,078)	(54,509)	11,326

The Group had net current liabilities as of 31 December 2008 and 2009 primarily because we had extensive capital expenditures in the construction of phase I and phase II facilities in Nanjing, the assets of which are classified for accounting purposes as non-current assets. This has been done in connection with the ongoing expansion of our business. In addition to funding these capital expenditures through long-term debt, we had also funded these projects with cash flows generated from our operations.

Benefited from our continuous growth and business expansion, we have stronger cash flows from operation, our cash and bank balances were recorded at approximately HK$18.5 million, HK$23.2 million and HK$46.6 million as of 31 December 2008, 2009 and 2010, respectively.

(C) Cash flow statement

The following table sets forth selected cash flows data from our consolidated statements of cash flows during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net cash flows from operating activities	88,060	150,982	125,870
Net cash flows from/(used in) investing activities	(113,761)	(4,696)	(14,688)
Net cash flows from/ (used in) financing activities	31,763	(141,660)	(89,818)
Effect of foreign exchange rate changes	732	96	1,998
Cash and cash equivalents at year end	18,527	23,249	46,611

Cash flows from operating activities

Our phase II facilities in Nanjing commenced operation in mid 2008. We secured long-term contracts with Celanese Diversified and Celanese Acetyl for the provision of terminal and chemical storage for Ethylene, VAM and Acetic Anhydride by using the expanded capacity. Benefiting from our business expansion and increased revenue, our net cash flows from operating activities increased during the Track Record Period.

Net cash flows from operating activities in 2010 were approximately HK$125.9 million while our profit before tax was approximately HK$125.2 million. The difference of HK$0.7 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK$8.9 million; (ii) adjustment for depreciation of HK$31.9 million; (iii) increase in accounts receivables of HK$8.3 million; (iv) increase in other payables and accruals of HK$3.9 million; (v) increase in prepayments, deposits and other receivables of HK$4.9 million; (vi) share profits of associated entities of HK$5.3 million; (vii) share profits of jointly-controlled entities of HK$2.7 million; and (viii) tax paid of HK$10.9 million.

Net cash flows from operating activities in 2009 were approximately HK$151.0 million while our profit before tax was approximately HK$108.0 million. The difference of HK$43.0 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK$12.9 million; (ii) adjustment for depreciation of HK$31.1 million; (iii) decrease in prepayments, deposits and other receivables of HK$13.1 million; (iv) increase in other payables and accruals of HK$2.3 million; which were offset by (v) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK$6.0 million; and (vi) increase in accounts receivable of HK$10.2 million.

Net cash flows from operating activities in 2008 were approximately HK$88.1 million while our profit before tax was approximately HK$75.7 million. The difference of HK$12.4 million was primarily due to the combined effect of: (i) adjustment for finance costs of HK$18.3 million; (ii) adjustment for depreciation of HK$24.2 million; which were offset by (iii) the share of profits and losses of Associated Entities and Jointly-controlled Entity of HK$8.1 million; (iv) increase in inventories of HK$1.4 million; (v) increase in accounts receivable of HK$4.9 million; (vi) increase in prepayments, deposits and other receivables of HK$11.1 million; and (vii) decrease in other payables and accruals of HK$4.9 million.

Cash flows from/(used in) investing activities

Our investing activities during the Track Record Period primarily included purchases of property, plant and equipment; payment of prepaid land lease; proceeds received from disposal of property, plant and equipment, interest received from bank deposits and dividend received. Net cash used in investing activities were in a decreasing trend during the Track Record Period. As the construction of our phase II facilities in Nanjing was completed in mid 2008, we used approximately HK$115.7 million in the construction of our terminal facilities in Nanjing. We did not incur significant cash outflows in investing activities in 2009 and we used approximately HK$17.4 million to purchase items property, plant and equipment in 2010.

Net cash flows used in investing activities were approximately HK$14.7 million in 2010 which were mainly attributable to: (i) purchase of items of property, plant and equipment of HK$17.4 million; (ii) acquisition of Dragon Bussan's remaining 40% equity interests of HK$2.8 million, upon completion, Dragon Bussan becomes our wholly-owned subsidiary; and offset by (iii) dividend received of HK$4.6 million.

Net cash flows used in investing activities were approximately HK$4.7 million in 2009 which was mainly attributable to: (i) purchases of property, plant and equipment of HK$7.7 million; (ii) payment for prepaid land lease of HK$4.5 million; which were offset by (iii) dividend received from our Associated Entities and Jointly-controlled Entity of HK$6.6 million; and (iv) proceeds received from disposal of property, plant and equipment of HK$0.7 million.

Net cash flows used in investing activities were approximately HK$113.8 million in 2008 which was mainly attributable to: (i) purchases of property, plant and equipment of HK$115.7 million used for the expansion of phase II facilities in Nanjing; which was offset by (ii) dividend received from our Jointly-controlled Entity of HK$1.5 million.

Cash flows from/(used in) financing activities

Our financing activities during the Track Record Period mainly included amounts due to our former ultimate holding company; additions and repayments of bank borrowings; cash advances from, and repayment of, amounts due to our former ultimate holding company; dividend paid and interest paid on bank borrowings. The construction of our phase I and phase II facilities in Nanjing was financed mainly by bank loans and cash advance by our former ultimate holding company, DC Investments. As such, we obtained net cash flows from financing activities of approximately HK$31.8 million in 2008. Benefiting from business expansion, we had a strong cash inflows from operating activities and partially repaid the bank loans and amount due to DC Investments. As such, we incurred net cash outflows in financing activities in 2009 and 2010.

Net cash flows used in financing activities were approximately HK$89.8 million in 2010 which was mainly attributable to: (i) decrease in amount due to our former ultimate holding company, DC Investments of HK$199.2 million; (ii) repayment of bank loans of HK$160.6 million; (iii) dividend paid to our shareholders of HK$134.2 million; and offset by (iv) proceeds from issue of shares of HK$208.6 million which were arisen from the Reorganisation; and (v) additions of new bank loans of HK$209.1 million.

Net cash flows used in financing activities were approximately HK$141.7 million in 2009 which was mainly attributable to (i) amounts paid to the former ultimate holding company of HK$58.6 million; (ii) repayment of bank loans of HK$164.6 million; (iii) dividend paid of HK$6.5 million, (iv) interest paid on bank loans of HK$12.9 million; and which were offset by (v) bank loans obtained of HK$101.0 million.

Net cash flows from financing activities were approximately HK$31.8 million in 2008 which was mainly attributable to (i) bank loans obtained of HK$114.0 million; which was offset by (ii) decrease in amounts to the former ultimate holding company of HK$2.4 million; (iii) repayment of bank loans of HK$59.3 million; (iv) dividend paid of HK$2.9 million; and (v) interest paid on bank loans of HK$17.7 million.

(D) Working capital

We strive to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations, we also seek bank loans to fund our capital requirement. We have maintained long-term relationships with various commercial banks in Hong Kong and China and it is believed that the existing short-term bank loans will be accepted for renewal upon their maturity, if necessary.

Taking into account (i) the estimated net proceeds available to us from the Global Offering; (ii) our cash and cash equivalents as at the Latest Practicable Date; and (iii) the expected cash flows to be generated from our operations, our Directors confirm that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

As of 31 March 2011, the date being the latest practicable date for the purpose of the indebtedness statement in this prospectus, our net current assets were approximately HK$25 million, comprising the following:

	As of 31 March 2011
	HK$'000
Current assets:	
Inventories	2,404
Accounts receivable	52,790
Prepayments, deposits and other receivables	15,580
Cash and bank balances	43,370
Total current assets	114,144
Current liabilities	
Other payables and accruals	32,196
Interest-bearing bank loans	57,014
Tax payable	78
Total current liabilities	89,288
Net current assets	24,856

(E) Market risk

We are, in the normal course of business, exposed to market risk such as foreign currencies risk, interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimise the adverse effects of these risks on financial performance.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our net debt obligations with floating interest rates. The majority of the bank borrowings bears interest at rates with reference to the PBOC and HIBOR, whereas the amounts due to the former ultimate holding company bear interest at rates with reference to LIBOR. We mitigate the risk by monitoring closely the movements in interest rates and reviewing our banking facilities regularly. We have not used any interest rate swap to hedge our exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in PBOC rate, HIBOR and LIBOR, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank borrowings and the amounts due to the former ultimate holding company).

	Change in basis points	**Change in profit before tax**
		HK$'000
31 December 2010		
RMB	50	628
Hong Kong dollar	50	466
31 December 2009		
RMB	50	764
Hong Kong dollar	50	105
31 December 2008		
RMB	50	1,037
Hong Kong dollar	50	470

Foreign currency risk

A US$ denominated intercompany loan of US$7,500,000 was made to construct our phase II facilities in Nanjing as of 31 December 2008. As such, we have transactional currency exposures. Such exposures arose from a loan to operating units in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the end of the respective reporting periods to a reasonable possible change in US$-RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*HK$'000*
31 December 2008		
If RMB weakens against US$	(2)	(1,160)
If RMB strengthens against US$	2	1,160

Credit risk

We primarily provide services to recognised and creditworthy third parties. It is our policy that advanced payments are generally required for new customers. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Since we primarily provide services to recognised and creditworthy third parties, there is normally no requirement for collateral.

The credit risk of our financial assets, which comprise accounts receivable, an amount due from a non-controlling shareholder, cash and cash equivalents, financial assets included in deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of our exposure to credit risk arising from accounts receivable, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 20 and 22 of the Accountant's Report in Appendix I, respectively.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internal funding and bank borrowings to meet its working capital requirements.

We monitor our risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (for example, accounts receivable) and projected cash flows from operations.

Fair value

The fair values of cash and bank balances, accounts receivables, accounts payables and bank loans are not materially different from their carrying amounts.

(IX) INDEBTEDNESS

(A) Borrowings and bank facilities

As of 31 March 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, our Group had outstanding borrowings of approximately HK$197 million, which represented secured bank loans of approximately HK$197 million. Included in the total secured bank loans, an amount of approximately HK$57 million represented current portion secured bank loans and have been classified under current liabilities. The remaining amount of HK$140 million represented non-current portion secured bank loans and have been classified under non-current liabilities.

The following table sets forth our bank loans payable as of 31 December 2008, 2009, 2010 and 31 March 2011:–

	As of 31 December			31 March
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand	133,057	88,504	56,472	57,014
After one year but within two year	35,587	55,654	150,808	140,389
After two years but within five years	59,615	21,208	11,380	–
Total:	228,259	165,366	218,660	197,403

We have used the proceeds from our bank loans to finance the capital expenditures in connection with the expansion of our business and for our working capital purpose. Our Directors confirm that our Group has not delayed or defaulted in repayment of any bank loan.

As of 31 March 2011, we had no unutilised banking facilities.

As disclosed in the Accountants' Report as set forth in Appendix I in this prospectus, the Group adopted HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Interpretation 5") in preparing the Financial Information following which certain of the Group's interest-bearing bank loans as at 31 December 2008 and 2009 had been reclassified as current liabilities. As at 31 March 2011, DC Investments, our former ultimate holding company, who being the guarantor of the bank borrowings of Nanjing Dragon Crown, breached certain financial covenants including the current ratio and the interest coverage ratio as set out in the bank facilities letter. Since our Group was in the process of the Reorganisation, subsidiaries and associates previously held by DC Investments were transferred to our Group. As a result of the breach of financial covenants, bank borrowing of approximately HK$28.5

million became due for repayment on demand as at 31 March 2011, and therefore, the non-current portion of the secured bank loan of HK$14,253,600 as at 31 March 2011, with original maturity terms on 31 October 2012 was classified as current liabilities as at 31 March 2011. Subsequently on 20 May 2011, our Group was granted waivers from the bank in relation to its non-compliance of the covenant requirements, and the corporate guarantees previously granted by DC Investments will be released and replaced by the Company upon Listing.

As a result of the reclassifications, the Group's statements of financial position show net current liabilities of HK$93,078,000 and HK$54,509,000 as of 31 December 2008 and 2009, respectively. We recorded net current assets of HK$11,326,000 and HK$24,856,000 as of 31 December 2010 and 31 March 2011, respectively. The Directors are of the opinion that the reclassification of the bank borrowings from non-current liabilities to current liabilities will not adversely affect the Group's financial and working capital position.

(B) Collateral

Our secured bank loans were secured by certain assets and guaranteed by a related party and the Controlling Shareholder. As of 31 December 2008, 2009, 2010 and 31 March 2011, our secured bank loans were secured by the following assets:

- corporate guarantees granted by DC Investments (former ultimate holding company of Nanjing Dragon Crown immediately prior to the Reorganisation) and a non-controlling shareholder of Nanjing Dragon Crown, Nanjing CIPC which has lapsed after the Group made final settlement of the relevant loan during the year ended 31 December 2010;

- personal guarantees granted by the Controlling Shareholder and a director, Mr. TING Yian Ann;

- fixed charges over certain buildings and structures with net carrying amounts of HK$246,435,000, HK$237,008,000, HK$234,330,000 and HK$233,284,000 as of 31 December 2008, 2009, 2010 and 31 March 2011, respectively;

- fixed charges over certain leasehold land with net carrying amounts of HK$33,803,000, HK$33,329,000, HK$12,824,000 and HK$12,877,000 as of 31 December 2008, 2009, 2010 and 31 March 2011, respectively; and

- floating charges over certain accounts receivable with net carrying amounts of HK$15,910,000, HK$14,241,000 and HK$18,841,000 as of 31 December 2009, 2010 and 31 March 2011, respectively.

- Fixed charges over total bank deposits of HK$93,160,000 and HK$70,698,000 provided by DC Investments and a director, Mr. TING Yian Ann as at 31 December 2010 and 31 March 2011, respectively which will be released and replaced by the corporate guarantee prepared by the Company upon Listing.

The relevant banks provided in principle written consents that all the personal guarantee granted by the Controlling Shareholder and a director, Mr. TING Yian Ann and the corporate guarantee granted by DC Investments will be released and replaced by corporate guarantee to be issued by us upon the Listing.

The corporate guarantees granted by DC Investments and Nanjing CIPC in relation to the bank borrowings for financing the construction of our phase I facilities in Nanjing has lapsed after Nanjing Dragon Crown made the final loan settlement at the end of 2010. Before that, the corporate guarantees granted by Nanjing CIPC has not released by the relevant bank as the proportional guarantee amount was pro-rata to the shareholding of Nanjing CIPC in Nanjing Dragon Crown.

(C) Contingent liabilities

During the Track Record Period, we provided a financial guarantee to a supplier of the related companies in connection with the open trading credit granted to the related companies, which the ultimate controlling shareholder is also the controlling shareholder of our company. As of 31 December 2008 and 2009, the trading credit granted subject to guarantees given to the supplier was utilised to the extent of approximately HK$7,371,000 and HK$1,687,000, respectively. On 25 March 2010, our Group ceased to provide the financial guarantee to the supplier.

During the Track Record Period, a non-controlling shareholder of Nanjing Dragon Crown, Nanjing CIPC, provided a financial guarantee to Nanjing Dragon Crown. It was agreed that Nanjing Dragon Crown would provide financial guarantee for the same amount to the non-controlling shareholder if it so requires. The non-controlling shareholder has not required Nanjing Dragon Crown to provide such financial guarantee during the Track Record Period. The cross financial guarantee between Nanjing Dragon Crown and Nanjing CIPC has lapsed after the final payment of bank borrowings in relation to the financing to our phase I facilities in Nanjing at the end of 2010.

(D) Capital and other commitments

(i) Operating lease commitments

As lessor

We leased certain portion of our office building under an operating lease arrangement, with the lease negotiated for a term of five years.

During the Track Record Period, we had total future minimum lease receivables under non-cancellable operating leases with our tenant falling due as follows:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	319	337	419
In the second to fifth years, inclusive	637	337	-
Total	956	674	419

As lessee

We rented certain of buildings and pipe racks from Nanjing CIPC under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 15 years.

Set out below is our total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	8,377	8,404	10,634
In the second to fifth years, inclusive	33,295	33,413	36,442
After five years	68,325	60,213	54,079
Total	109,997	102,030	101,155

For details of our operation lease commitments, please refer to Note 34 to the Accountants' Report as set forth in Appendix I in this prospectus.

(ii) Capital commitments

Set out below is our capital commitment as of 31 December 2008, 2009 and 2010:

	As of 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for construction in progress	1,574	3,327	3,196

Our principal capital commitments relate primarily to capital expenditures in connection with upgrade projects of our terminal in Nanjing. The above capital commitments were funded primarily out of cash generated from our operation and banks loans.

For the details of our capital commitments, please refer to Note 35 of Section II to the Accountants' Report as set forth in Appendix I in this prospectus.

(F) Disclaimer

Except as disclosed in "Financial Information – Indebtedness" above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of 31 March 2011. Our Directors confirm that, up to the Latest Practicable Date, there has been no material changes in our indebtedness and contingent liabilities.

(X) DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

(XI) OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

(XII) DIVIDEND AND DISTRIBUTABLE RESERVES

(A) Dividend and dividend policy

During the Track Record Period, dividend distributed by the companies now comprising our Group amounted to approximately HK$1.5 million, HK$6.5 million and HK$162.3 million, respectively.

Pursuant to resolutions of our Directors dated 3 November 2010, 18 November 2010 and 29 November 2010, DC Petrochemicals, Dragon Source and Dragon Bussan declared special cash dividend of HK$131 million (to DC Investments and Mr. TING Yian Ann), HK$1.38 million (to Mr. NG) and US$1 million (as to 40% for Quick Response and 60% for DC Investments) to their respective shareholders as of the dates of the respective resolutions. Except for US$0.4 million distributed to Quick Response, all of the aforesaid dividend were distributed outside our Group. The above special cash dividend was fully settled by the end of November 2010.

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

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

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

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

Subject to the availability of our cash and distributable reserves, investment requirements, our cashflows and working capital requirements and the approval of our Shareholders, our Directors currently intend to declare and recommend dividend amount to approximately 40% of the annual distributable profit, if any, from ordinary activities starting from the first full financial year ending 31 December 2012 subsequent to the Global Offering.

(B) DISTRIBUTABLE RESERVES

For our declaration of dividend purpose, the amount which our Company and all other members of our Group can legally distribute by way of dividend is referenced to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC generally accepted accounting practices. These profits differ from those reflected in the accountants' report set forth in Appendix I in this prospectus.

Following the Listing, dividends will be distributed out of our net distributable earnings, which represent the lower of the net profit as determined in accordance with the PRC generally accepted accounting practices and HKFRS, less allocations to the statutory reserve fund.

As of 31 December 2008, 2009 and 2010, the distributable reserves of our Group was approximately HK$74.4 million, HK$152.2 million and HK$107.9 million, respectively.

(XIII) RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in our consolidated financial statements included in the accountants' report set forth in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/ or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

(XIV) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared based on the audited consolidated net tangible assets of the Group as of 31 December 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I in this prospectus and adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as of 31 December 2010 as if it had taken place on 31 December 2010.

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2010	**Add: Estimated net proceeds received by the Company from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$1.0 per Offer Share	436,712	248,000	684,712	0.62
Based on an Offer Price of HK$1.40 per Offer Share	436,712	355,000	791,712	0.72

Notes:

1. Audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2010 is based on the consolidated net assets extracted from the Accountants' Report set out in Appendix I in this prospectus of HK$437,922,000 less goodwill of HK$1,210,000.

2. The estimated net proceeds from the Global Offering are based on the indicative Offer prices of HK$1.0 per Share and HK$1.40 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,100,000,000 Shares were in issue assuming that the Global Offering has been completed on 1 January 2010 but takes no account of the Over-allotment Option.

4. As of 31 March 2011, our property interests were valued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix III – Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book values, is approximately HK$23.7 million. Such revaluation surplus has not been included in our unaudited per forma adjusted consolidated net tangible assets and will not be included in our financial statements. If the valuation surplus were to be included in our consolidated financial statements, an additional annual depreciation and amortisation charge of approximately HK$0.7 million would be incurred.

(XV) NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position since 31 December 2010, being the date of the last audited consolidated financial statements set forth in Appendix I to this prospectus.

(XVI) PROPERTY INTERESTS

For the purpose of Listing, CB Richard Ellis Limited, an independent property valuer, has valued interests of our properties as of 31 March 2011 at approximately RMB79 million (equivalent to HK$94 million). These property interests include land use rights. A summary of valuation and valuation certificates are set out in Appendix III in this prospectus.

There is a net revaluation surplus, representing the excess market value of the properties over their carrying value, of approximately HK$23.7 million which has not been included in our consolidated financial statements. If the valuation surplus were to be included in our consolidated financial statements, an additional annual depreciation and amortisation charge of approximately HK$0.7 million would be incurred. In accordance with our accounting policy, all properties are stated at cost less accumulated depreciation except for investment property which is measured at fair value.

Reconciliation of net book value to valuation report

The following shows the reconciliation of the net book value of our Group's property interests as of 31 December 2010 to the property valuation report in Appendix III as of 31 March 2011, as required under Rule 5.07 of the Listing Rules:

		HK$'000
Net book value of property interests of the Group as of 31 December 2010		
– Buildings included in property, plant and equipment		26,783
– Prepaid land lease payments		42,897
Movements for the three months ended 31 March 2011		
Add:	Net addition during the period	–
	Translation adjustments	1,035
Less:	Depreciation and amortization during the period	(538)
Net book value as of 31 March 2011		70,177
Valuation surplus		23,659
Valuation as of 31 March 2011[1]		93,836

Note:

(1) The property interests of our Group as indicated comprised of the properties valued by CB Richard Ellis Limited which are described in Appendix III in this prospectus.