The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

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30 May 2011

The Board of Directors
Dragon Crown Group Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Dragon Crown Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods"), prepared on the basis set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 30 May 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information (the "Financial Information") comprises the consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods, and the statement of financial position of the Company as at 31 December 2010, and a summary of significant accounting policies and other explanatory information.

The Company was incorporated in the Cayman Islands on 16 July 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment holding. The principal activities of the Group are terminal storage and handling of liquid chemicals. All the companies now comprising the Group adopted 31 December as their financial year end date.

Pursuant to the corporate reorganisation (the "Reorganisation") as set out in the section headed Reorganisation and in Appendix V "Statutory and General Information" to the Prospectus, the Company became the holding company of all subsidiaries, associates and jointly-controlled entities now comprising the Group by 29 November 2010.

The statutory audited financial statements during the Relevant Periods of the companies now comprising the Group for which there is a statutory audit requirement have been prepared in accordance with relevant accounting principles applicable to their respective places of incorporation.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong). The particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dragon Bussan International Limited ("Dragon Bussan") *(Note (a))*	Hong Kong 22 April 1993	Ordinary US$600,000 Non-voting deferred US$900,000 *(Note 1)*	–	100	Investment holding and provision of marketing services
Dragon Crown Petrochemicals Terminal (Holdings) Limited ("DCPI") *(Note (b))*	Hong Kong 25 June 2004	Ordinary US$26,600,000 Non-voting deferred US$500,000 *(Note 1)*	–	100	Investment holding and provision of finance and management services
Dragon Source Industrial Limited *(Note (c))*	Hong Kong 12 July 1988	Ordinary HK$26,000,000 Non-voting deferred HK$2,000,000 *(Note 1)*	–	100	Investment holding and provision of accounting services
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited ("NJDC") *(Note (d))*	People's Republic of China (the "PRC") 26 April 2004	US$28,094,820	–	88.61	Terminal storage and handling of liquid chemicals
Ocean Ahead Limited *(Note (f))*	The British Virgin Islands (the "BVI") 15 June 2010	US$100	100	–	Investment holding
Sinolake Holdings Limited *(Note (f))*	The BVI 11 June 2010	US$10	–	100	Investment holding
Quick Response Holdings Limited *(Note (f))*	The BVI 20 April 2010	US$10	–	100	Investment holding
Sea Triumph Limited *(Note (f))*	The BVI 3 June 2010	US$10	–	100	Investment holding
Ideal Huge Limited *(Note (f))*	The BVI 11 June 2010	US$10	–	100	Investment holding
Ocean Access Investments Limited *(Note (e))*	Hong Kong 18 June 2010	HK$1	–	100	Investment holding and provision of administrative and technical services

(a) The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by F.S. Li & Co., and for the year ended 31 December 2010 by Ernst & Young.

(b) The statutory consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 were audited by Ernst & Young.

(c) The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by Jimmy C.H. Cheung & Co., and for the year ended 31 December 2010, by Ernst & Young.

(d) The statutory financial statements for the years ended 31 December 2008, 2009 and 2010 were audited by 江蘇永和會計師事務所有限公司.

(e) The statutory financial statements for the period from date of incorporation to 31 December 2010 were audited by Ernst & Young.

(f) No statutory audited financial statements have been prepared as no activities had been carried out since the respective incorporation dates other than those related to the Reorganisation.

Note 1: The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the respective companies. The holders of the non-voting deferred shares are not entitled to any dividends. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of the respective companies, to a return of the capital paid up on the non-voting deferred shares held by them to one half of the balance after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of the respective companies.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "HKFRS Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared, for the purposes of this report for inclusion in the Prospectus, based on the HKFRS Financial Statements and in accordance with the basis set out in note 2 under Section II.

The directors of the Company are responsible for the preparation of the HKFRS Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the HKFRS Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error. It is our responsibility to form an independent opinion based on our audit on the Financial Information, and to report our opinion thereon to you.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Financial Statements to conform to the accounting policies referred to in note 3 of Section II below for the Relevant Periods.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the Group as at 31 December 2008, 2009 and 2010 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in note 2 of Section II:

Consolidated statements of comprehensive income

	Notes	**Year ended 31 December** **2008** *HK$'000*	**2009** *HK$'000*	**2010** *HK$'000*
REVENUE	*6*	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	*6*	1,078	6,023	11,817
Administrative expenses		(9,557)	(14,033)	(29,094)
Finance costs	*7*	(18,295)	(12,913)	(8,930)
Share of profits and losses of:				
Associates		6,525	3,854	5,305
Jointly-controlled entities		1,527	2,101	2,654
PROFIT BEFORE TAX	*8*	75,664	107,979	125,193
Tax	*11*	(3,643)	(6,043)	(8,036)
PROFIT FOR THE YEAR		72,021	101,936	117,157
OTHER COMPREHENSIVE INCOME				
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

	Note	Year ended 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
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	*12*	81,767	86,294	114,550
Non-controlling interests		15,188	16,975	22,426
		96,955	103,269	136,976

Details of dividends are disclosed in note 13 to the Financial Information.

Consolidated statements of financial position

		At 31 December		
	Notes	**2008**	**2009**	**2010**
		HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	566,866	544,984	541,742
Prepaid land lease payments	*16*	33,078	41,378	41,906
Goodwill	*17*	–	–	1,210
Interests in associates	*19*	33,791	32,486	23,148
Interests in jointly-controlled entities	*20*	6,645	7,223	25,780
Prepayments, deposits and other receivables	*23*	–	–	7,132
Total non-current assets		640,380	626,071	640,918
CURRENT ASSETS				
Inventories		1,820	1,808	2,416
Accounts receivable	*21*	25,123	35,329	45,152
Due from a non-controlling shareholder	*22*	4,871	208	–
Prepayments, deposits and other receivables	*23*	14,932	2,079	10,008
Cash and cash equivalents	*24*	18,527	23,249	46,611
Total current assets		65,273	62,673	104,187
CURRENT LIABILITIES				
Other payables and accruals	*25*	22,832	25,154	35,511
Due to a director	*26*	2,462	1,996	–
Interest-bearing bank loans	*27*	133,057	88,504	56,472
Due to the former ultimate holding company	*28*	–	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
TOTAL ASSETS LESS CURRENT LIABILITIES		547,302	571,562	652,244

	Notes	At 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	*27*	95,202	76,862	162,188
Due to the former ultimate holding company	*28*	257,729	198,906	–
Deferred tax liabilities	*29*	3,680	8,307	6,730
Total non-current liabilities		356,611	284,075	168,918
Net assets		190,691	287,487	483,326
EQUITY				
Equity attributable to the owners of the Company				
Issued share capital	*30*	27,342	27,342	83
Reserves	*31*	115,480	195,230	437,839
		142,822	222,572	437,922
Non-controlling interests		47,869	64,915	45,404
Total equity		190,691	287,487	483,326

Consolidated statements of changes in equity

	Attributable to the owners of the Company								
	Issued capital	Share premium	Reserve funds*	Capital reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 30)		*(Note 31 (a)(ii))*	*(Note 31 (a)(i))*	*(Note 31 (a)(iii))*				
At 1 January 2008	27,342	–	3,091	–	15,719*	16,500*	62,652	32,557	95,209
Profit for the year	–	–	–	–	–	60,447	60,447	11,574	72,021
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	21,320	–	21,320	3,614	24,934
Total comprehensive income for the year	–	–	–	–	21,320	60,447	81,767	15,188	96,955
Appropriation to statutory reserve	–	–	921	–	–	(1,045)	(124)	124	–
Dividends declared	–	–	–	–	–	(1,473)	(1,473)	–	(1,473)
At 31 December 2008 and 1 January 2009	27,342	–	4,012**	–	37,039**	74,429**	142,822	47,869	190,691
Profit for the year	–	–	–	–	–	85,304	85,304	16,632	101,936
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	990	–	990	343	1,333
Total comprehensive income for the year	–	–	–	–	990	85,304	86,294	16,975	103,269
Appropriation to statutory reserve	–	–	1,023	–	–	(1,197)	(174)	174	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(103)	(103)
Dividends declared	–	–	–	–	–	(6,370)	(6,370)	–	(6,370)
At 31 December 2009 and 1 January 2010	27,342	–	5,035**	–	38,029**	152,166**	222,572	64,915	287,487

		Attributable to the owners of the Company								
	Note	**Issued capital** *HK$'000* *(Note 30)*	**Share premium** *HK$'000*	**Reserve funds*** *HK$'000* *(Note 31 (a)(ii))*	**Capital reserve** *HK$'000* *(Note 31 (a)(i))*	**Exchange fluctuation reserve** *HK$'000* *(Note 31 (a)(iii))*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 31 December 2009 and 1 January 2010		27,342	–	5,035**	–	38,029**	152,166**	222,572	64,915	287,487
Profit for the year		–	–	–	–	–	96,745	96,745	20,412	117,157
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	17,805	–	17,805	2,014	19,819
Total comprehensive income for the year		–	–	–	–	17,805	96,745	114,550	22,426	136,976
Arising from Reorganisation		(27,264)	232,262	–	3,605	–	–	208,603	–	208,603
Acquisition of non-controlling interests	*30(b)(iv)*	5	12,505	–	19,347	–	–	31,857	(19,347)	12,510
Appropriation to statutory reserve		–	–	1,401	–	–	(1,623)	(222)	222	–
Dividends paid to non-controlling interests		–	–	–	–	–	(5,240)	(5,240)	(22,812)	(28,052)
Dividends declared		–	–	–	–	–	(134,198)	(134,198)	–	(134,198)
At 31 December 2010		83	244,767**	6,436**	22,952**	55,834**	107,850**	437,922	45,404	483,326

* Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiary established in Mainland China has been transferred to the reserve funds which are restricted as to use. The reserve funds also comprise the share of reserves of associates and jointly-controlled entities of HK$3,227,000, HK$3,417,000 and 3,709,000 as at 31 December 2008, 2009 and 2010, respectively.

** These reserve accounts comprise the consolidated reserves of HK$115,480,000, HK$195,230,000 and HK$437,839,000 in the consolidated statements of financial position as at 31 December 2008, 2009 and 2010, respectively.

Consolidated statements of cash flows

	Notes	2008	2009	2010
		Year ended 31 December		
		HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		75,664	107,979	125,193
Adjustments for:				
Finance costs	*7*	18,295	12,913	8,930
Bank interest income	*6*	(439)	(303)	(854)
Depreciation	*8*	24,218	31,088	31,888
Amortisation of prepaid land lease payments	*8*	688	696	908
Revaluation of pre-existing interest in an acquired subsidiary to fair value	*8*	–	–	(2,488)
Loss/(gain) on disposal of items of property, plant and equipment	*8*	36	(155)	620
Share of profits and losses of:				
Associates		(6,525)	(3,854)	(5,305)
Jointly-controlled entities		(1,527)	(2,101)	(2,654)
		110,410	146,263	156,238
Decrease/(increase) in inventories		(1,411)	12	(530)
Increase in accounts receivable		(4,936)	(10,196)	(8,349)
Decrease in an amount due from a non-controlling shareholder		–	–	213
Decrease/(increase) in prepayments, deposits and other receivables		(11,085)	13,050	(4,864)
Increase/(decrease) in other payables and accruals	*33(a, c)*	(4,918)	2,319	(3,906)
Decrease in an amount due to a director		–	(466)	(1,996)
Cash generated from operations		88,060	150,982	136,806
Tax paid		–	–	(10,936)
Net cash flows from operating activities		88,060	150,982	125,870

	Notes	Year ended 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(115,673)	(7,714)	(17,388)
Proceeds from disposal of items of property, plant and equipment		–	650	40
Acquisition of a subsidiary	*32*	–	–	(2,840)
Interest received		439	303	854
Dividends received		1,473	6,604	4,646
Payment for prepaid land lease	*16, 33(c)*	–	(4,539)	–
Net cash flows used in investing activities		(113,761)	(4,696)	(14,688)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares upon acquisition of non-controlling interests		–	–	12,510
Proceeds from issue of shares arising from Reorganisation		–	–	208,603
Decrease in an amount due to the former ultimate holding company	*33(b)*	(2,417)	(58,637)	(199,235)
Repayment of bank loans		(59,260)	(164,648)	(160,566)
New bank loans		113,988	101,011	209,050
Dividends paid		(2,877)	(6,370)	(134,198)
Dividends paid to non-controlling interests		–	(103)	(17,052)
Interest paid		(17,671)	(12,913)	(8,930)
Net cash flows from/(used in) financing activities		31,763	(141,660)	(89,818)

	Note	Year ended 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,062	4,626	21,364
Cash and cash equivalents at beginning of year		11,733	18,527	23,249
Effect of foreign exchange rate changes, net		732	96	1,998
CASH AND CASH EQUIVALENTS AT END OF YEAR		18,527	23,249	46,611
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at end of year	*24*	18,527	23,249	46,611

Statement of financial position of the Company

	Notes	**At 31 December 2010** *HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	*18*	230,080
Total non-current assets		230,080
CURRENT ASSETS		
Prepayments, deposits and other receivables	*23*	36,369
Total current assets		36,369
CURRENT LIABILITIES		
Other payables and accruals	*25*	3,392
Total current liabilities		3,392
NET CURRENT ASSETS		32,977
Net assets		263,057
EQUITY		
Issued capital	*30*	83
Reserves	*31(b)*	262,974
Total equity		263,057

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP AND GROUP REORGANISATION

The Company was incorporated on 16 July 2010 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Particulars of the companies now comprising the Group have been set out in the foregoing section. The Group has established a principal place of business which is located at Unit No. 3, 18th Floor, Convention Plaza, Office Tower, No. 1 Harbour Road, Hong Kong. The Group is principally engaged in terminal storage and handling of liquid chemicals (the "Listing Business").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Lirun Limited, which is incorporated in the British Virgin Islands (the "BVI").

Before the formation of the Group, the Listing Business was carried out by the subsidiaries, associates and jointly-controlled entities now comprising the Group as set out in the foregoing section and in notes 19 and 20, respectively, all of which were collectively controlled by Mr. NG Wai Man ("Mr. NG") (hereinafter referred to as the "Controlling Shareholder"). Pursuant to the Reorganisation described in the section headed "Reorganisation" and in Appendix V "Statutory and General Information" to the Prospectus, the Company became the holding company of all the subsidiaries, associates and jointly-controlled entities now comprising the Group by 29 November 2010.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of all the companies now comprising the Group by 29 November 2010. 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 Financial Information which presents the consolidated results, cash flows and financial positions of the companies now comprising the Group has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group, and as if the group structure had been in existence throughout the Relevant Periods and that all of the Listing Business was transferred to the Group as of the earliest period presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting periods commencing from 1 January 2008, 2009 and 2010 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention.

The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in preparing the Financial Information.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Basis of consolidation

This Financial Information incorporates the financial statements of the companies now comprising the Group for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting. The acquisition of the interests of all other subsidiaries during the Relevant Periods is accounted for using the acquisition method.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The net assets of the combining entities or business are combined using the existing book values from the Controlling Shareholder's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All significant intra-group transactions and balances have been eliminated on consolidation.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its jointly-controlled entities are included in profit or loss and consolidated reserves, respectively.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and structures	3.17 – 19%
Motor vehicles	19%
Office equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the infrastructure of a terminal under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rental payables under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets of the Group in the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, accounts and other receivables, deposits and an amount due from a minority shareholder.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities at amortised cost

Financial liabilities which include other payables and accruals, amounts due to a director and the former ultimate holding company and interest-bearing bank loans are initially stated at fair value plus directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Inventories

Inventories represent consumables, tools and parts for use in the operation, and are stated at cost. Cost is determined on the first-in, first-out basis.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, when the services have been rendered;

(b) rental income, on the straight-line basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, associates and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of those entities comprising the Group in which their functional currencies are currencies other than the Hong Kong dollar are translated into the presentation currency of the Company at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of those entities which arise throughout the reporting period are translated into Hong Kong dollars at the weighted average exchange rates for the reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity or an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting or in the case of subsidiaries in the PRC, by the board of directors. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Impairment of accounts receivable

The Group assesses 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, the Group considers 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.

The Group maintains an allowance for estimated impairment of accounts receivable arising from the inability of its debtors to make the required payments. The Group makes its 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 its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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 the straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of the 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 the assets and, therefore, future depreciation charges could be revised.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an 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, management 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2008, 2009 and 2010 was nil, nil and HK$1,210,000 respectively. Further details are given in note 17.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates 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.

5. OPERATING SEGMENT INFORMATION

No separate analysis of segment information is presented by the Group as over 90% of the Group's revenue, results and assets are related to the terminal storage and handling of liquid chemicals business in Mainland China.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue, is set out below:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	85,446	88,094	112,143
Customer B	43,877	83,978	95,743
Customer C	13,856	19,940	20,400

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, is derived from terminal storage and handling of liquid chemicals for the Relevant Periods.

An analysis of other income for the Relevant Periods is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Government subsidies*	–	4,726	7,647
Bank interest income	439	303	854
Gross rental income	350	420	427
Revaluation of pre-existing interest in an acquired subsidiary to fair value	–	–	2,488
Others	289	574	401
	1,078	6,023	11,817

* Balance represented subsidies for maintenance of jetty from a PRC port authority. The subsidy is subject to application lodged by the Group and reviewed by the relevant port authority of Nanjing. Amounts recognised for the year ended 31 December 2009 were subsidies for the period from April 2007 to July 2009, the applications of which were made by the Group in 2009. Amounts recognised for the year ended 31 December 2010 were subsidies for the period from August 2009 to December 2010, the applications of which were made by the Group during the year ended 31 December 2010.

7. FINANCE COSTS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	17,671	12,106	8,773
Interest on an amount due to the former ultimate holding company	4,391	807	157
	22,062	12,913	8,930
Less: Amounts capitalised to construction in progress	(3,767)	–	–
	18,295	12,913	8,930

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

	Notes	Year ended 31 December 2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*
Depreciation	*15*	24,218	31,088	31,888
Amortisation of prepaid land lease payments	*16*	688	696	908
Minimum lease payments under operating leases of buildings and pipe racks		7,394	8,836	8,938
Auditors' remuneration		210	286	320
Directors' remuneration		157	295	1,037
Staff costs (excluding directors' remuneration):				
Wages and salaries		6,086	7,264	9,131
Pension scheme contributions		960	1,410	3,070
		7,046	8,674	12,201
Less: Amounts capitalised to construction in progress		(515)	–	–
		6,531	8,674	12,201
Gross rental income		(350)	(420)	(427)
Less: Outgoings		17	21	25
		(333)	(399)	(402)
Loss/(gain) on disposal of items of property, plant and equipment		36	(155)	620
Revaluation of pre-existing interest in an acquired subsidiary to fair value		–	–	(2,488)
Foreign exchange differences, net		(78)	(364)	365

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Fees			
– Executive directors and non executive directors	–	–	–
– Independent non-executive directors	–	–	45
Other emoluments of executive directors:			
Salaries, allowances, bonuses and benefits in kind	157	295	989
Pension scheme contributions	–	–	3
	157	295	1,037

The remuneration of directors of the Company for the Relevant Periods is set out below:

	Fees	**Salaries allowances, bonuses and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008				
Executive director:				
Mr. Ting Yian Ann	–	157	–	157
Year ended 31 December 2009				
Executive director:				
Mr. Ting Yian Ann	–	295	–	295
Year ended 31 December 2010				
Executive directors:				
Mr. Ting Yian Ann	–	618	–	618
Mr. Ng Wai Man	–	78	–	78
Mr. Chong Yat Chin	–	109	1	110
Ms Chan Wan Ming	–	100	1	101
Mr. Kwan Chun Yuen	–	84	1	85
	–	989	3	992

The fees paid to independent non-executive directors of the Company for the Relevant Periods were as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Lau Sik Yuen	–	–	19
Luo Shi Jie	–	–	13
Zhu Wu Jun	–	–	13
	–	–	45

Save as disclosed above, no remuneration was paid or payable by the Group to other directors of the Company during the Relevant Periods.

No remuneration was paid or payable by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST EMPLOYEES

The five highest paid employees for the years ended 31 December 2008, 2009 and 2010, included 1, 1 and 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 4, 4 and 3 non-director, highest paid employees for the years ended 31 December 2008, 2009 and 2010, respectively, are as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances, bonuses and benefits in kind	706	742	843
Pension scheme contributions	47	47	35
	753	789	878

The number of non-director, highest-paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2008	2009	2010
Nil to HK$1,000,000	4	4	3

No remuneration was paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

11. TAX

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current – Hong Kong	–	–	–
Current – elsewhere, charge for the year	–	1,433	2,046
Deferred – *Note 29*	3,643	4,610	5,990
	3,643	6,043	8,036

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 Relevant Periods. 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 People's Republic of China ("PRC") Enterprise Income Tax Law and its Implementation Rules (effective from 1 January 2008), the PRC Enterprise 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 below.

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

A reconciliation of the tax expenses applicable to profit before tax using the statutory tax rate to the tax position at the effective tax rate is as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	75,664	107,979	125,193
Tax at the statutory rate	12,485	17,817	20,657
Lower tax rate due to concession	(12,603)	(16,445)	(18,535)
Expenses not deductible for tax	118	61	–
Income not subject to tax	–	–	(76)
Effect of withholding tax on the distributable profits of the Group's Mainland China subsidiary	3,643	4,610	5,990
Tax at the effective rate	3,643	6,043	8,036

The share of tax attributable to associates amounting to HK$607,000, HK$395,000 and HK$561,000 is included in "Share of profits and losses of associates" for the years ended 31 December 2008, 2009 and 2010, respectively, in the consolidated statements of comprehensive income.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 included a loss of HK$12,470,000 which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

Dividends distributed by the companies now comprising the Group during the Relevant Periods were as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Final dividends	1,473	6,473	162,250

The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

14. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

No earnings per share information is presented as its inclusion, for the purpose of this report, is considered not meaningful due to the Reorganisation.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress	Buildings and structures	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 January 2008	167,075	324,090	1,942	745	493,852
Additions	73,497	1,765	380	225	75,867
Transfers	(252,697)	252,697	–	–	–
Disposals	–	(10)	–	(66)	(76)
Exchange realignment	12,611	21,469	134	52	34,266
At 31 December 2008 and 1 January 2009	486	600,011	2,456	956	603,909
Additions	5,463	685	1,373	193	7,714
Transfers	(5,194)	5,194	–	–	–
Disposals	–	(144)	(1,196)	(27)	(1,367)
Exchange realignment	2	2,134	9	4	2,149
At 31 December 2009 and 1 January 2010	757	607,880	2,642	1,126	612,405
Additions	7,870	2,276	–	110	10,256
Transfers	(5,327)	5,327	–	–	–
Disposals	–	(857)	–	(6)	(863)
Exchange realignment	90	22,017	95	42	22,244
At 31 December 2010	3,390	636,643	2,737	1,272	644,042
Accumulated depreciation:					
At 1 January 2008	–	11,062	578	170	11,810
Provided for during the year – *note 8*	–	23,658	390	170	24,218
Disposals	–	(1)	–	(39)	(40)
Exchange realignment	–	998	44	13	1,055

	Construction in progress *HK$'000*	Buildings and structures *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
At 31 December 2008 and 1 January 2009	–	35,717	1,012	314	37,043
Provided for during the year – *note 8*	–	30,388	519	181	31,088
Disposals	–	(22)	(835)	(15)	(872)
Exchange realignment	–	156	4	2	162
At 31 December 2009 and 1 January 2010	–	66,239	700	482	67,421
Provided for during the year – *note 8*	–	31,184	498	206	31,888
Disposals	–	(197)	–	(6)	(203)
Exchange realignment	–	3,148	37	9	3,194
At 31 December 2010	–	100,374	1,235	691	102,300
Net carrying amount:					
At 31 December 2008	486	564,294	1,444	642	566,866
At 31 December 2009	757	541,641	1,942	644	544,984
At 31 December 2010	3,390	536,269	1,502	581	541,742

As at 31 December 2008, 2009 and 2010, certain of the Group's buildings and structures with net carrying amounts of HK$246,435,000, HK$237,008,000 and HK$234,330,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 27).

As at 31 December 2008 and 2009, the Group was in the process of obtaining the building ownership certificate in respect of an office building of the Group located in Mainland China with carrying amounts of HK$25,555,000 and HK$25,324,000, respectively. The building ownership certificate was obtained on 17 June 2010.

16. PREPAID LAND LEASE PAYMENTS

Group

	At 31 December 2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Carrying amount at 1 January	32,263	33,803	42,312
Additions	–	9,078	–
Amortised during the year – *note 8*	(688)	(696)	(908)
Exchange realignment	2,228	127	1,493
	33,803	42,312	42,897
Current portion	(725)	(934)	(991)
Non-current portion	33,078	41,378	41,906

All the Group's leasehold land were held under long term leases and were situated in Mainland China.

At 31 December 2008, 2009 and 2010, certain of the Group's leasehold land with net carrying amounts of HK$33,803,000, HK$33,329,000 and HK$12,824,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 27).

At 31 December 2008 and 2009, the Group had applied for, but had not received, the land use right certificate in respect of certain leasehold land situated in Mainland China with net carrying amounts of HK$981,000 and HK$10,071,000, respectively. The land use right certificate was issued on 9 March 2010.

17. GOODWILL

Group

	HK$'000
Cost at 1 January 2008, 2009, 2010	–
Acquisition of subsidiary – *note 32*	1,210
Cost and net carrying amount at 31 December 2010	1,210

Impairment testing of goodwill

Goodwill acquired through business combination is related to the cash generating unit of terminal storage and handling of liquid chemicals. Its recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% and cash flows beyond the five-year period are extrapolated using an inflation rate of 4.9%.

Key assumptions were used in the value in use calculation of the cash generating unit of terminal storage and handling of liquid chemicals. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Inflation rate – The basis used to determine the value assigned to cost of sales and the revenue price is the forecast price indices during the budget year in the PRC.

18. INVESTMENTS IN SUBSIDIARIES

Company

	At 31 December 2010 *HK$'000*
Unlisted shares, at cost	1
Due from subsidiaries	230,079
	230,080

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19. INTERESTS IN ASSOCIATES

Group

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	33,791	32,486	23,148

Particulars of the associate as at 31 December 2010 are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co. Ltd. (天津天龍液體化工儲運有限公司)*#	US$1,950,000	PRC	65	Terminal storage and handling of liquid chemicals

* Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

\# Pursuant to the respective articles of association, the Group has significant influence but not unilateral control over the entity.

As at 31 December 2008 and 2009, the Group had a 60% interest in Dragon Bussan, which was accounted for as an associate. The Group acquired the remaining 40% interest therein on 29 November 2010 (the "Acquisition"), subsequent to which Dragon Bussan ceased to be an associate and became a wholly-owned subsidiary of the Group. The principal asset of Dragon Bussan is a 60% investment in a jointly-controlled entity, Ningbo Ningxiang Liquid Chemical Terminal Co., Ltd. ("Ningbo Ningxiang"). Upon the Acquisition, Ningbo Ningxiang became a jointly-controlled entity of the Group. Further details of Ningbo Ningxiang are set out in Note 20. Further details of the Acquisition are set out in note 32.

The following table illustrates the summarised financial information of the Group's associates:

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Share of the associates' assets and liabilities:			
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

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Share of the associates' results:			
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 following table illustrates the financial information of the Group's associates extracted from their management accounts:

	At 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Assets	54,740	58,316	37,645
Liabilities	1,527	6,916	1,439

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Revenue	25,266	18,995	21,669
Profit	10,194	6,125	8,364

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Group

	At 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	6,645	7,223	25,780

Particulars of the jointly-controlled entities as at 31 December 2010 are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power*	Percentage of Profit sharing	Principal activities
Ningbo Xinxiang Liquid Chemical Store Co. Ltd. (寧波新翔液體化工倉儲有限公司)	RMB4,200,000	PRC	60	60	60	Terminal storage and handling of liquid chemicals
Ningbo Ningxiang Liquid Chemicals Terminal Co. Ltd.* (寧波寧翔液化儲運碼頭有限公司)	RMB7,350,000	PRC	60	60	60	Terminal storage and handling of liquid chemicals

The interests in the jointly-controlled entities are indirectly held by the Company.

* Pursuant to the articles of association, the Group has joint control of the entities with the other joint venture partners.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	At 31 December 2008	At 31 December 2009	At 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*
Share of the jointly-controlled entities assets and liabilities:			
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

	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*
Share of the jointly-controlled entities' results:			
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)
Profit after tax	1,527	2,101	2,654

21. ACCOUNTS RECEIVABLE

The Group's accounts receivable arose from terminal storage and handling of liquid chemicals during the Relevant Periods.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, extending to up to 60 days for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable at the end of the respective reporting periods, based on the invoice date and net of provision, is as follows:

	At 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

An aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	25,122	32,860	43,676
Less than 1 month past due	1	910	1,476
1 to 3 months past due	–	1,557	–
Over 3 months past due	–	2	–
	25,123	35,329	45,152

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is 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. The Group does not hold any collateral or other credit enhancements over these balances. As at 31 December 2009 and 2010, certain of the Group's accounts receivable with net carrying amounts of HK$15,910,000 and HK$14,241,000, respectively, were pledged to the banks to secure banking facilities granted to the Group (note 27).

22. DUE FROM A NON-CONTROLLING SHAREHOLDER

The balance due from Nanjing Chemical Industry Park Company Limited, a non-controlling shareholder, was unsecured, interest-free and has no fixed terms of repayment. The balance was non-trade in nature and represented payment on behalf of the non-controlling shareholder. The balance was fully settled during the year ended 31 December 2010. The carrying amount of the balance with a non-controlling shareholder approximated to its fair value.

The maximum balances outstanding during the years ended 31 December 2008, 2009 and 2010 were HK$4,871,000, HK$4,871,000 and HK$213,000, respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	1,146	1,738	13,937
Deposits and other receivables	13,786	341	3,203
	14,932	2,079	17,140
Portion classified as current assets	(14,932)	(2,079)	(10,008)
Portion classified as non-current assets	–	–	7,132

Company

	At 31 December 2010
	HK$'000
Prepayments	4,669
Deposits and other receivables	31,700
	36,369

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. The carrying amounts of these deposits and other receivables approximate to their fair values.

24. CASH AND CASH EQUIVALENTS

As at 31 December 2008, 2009 and 2010, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$17,725,000, HK$22,799,000 and HK$30,204,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. OTHER PAYABLES AND ACCRUALS

Group

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	10,106	12,332	15,548
Accruals	12,726	12,822	19,963
	22,832	25,154	35,511

Company

	At 31 December 2010
	HK$'000
Other payables	–
Accruals	3,392
	3,392

Other payables are non-interest-bearing and are repayable on demand. The carrying amounts of other payables and accruals approximate to their fair values.

As at 31 December 2010, included in other payables of the Group was a payable of RMB1,000,000 (equivalent to HK$1,177,000) due to 南京化學工業園管理委員會 (Nanjing Chemical Industry Park Management Committee*), a related company, which is the parent company of Nanjing Chemical Industry Park Company Limited, in relation to facilitate NJDC to obtain a prepaid land lease. Pursuant to the related contract signed by NJDC and Nanjing Chemical Industry Park Management Committee, the settlement of the amount is subject to certain conditions, such as land levelling, to be fulfilled by Nanjing Chemical Industry Park Management Committee.

* *For identification purpose only*

26. DUE TO A DIRECTOR

The balance due to a director was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 December 2010.

27. INTEREST-BEARING BANK LOANS

Group

	Effective interest rate (%)	Maturity	At 31 December 2008 HK$'000	2009 HK$'000	2010 HK$'000
Current					
Secured	5.814/The People's Bank of China ("PBOC") base rate, discounted by 3% – 10%	on demand to 2011	133,057	88,504	56,472
Non-current					
Secured	5.814/PBOC base rate, discounted by 3% – 10% /HIBOR+1%	2012 to 2013 (2009: 2011 to 2013) (2008: 2010 to 2013)	95,202	76,862	162,188
			228,259	165,366	218,660
Analysed into:					
Bank loans repayable:					
Within one year or on demand			133,057	88,504	56,472
In the second year			35,587	55,654	150,808
In the third to fifth years, inclusive			59,615	21,208	11,380
			228,259	165,366	218,660

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. As a result, the Group's interest-bearing bank loans in the amount of HK$64,207,000 and HK$27,259,000 had been reclassified as current liabilities as at 31 December 2008 and 2009.

Also in relation to a loan in the amount of HK$28,236,000 as at 31 December 2010 granted by a borrowing bank to the Group, the former ultimate holding company was required to provide guarantee to the bank and to meet certain financial covenants. As at 31 December 2010, certain of the financial covenants could not be met. As a result, the loan amount became repayable on demand and had been classified as current liability.

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 as of 31 December 2010.

Subsequent to 31 December 2010, a waiver letter was obtained from the bank with respect to the breach of financial covenants by the former ultimate holding company.

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.

The Group's bank loans as at 31 December 2008, 2009 and 2010 were secured by:

(i) corporate guarantees granted by Dragon Crown Investments Limited ("DC Investment"), the Company's former ultimate holding company which will be released and replaced by the corporate guarantee granted by the Company upon Listing, and by Nanjing Chemical Industry Park Company Limited ("NCIP"), a non-controlling shareholder. The corporate guarantee by NCIP has lapsed after the Group made final settlement of the relevant loan during the year ended 31 December 2010;

(ii) personal guarantees granted by directors of the Company, which will be released and replaced by the corporate guarantee provided by the Company upon Listing;

(iii) fixed charges over certain buildings and structures with net carrying amounts of HK$246,435,000, HK$237,008,000, HK$234,330,000 at 31 December 2008, 2009 and 2010, respectively (note 15);

(iv) fixed charges over certain leasehold land with net carrying amounts of HK$33,803,000, HK$33,329,000, HK$12,824,000 at 31 December 2008, 2009 and 2010 (note 16), respectively; and

(v) floating charges over certain accounts receivable with net carrying amounts of HK$15,910,000 and HK$14,241,000 at 31 December 2009 and 2010, respectively (note 21).

(vi) fixed charges over total bank deposits of HK$93,160,000 by DC Investments and a director of the Company, which will be released and replaced by the corporate guarantee provided by the Company upon Listing.

The carrying amounts of these bank loans approximate to their fair values at the end of the respective reporting periods.

28. DUE TO THE FORMER ULTIMATE HOLDING COMPANY

Included in the balance due to DC Investments, the former ultimate holding company, were amounts of HK$186,000 and HK$249,000 as at 31 December 2009 and 2010, respectively, which were non-trade in nature and represented payments by the former ultimate holding company on behalf of the Group. The balances were unsecured, interest-free and repayable on demand.

The remaining balances due were non-trade in nature and represented working capital funds provided by the former ultimate holding company. The balances were unsecured and were fully settled during the year ended 31 December 2010.

As at 31 December 2008, except for the amounts of HK$8,914,000, HK$38,220,000 and HK$46,800,000 which bore interest at LIBOR+1.1% per annum, LIBOR+1% per annum and LIBOR+0.8% per annum, all remaining balances were interest-free.

As at 31 December 2009, except for the amount of HK$21,060,000 which bore interest at LIBOR+1% per annum, all remaining balances were interest-free.

The carrying amounts of the amounts due to the former ultimate holding company approximate to their fair values.

29. DEFERRED TAX LIABILITIES

Group

	Withholding taxes
	HK$'000
At 1 January 2008	
Deferred tax charged to profit or loss during the year – *note 11*	3,643
Exchange realignment	37
At 31 December 2008	3,680
Deferred tax charged to profit or loss during the year – *note 11*	4,610
Exchange realignment	17
At 31 December 2009 and 1 January 2010	8,307
Acquisition of subsidiary – *note 32*	167
Deferred tax charged to profit or loss during the year – *note 11*	5,990
Withholding tax paid on repatriation of earnings from subsidiaries, jointly-controlled entities and associates	(8,042)
Exchange realignment	308
At 31 December 2010	6,730

Pursuant to the PRC Corporate Income Tax Law, a 5%-10% withholding tax rate is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary, associates and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

30. SHARE CAPITAL

The issued share capital as at 31 December 2008 and 2009 represented the aggregate amount of issued share capital of the companies now comprising the Group.

The issued share capital as at 31 December 2010 represented the issued share capital of the Company.

A summary of the transactions from 16 July 2010 (date of incorporation of the Company) to 31 December 2010 with reference to the movements in the Company's authorised and issued share capital is as follows:

(a) Authorised share capital

	Notes	**Number of ordinary shares of HK$0.1 each**	**Nominal value of ordinary shares**
			HK$'000
Authorised ordinary shares			
Upon incorporation	*(i)*	3,800,000	380
Increased during the period	*(ii)*	3,996,200,000	399,620
At 31 December 2010		4,000,000,000	400,000

Notes:

(i) The Company was incorporated in the Cayman Islands on 16 July 2010 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each.

(ii) On 30 November 2010, pursuant to written resolutions of the shareholders of the Company, the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each to HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.1 each. Since then, there were no changes in the authorised share capital.

(b) Issued share capital

	Notes	**Number of shares in issue**	**Issued capital** *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
Issue of ordinary shares					
Upon incorporation	*(i)*	1	–	–	–
Allotment during the period	*(ii)*	99	–	–	–
Arising from Reorganisation	*(iii)*	775,952	78	232,262	232,340
Acquisition of non-controlling interests	*(iv)*	48,948	5	12,505	12,510
At 31 December 2010		825,000	83	244,767	244,850

(i) On 16 July 2010, one subscriber's share of the Company was allotted and issued at par as nil paid to Lirun Limited ("Lirun"), a company owned by the Controlling Shareholder.

(ii) On 4 August 2010, 97 and 2 subscriber's shares were allotted and issued at par as nil paid to Lirun and Silver Coin International Limited ("Silver Coin"), a company owned by a non-controlling shareholder, respectively.

(iii) Pursuant to the Reorganisation, on 29 November 2010, advances of HK$232,340,000 due to the former ultimate holding company were repaid and the Company issued 759,452 subscriber's shares at par as fully paid to Lirun, and 16,500 subscriber's shares at par as fully paid to Sure Port Investments Limited ("Sure Port"), a company owned by the Controlling Shareholder.

(iv) Pursuant to the Reorganisation, the Company acquired additional interests in the group companies from non-controlling shareholders by (i) repaying the advances due to Silver Coin of HK$4,211,000 and issuing 15,948 subscriber's shares at par as fully paid to Silver Coin on 29 November 2010; and (ii) repaying the advances of HK$8,299,000 due to Ansen International Limited ("Ansen"), a company owned by a non-controlling shareholder, and issuing 33,000 shares at par as fully paid to Ansen on 29 November 2010.

Further details of the movements in the share capital of the Company are described in the section headed "Reorganisation" and Appendix V to the Prospectus.

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) Capital reserve

Capital reserve at 31 December 2010 comprised the excess of the nominal value of the paid-up capital of the group companies acquired pursuant to the Reorganisation over the consideration paid of HK$3,605,000 and the difference arising from the acquisition of additional interests in the group companies from the non-controlling shareholders of HK$19,347,000.

(ii) Reserve funds

In accordance with the relevant regulations applicable in the PRC, the Group's subsidiary established in the PRC is required to transfer a certain percentage of its statutory annual profit after tax (after offsetting any prior year's losses), if any, to the reserve fund until the balance of the fund reaches 50% of its respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus fund may be used to offset against accumulated losses of the PRC subsidiary. The amount of the transfer is subject to the approval of the board of directors of the PRC subsidiary.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC which are dealt with in accordance with the accounting policy set out in note 3 to the Financial Information.

b) Company

A summary of transactions during the year ended 31 December 2010 with reference to the movements in the Company's reserves is as follows:

	Share premium *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Upon incorporation	–	–	–
Arising from Reorganisation	232,262	–	232,262
Acquisition of non-controlling interests	12,505	–	12,505
Total comprehensive income for the year	–	18,207	18,207
At 31 December 2010	244,767	18,207	262,974

32. ACQUISITION OF SUBSIDARY

On 27 September 2010, the Group entered into a sale and purchase agreement with Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited to acquire the remaining 40% equity interests in Dragon Bussan, which was then a 60% owned associate of the Group, at a total cash consideration of US$1,457,600 (equivalent to HK$11,369,000). The acquisition was completed on 29 November 2010, upon which Dragon Bussan became a wholly owned subsidiary of the Group. One of the principal activities of Dragon Bussan was holding an investment in a 60% owned jointly-controlled entity, Ningbo Ningxiang, further details of which are included in Note 20.

The fair values of the identifiable assets and liabilities of Dragon Bussan as at the date of acquisition were as follows:

	Note	**Fair value recognised on acquisition** *HK$'000*
Net assets acquired:		
Interest in a jointly controlled entity		17,182
Prepayments, deposits and other receivables		2,691
Cash and bank balances		8,529
Accrued liabilities and other payables		(2,310)
Tax payable		(135)
Deferred tax liabilities	*29*	(167)
Amount due to the former ultimate holding company		(392)
Equity value attributable to the Group and total acquisition consideration		25,398
Satisfied by:		
Cash		11,369
Carrying value of the pre-existing equity interest		14,029
		25,398

The Group recognised a gain of HK$2,488,000 as a result of measuring at fair value its 60% pre-existing equity interest in Dragon Bussan held before the business combination. The gain is include in other income in the consolidated statement of comprehensive income for the year ended 31 December 2010.

An analysis of cash flows in respect of the acquisition of Dragon Bussan is as follows:

	HK$'000
Cash consideration paid	11,369
Cash and bank balances acquired	(8,529)
Net outflow of cash and cash equivalents included in cash flows from investing activities	2,840

33. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) At 31 December 2008, the Group recorded other payables and accruals in relation to additions of construction in progress of HK$414,000. These additions have had no cash flow impact to the Group.

(b) During the years ended 31 December 2008, the Group recorded finance costs of HK$4,391,000, which were settled through a current account with the former ultimate holding company.

(c) During the year ended 31 December 2009, the Group recorded an addition of prepaid land lease payment of RMB8,000,000 (equivalent to HK$9,078,000) of which RMB4,000,000 (equivalent to HK$4,539,000) was offset against a current account with a non-controlling shareholder.

34. CONTINGENT LIABILITIES

During the Relevant Periods, the Group provided a financial guarantee to a supplier of the related companies in connection with the open trading credit granted to the related companies, of which the ultimate controlling shareholder is the Controlling Shareholder of the Company. At 31 December 2008 and 2009, the trading credit granted subject to guarantees given to the supplier was utilised to the extent of HK$7,371,000 and HK$1,687,000, respectively. On 25 March 2010, the Group ceased to provide the financial guarantee to the supplier.

During the Relevant Periods, a minority shareholder of a Group's subsidiary, NJDC, provided a financial guarantee to NJDC. It was agreed that NJDC would provide financial guarantee for the same amount to the minority shareholder if it so requires. The minority shareholder had not requested NJDC to provide such financial guarantee during the Relevant Periods. The cross financial guarantee between Nanjing Dragon Crown and Nanjing CIPC has lapsed as at 31 December 2010.

The Company did not have any contingent liabilities as at 31 December 2010.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain portion of its office building under an operating lease arrangement, with the lease negotiated for a term of five years.

At the end of the respective reporting periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	At 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	–
	956	674	419

(b) As lessee

The Group leases certain of its buildings and pipe racks under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 15 years.

At the end of the respective reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 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
	109,997	102,030	101,155

The Company had not entered into any operating lease arrangements as at 31 December 2010.

36. COMMITMENTS

In addition to the operating lease arrangements detailed in note 35 above, the Group had the following capital commitments at the end of the respective reporting periods:

	At 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

The Company did not have any commitments as at 31 December 2010.

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions forming part of the Reorganisation and other transactions detailed in notes 27 and 34 above, the Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Terminal storage income:				
Dragon Crown Chemical (Shanghai Pudong New Area) Company Ltd.*	*(i)*	456	157	1,623
Ningbo FTZ Dragon Crown Chemical International Trade Company Ltd.**	*(i)*	–	1,433	–
Terminal services expense:				
Nanjing Chemical Industry Park Public Services Company Ltd. ("NCIPS")*	*(ii)*	2,000	1,794	1,790
Nanjing Chemical Industry Park Management Committee ("NCIPMC")*	*(ii)*	2,227	1,033	520
Afforestation fees:				
上海正旺園林綠化有限公司** (Shanghai Jin Wang Afforestation Company Ltd.[#])	*(iii)*	–	1,364	36
Rental expenses:				
Nanjing Chemical Industry Park Company Limited*	*(iv)*	7,214	8,836	8,938
DC Investments*	*(v)*	–	–	622
Interest expenses:				
DC Investments**	*7, 28*	4,391	807	157

(i) Terminal storage income was charged in accordance with the terms mutually agreed between the Group and its related companies in which the Controlling Shareholder is the ultimate controlling shareholder of these related companies during the Relevant Periods.

(ii) Terminal services expense was charged in accordance with the terms mutually agreed between the Group and its related companies. NCIPS is the parent company of Nanjing Chemical Industry Park Company Limited, a minority shareholder of NJDC, and NCIPMC is a subsidiary of Nanjing Chemical Industry Park Company Limited during the Relevant Periods.

(iii) Afforestation fees were charged in accordance with the terms mutually agreed between the Group and its related party which is a close family member of the Controlling Shareholder during the Relevant Periods.

(iv) Rental expense was charged in accordance with the terms mutually agreed between the Group and a minority shareholder of NJDC for the use of pipe racks.

(v) Rental expense was charged in accordance with the terms mutually agreed between the Group and the former ultimate holding company for the use of an office premises.

In the opinion of the directors, the above transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

* These related party transactions will continue after Listing.

** These related party transactions will be discontinued after Listing.

[#] For identification purpose only.

(b) During the year ended 31 December 2009, NCIPS, the parent company of Nanjing Chemical Industry Park Company Limited, a minority shareholder of the Group, had facilitated in obtaining a prepaid land lease of the Group that amounted to RMB8,000,000 (equivalent to HK$9,078,000).

(c) Details of the outstanding balances with affiliates are included in notes 22, 26 and 28 above.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Short term employees benefits	559	722	1,941
Post-employment benefits	–	–	12
Total compensation paid to key management personnel	559	722	1,953

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the respective reporting periods are as follows:

Financial assets

The Group's financial assets as at the end of the respective reporting periods are as follows, which are categorised as loans and receivables.

Group

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable	25,123	35,329	45,152
Due from a non-controlling shareholder	4,871	208	–
Financial assets included in prepayments, deposits and other receivables *(note 23)*	13,786	341	3,203
Cash and bank balances	18,527	23,249	46,611
	62,307	59,127	94,966

Company

	At 31 December 2010 HK$'000
Due from subsidiaries	230,079
Financial assets included in prepayments, deposits and other receivables *(note 23)*	31,700
	261,779

Financial liabilities

The Group's financial liabilities as at the end of the respective reporting periods are as follows, which are categorised as financial liabilities at amortised cost.

Group

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals *(note 25)*	22,832	25,154	35,511
Due to a director	2,462	1,996	–
Interest-bearing bank loans	228,259	165,366	218,660
Due to the former ultimate holding company	257,729	199,092	249
	511,282	391,608	254,420

Company

	At 31 December 2010 HK$'000
Financial liabilities included in other payables and accruals *(note 25)*	3,392

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank loans and an amount due to the former ultimate holding company. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, financial assets included in deposits and other receivables and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's 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. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities and borrowings regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in PBOC rates, 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) during the Relevant Periods.

	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

The Group has transactional currency exposures. Such exposures arose from an intercompany loan to operating units in currencies other than the units' functional currency. A loan amounting to US$7,500,000 was denominated in currencies other than the functional currency of the operating units as at 31 December 2008.

The following table demonstrates the sensitivity to a reasonably 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) during the Relevant Periods.

	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

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

The credit risk of the Group's financial assets, which comprise accounts receivable, an amount due from a minority 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 the Group's exposure to credit risk arising from accounts receivable, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 21 and 23 of this report, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internal funding and bank loans to meet its working capital requirements.

The Group monitors its 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.

The maturity profile of the Group's financial liabilities as at the end of the respective reporting periods, based on the contractual undiscounted payments, is as follows:

31 December 2008

	On demand	**Less than 3 months**	**3 to 12 months**	**Not less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	–	14,160	35,391	–	108,949	158,500
Term loans subject to a repayment demand clause *(note)*	85,609	–	–	–	–	85,609
Other payables and accruals	22,832	–	–	–	–	22,832
Due to a director	2,462	–	–	–	–	2,462
Due to the former ultimate holding company	–	–	–	262,120	–	262,120
Guarantees given to banks in connection with facilities granted to related companies	7,371	–	–	–	–	7,371
	118,274	14,160	35,391	262,120	108,949	538,894

31 December 2009

	On demand	Less than 3 months	3 to 12 months	Not less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	–	14,276	35,230	–	85,065	134,571
Term loans subject to a repayment demand clause *(note)*	40,889	–	–	–	–	40,889
Other payables and accruals	25,154	–	–	–	–	25,154
Due to a director	1,996	–	–	–	–	1,996
Due to the former ultimate holding company	186	–	–	199,713	–	199,899
Guarantees given to banks in connection with facilities granted to related companies	1,687	–	–	–	–	1,687
	69,912	14,276	35,230	199,713	85,065	404,196

31 December 2010

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	28,236	329	29,533	171,239	229,337
Other payables and accruals	35,511	–	–	–	35,511
Due to the former ultimate holding company	249	–	–	–	249
	63,996	329	29,533	171,239	265,097

Note: The related loan agreement contains a repayment on demand clause which gives the bank the unconditional right to call the loan at any time, and therefore, for the purpose of the above maturity profile, the total amounts are classified as "on demand". Based on the original repayment dates, the maturity profile of the contractual undiscounted payments of the Group's interest-bearing bank loans at the end of the respective reporting periods are as follows:

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to 12 months *HK$'000*	Not less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
31 December 2008						
Interest-bearing bank loans	–	22,133	49,693	–	184,470	256,296
31 December 2009						
Interest-bearing bank loans	–	14,276	49,521	–	115,658	179,455

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand *HK$'000*
Other payables and accruals	3,392

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors the capital ratio on the basis of the debt-to-adjusted capital ratio, which is calculated as the net debt divided by adjusted capital plus net debt. Net debt includes other payables and accruals and interest-bearing bank loans, less cash and bank balances. Adjusted capital includes equity attributable to equity holders of the parent and an amount due to the former ultimate holding company used as the Group working capital funds. The debt-to-adjusted capital ratio as at the end of the respective reporting periods are as follows:

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accruals	22,832	25,154	35,511
Interest-bearing bank loans	228,259	165,366	218,660
Less: Cash and cash equivalents	(18,527)	(23,249)	(46,611)
Net debt	232,564	167,271	207,560
Equity attributable to the owner of the Company	142,822	222,572	437,922
Due to the former ultimate holding company	257,729	198,906	–
Adjusted capital	400,551	421,478	437,922
Adjusted capital and net debt	633,115	588,749	645,482
Debt-to-adjusted capital ratio	36.7%	28.4%	32.2%

III. SUBSEQUENT EVENT

On 23 May 2011, resolutions in writing of the shareholders of the Company were passed to approve the matters set out in the section headed "Resolutions in writing of the Shareholders passed on 30 November 2010, 7 March 2011 and 23 May 2011 in Appendix V to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to 31 December 2010.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong