
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Nanjing is one of the major cities in China for petroleum and chemical industry. According to the statistics yearbook of Nanjing, the industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Nanjing in 2009 was RMB179 billion, accounting for (i) approximately 23% of the total industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Jiangsu; and (ii) approximately 3% of the total industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in China.

The industrial production value in petroleum and chemical industry by enterprises with annual turnover amount over RMB5 million in Nanjing experienced growth at a CAGR of approximately 17.2% from 2004 to 2009, reaching approximately RMB179 billion in 2009.

At present, the Nanjing Chemical Industry Park is one of the major acetic acid production bases in the world, and also one of the leading production bases for Ethylene, aromatics, caprolactam, raw materials for poly urethane, oil refining and differential mucilage glue fiber in the PRC.

Benefited from the growth of petroleum and chemical industry in Nanjing and nearby regions along the Yangtze River Delta region, which is one of major liquid chemical consumption regions in the PRC, the Nanjing Chemical Industry Park, which is the largest chemical industry park in the Yangtze River Delta region in terms of the actual production volume in 2009, further information on the ranking of the 2009 actual production volume of the chemical industry parks in the Yangtze River Delta region is set forth in “Industry Overview – Chemical Storage and Logistics Industry” in this prospectus. It has attracted a number of multinational and local chemical enterprises for the establishment and/or expansion of production facilities, which in turn, create sustainable growth in demand for chemical terminal and storage service.

According to the CNCC Report, there are only three independent terminal service providers inside the Nanjing Chemical Industry Park, and our jetties’ designed throughput capacity of 2.6 million metric tonnes is larger than that of our counterparts. Further information on the ranking of designed throughput capacity in the Nanjing Chemical Industry Park is set forth in “Industry Overview – Our Chemical and Storage Services” in this prospectus. Compared with the other two terminal service providers, we have the longest operation history in the Nanjing Chemical Industry Park. Over the years, we consistently apply and enforce stringent HSE policies in the course of our operations in accordance with the national and industry standards. Our stringent policies and achievement in meeting the national and industry standards on safety, occupational health and environmental matters have enabled us in building our reputation as a reliable and safe liquid chemical terminal and storage service providers since our establishment. As the service reliability and safety are major criteria for chemical enterprises in selecting their terminal service providers, our solid operating history in the Nanjing Chemical Industry Park and proven track record on HSE give us advantage in (i) maintaining business relationship with our existing customers; and (ii) securing service contracts with new chemical enterprises or production facilities to be established in the Nanjing Chemical Industry Park.

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Leveraging on our competitive advantages in serving chemical enterprises inside the Nanjing Chemical Industry Park and nearby regions along the Yangtze River Delta region, we plan to expand our operation scale in the Nanjing Chemical Industry Park by establishing new jetty, storage tanks and other logistic infrastructure in order to capture the abovementioned business opportunities.

As at the Latest Practicable Date, a parcel of land with site area of approximately 80,000 m² in our Nanjing terminal was reserved by us for the development of new storage tanks, and we have already obtained the relevant land use right of the above reserved land. In light of the above and our proven track record in establishing and operating liquid chemical terminal in the Nanjing Chemical Industry Park, our Directors consider that our proposed expansion in our Nanjing terminal is feasible. Please refer to “Business – Our Growth Strategies – Further expansion on our terminal and storage business” in this prospectus for a detailed description of our proposed expansion in our Nanjing terminal.

In addition to our proposed expansion in our Nanjing terminal, we are exploring potential opportunities to replicate our success in Nanjing to other coastal regions in China through establishment of new liquid chemical terminals.

Please refer to “Business – Our Growth Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.20 per Offer Share (being the midpoint of the indicative Offer Price range of HK\$1.0 to HK\$1.40 per Offer Share), the net proceeds from the Global Offering, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$301.8 million. Our Directors presently intend to apply the net proceeds as follows:

Development of phase III facilities in Nanjing

1. approximately HK\$143.0 million is expected to be applied to fund the construction of 10 spherical storage tanks and other associated facilities at our terminal located in the Nanjing Chemical Industry Park, of which 6 of them are spherical storage tanks dedicated for storage of propylene with an aggregate storage capacity of 15,000 m³; and 4 of them are spherical storage tanks dedicated for storage of butylene and butadiene with an aggregate storage capacity of 10,000 m³. Spherical storage tanks are pressurized storage tank which are used to store special liquefied gas chemicals. Liquefied gas chemicals are in a gaseous state under normal temperature and pressure. Under higher pressure, these chemicals will undergo a phase change and will be in a fluid state for ease of storage, handling and pumping. The total investment is anticipated to be approximately HK\$230 million. The shortfall will be financed by our internal resources and/or project financing. As spherical storage tanks are specially designed for special liquefied gas chemicals, we will only build those storage tanks after securing long term contracts with our customers. Leveraging our competitive advantages in serving chemical enterprises inside the Nanjing

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Chemical Industry Park and nearby regions along the Yangtze River Delta region, we do not foresee any major difficulty in securing customers for such new storage tanks. Based on the currently anticipated timetable, the construction of all spherical storage tanks are scheduled for completion by the fourth quarter of 2013, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus. Through the construction of the above spherical storage tanks, we can meet customers’ increasing demands for full spectrum of special liquid chemical terminal services which in turn, broaden our revenue bases and strengthen our storage capability;

2. approximately HK\$50.0 million is expected to be applied to fund the construction of our third jetty at our terminal located in the Nanjing Chemical Industry Park. The construction of our third jetty, which will have necessary facilities for handling Cryogenic Ethylene and be capable of accommodating large vessels up to 20,000 dwt, is scheduled for completion by the fourth quarter of 2013 based on the currently anticipated timetable. The total investment is anticipated to be approximately HK\$80.5 million, of which approximately HK\$44.8 million as construction cost for mooring barge and water side infrastructure; and approximately HK\$35.7 million as construction cost for other associated facilities of our third jetty. The shortfall will be financed by our internal resources and/or project financing. Details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;
3. approximately HK\$42.9 million is expected to be applied to fund the construction of our dedicated railway system linking our tank farm located in the Nanjing Chemical Industry Park to the private railway system of the Nanjing Chemical Industry Park. The total investment is anticipated to be approximately HK\$69 million, of which (i) approximately HK\$34.5 million as the construction cost for railway; (ii) approximately HK\$20.7 million as the construction cost for the rail loading/unloading platforms and associated facilities; and (iii) approximately HK\$13.8 million as the relevant land acquisition cost. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction of the above dedicated railway system is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business” in this prospectus;
4. approximately HK\$35.7 million is expected to be applied to fund the construction of nine general purpose storage tanks with an aggregate storage capacity of 18,000 m³ and other associated facilities at our terminal located in the Nanjing Chemical Industry Park. General purpose storage tanks are used to store ordinary liquid chemicals which are in fluid state under normal temperature and pressure. The total investment is anticipated to be approximately HK\$57.5 million. The shortfall will be financed by our internal resources and/or project financing. Based on the currently anticipated timetable, the construction is expected to be completed by the third quarter of 2012, details of which are set out in “Business – Our growth strategies – Further expansion on our terminal and storage business”

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in this prospectus. Through the construction of the above storage tanks, we can strengthen our storage capacity of liquid chemicals in order to capture new spot and term terminal business;

General working capital

The balance of approximately HK\$30.2 million as our general working capital.

In the event the Offer Price is set at the high end of the indicate Offer Price range, being HK\$1.40 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to HK\$355 million. We intend to apply the additional net proceeds to (i) finance the development of phase III facilities in Nanjing, and (ii) finance our plan to increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities, details of which are set forth in “Business – Our growth strategies – Increase our equity interests in our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities” in this prospectus.

In the event the Offer Price is set at the low end of the indicate Offer Price range, being HK\$1.0 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to HK\$248 million. The amount of net proceeds proposed fund the development of phase III facilities in Nanjing will be reduced proportionally after the full utilisation of the Company’s general working capital for the above purposes. The shortfall will be financed by our internal resources and/or project financing.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.20 per Offer Share, being the mid-point of the indicative range of Offer Price), the Company will receive additional net proceeds of approximately HK\$48 million. The Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering; and the remaining additional net proceeds to (i) finance the development of phase III facilities in Nanjing; and (ii) finance our plan to increase our equity interests on our non-wholly owned subsidiary, Associated Entities and Jointly-controlled Entities.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interests. We will also disclose the same in the relevant annual report(s).