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GREAT RIVER SMARTER LOGISTICS (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

Dragon Crown Group Holdings Limited
龍翔集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 935)

JOINT ANNOUNCEMENT
(1) PRE-CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES IN THE COMPANY AND (2) PROPOSED WITHDRAWAL OF LISTING

ANNOUNCEMENTS PUBLISHED ON THE SHENZHEN STOCK EXCHANGE

Financial adviser to the Offeror

CICC
中金公司

Financial adviser to the Company

CMBI 招銀国际

INTRODUCTION

Reference is made to the announcement jointly published by the Offeror and the Company on 8 October 2021 in relation to the pre-conditional voluntary general cash offer to be made by China International Capital Corporation Hong Kong Securities Limited on behalf of the Offeror to acquire all the issued Shares in the Company (the "**Announcement**"). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Offeror is a subsidiary of Offeror Parent, a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002930.SZ). The Offer will constitute an MAR of Offeror Parent pursuant to the MAR Measures.

In compliance with the MAR Measures and other PRC rules and regulations relating to the MAR of Offeror Parent, Offeror Parent published on the Shenzhen Stock Exchange on 20 January 2022: (i) a valuation assessment report issued by Shenzhen Pengxin Appraisal Limited on the MAR of Offeror Parent (the "**Pengxin Opinion**"); (ii) a material asset restructuring report (the "**MAR Report**"); (iii) audited financial statements of the Company under Chinese Accounting Standards for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 including the unqualified opinion of a PRC qualified auditor engaged by Offeror Parent (the "**Audited Financial Statements**"); and (iv) other relevant information relating to the MAR of Offeror Parent pursuant to the aforementioned PRC rules and regulations (the "**Other Information**").

The full text of the Pengxin Opinion, an extract of the relevant parts of the MAR Report and Other Information containing material information with Takeovers Code implications and the full text of the Audited Financial Statements are appended to this announcement as Appendices I, II and III respectively. The original full text of the Pengxin Opinion, the MAR Report, the Audited Financial Statements and the Other Information are published in Chinese on the website of the Shenzhen Stock Exchange (www.szse.cn).

Shareholders and potential investors should note the Pengxin Opinion and the Audited Financial Statements appended to this announcement contain financial information of the Company prepared under Chinese Accounting Standards and are issued and published on the Shenzhen Stock Exchange in connection with the MAR for the purpose of compliance with the MAR Measures. To enable a better understanding of such information by the Shareholders and potential investors in Hong Kong, the following information will be prepared as soon as possible in compliance with the Takeovers Code and included in the next document to the Shareholders (i.e. the Composite Document):

- **The Company will prepare (i) for the two years ended 31 December 2019 and 2020, a reconciliation statement of certain key financial information comprising total assets, total liabilities, revenue and net profit (the "Key Financial Information") between the audited accounts of the Company prepared under Hong Kong Financial Reporting Standards ("HKFRS") in the annual reports of the Company and the Audited Financial Statements prepared under Chinese Accounting Standards for the respective years; and (ii) for the nine months ended 30 September 2021, a reconciliation statement of the Key Financial**

Information between the Company's unaudited management accounts prepared by the Company under HKFRS (the "Unaudited Management Accounts") and the Audited Financial Statements prepared under Chinese Accounting Standards for the period (the "Reconciliation Information").

- **The unaudited net profit of the Company for the nine months ended 30 September 2021 in the Unaudited Management Accounts will constitute a profit forecast under Rule 10 of the Takeovers Code and will be reported on by the accountants concerning the basis of its compilation and the Independent Financial Adviser in accordance with Rule 10.4 of the Takeovers Code in the Composite Document.**

Shareholders and potential investors are advised to refer to the announcements and other documents published by Offeror and/or the Company on the website of the Stock Exchange for information regarding the Offer.

WARNINGS: THE PRE-CONDITIONS MUST BE SATISFIED BY THE EXTENDED PRE-CONDITIONS LONG STOP DATE BEFORE THE MAKING OF THE OFFER. THE MAKING OF THE OFFER IS THEREFORE A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE.

COMPLETION OF THE OFFER IS SUBJECT TO THE CONDITIONS BEING FULFILLED OR WAIVED (AS APPLICABLE). THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE OFFER WILL BE COMPLETED.

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL ADVISER.

On behalf of the board of
Great River Smarter Logistics (Hong Kong) Limited
HUANG Yuntao
Director

On behalf of the Board
Dragon Crown Group Holdings Limited
NG Wai Man
Chairman & Chief Executive Officer

Hong Kong, 20 January 2022

As at the date of this announcement, the sole director of the Offeror is Mr. HUANG Yuntao.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the directors of Offeror Parent are Mr. LIN Haichuan, Mr. LIN Nantong, Mr. HUANG Yuntao, Mr. GAN Yi, Mr. QIU Xiaohua, Mr. WANG Kaitian and Mr. GUO Leiming.

The directors of Offeror Parent jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the Board comprises Mr. NG Wai Man, Mr. CHONG Yat Chin and Ms. CHAN Wan Ming as executive Directors and Mr. FENG Jianping, Mr. HOU Xiaoming and Mr. LAU Sik Yuen as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Offeror and Offeror Parent) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

APPENDIX I
PENGXIN OPINION
(ENGLISH TRANSLATION FOR REFERENCE ONLY)

Valuation Assessment Report on the Offer Price Involved in the Proposed General Offer by Great River Smarter Logistics (Hong Kong) Limited to Acquire All the Shares of Dragon Crown Group Holdings Limited

Peng Xin Zi Xun Zi [2021] No. 919
(1 volume in total, Book No.1)
Benchmark Date of the Valuation Assessment Report: 30 September 2021
Valuation Assessment Report Date: 10 January 2022

SHENZHEN PENGXIN APPRAISAL LIMITED

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CONTENT OF THE VALUATION ASSESSMENT REPORT

STATEMENT

I. User of this report shall use this report in accordance with the provisions of laws and administrative regulations and within the scope of use set forth herein. The Company shall not be liable if the users of this report use this report in violation of the afore-mentioned provisions.

II. The user of this report is limited to the Appointing Person. No other institution or individual may be the user of this report.

III. Users of this report should correctly understand the conclusion of this report. This report only expresses an opinion as to whether the relevant offer price is fair and reasonable. The report conclusion is not equivalent to the realizable price of the Target Company and should not be regarded as a guarantee thereof.

IV. With regard to the valuation assessment information, operating data and information, financial reports and information, and other important information of the Target Company mentioned in this report, this report does not constitute any guarantee as to the truth, accuracy, completeness, legality or validity of such information.

V. This report does not provide a comprehensive analysis of the business, operations and financial position of the Target Company or its subsidiaries or branches, nor does it express any opinion on the future development prospects of the financial, business or other aspects of the Target Company.

VI. The Company has no existing or anticipated interests in the Target Company of this report, has no existing or anticipated interests in relevant parties and has no bias towards the relevant parties.

VII. The professionals who prepared this report have carried out necessary due diligence investigation on the Target Company, and have made truthful disclosure of issues identified.

VIII. The analysis, judgements and findings in the valuation assessment report issued by the Company are subject to the assumptions and limitations contained in this report. Users of this report shall give due consideration to the assumptions and limitations as set out in this report as well as their impact on the report conclusion.

IX. The contents of this report shall not be extracted, quoted or disclosed in the public media without the written consent of the Company, except as otherwise stipulated in laws, administrative regulations and the Consultancy and Assessment Engagement Agreement.

DEFINITION OF THE VALUATION ASSESSMENT REPORT

Peng Xin Zi Xun Zi [2021] No. 919

Attention of users and readers of this report is drawn to the fact that the following definitions are only intended to shorten or describe or explain the relevant terms in this report, i.e., the valuation assessment report.

Appointing Person, "Taicang Power Shell"	means:	Taicang Power Shell Petrochemical Co., Ltd.
"Great River Smarter", Listed Company	means:	Guangdong Great River Smarter Logistics Co., Ltd.* (廣東宏川智慧物流股份有限公司)
Offeror, "Great River Hong Kong"	means:	Great River Smarter Logistics (Hong Kong) Limited
"Lirun"	means:	Lirun Limited
"Sure Port"	means:	Sure Port Investments Limited
"Dragon Crown Group", Target Company	means:	Dragon Crown Group Holdings Limited
"Suzhou Great River"	means:	Suzhou Great River Smarter Logistics Development Co., Ltd.* (蘇州市宏川智慧物流發展有限公司)
"Jinlianchuan"	means:	Dongguan Jinlianchuan Innovative Industry Investment Partnership (Limited Partnership)* (東莞市金聯川創新產業投資合夥企業(有限合夥))
"Dongguan Jinkong"	means:	Dongguan Jinkong Equity Investment Fund Co., Ltd* (東莞金控股權投資基金管理有限公司)
"Guanqi No.2"	means:	Dongguan Shangshiguanqi No.2 Development Investment Partnership (Limited Partnership)
Report Benchmark Date	means:	30 September 2021.
Ministry of Finance	means:	the Ministry of Finance of the People's Republic of China.
HKSFC	means:	Hong Kong Securities and Futures Commission.
Shenzhen Stock Exchange	means:	Shenzhen Stock Exchange.

Hong Kong Stock Exchange	means:	The Stock Exchange of Hong Kong Limited.
iFind	means:	iFinD information financial terminals and economic/financial data or information provided by Hithink RoyalFlush Information Network Co., Ltd..
Wind	means:	Wind information financial terminals and economic/financial data or information provided by Wind Information Co., Ltd.
Valuer, we	means:	collectively, the staff involved in carrying out the business of this valuation assessment.
Company	means:	Shenzhen Pengxin Appraisal Limited.
HKD	means:	Hong Kong dollars (unless otherwise specified).
N.M.	means:	not measured.

Full text of the Valuation Assessment Report on the Offer Price Involved in the Proposed General Offer by Great River Smarter Logistics (Hong Kong) Limited to Acquire all the Shares of Dragon Crown Group Holdings Limited

Peng Xin Zi Xun Zi [2021] No. 919

To Taicang Power Shell Petrochemical Co., Ltd.,

Appointed by your company, Shenzhen Pengxin Appraisal Limited has analysed whether the offer price for the proposed acquisition of the entire equity interest in “Dragon Crown Group” by “Great River Hong Kong” is fair and reasonable and whether there are circumstances that are detrimental to the interests of the Company and its shareholders, adopting the market approach and following the necessary valuation assessment procedures in accordance with laws and administrative regulations. The valuation assessment is reported as follows:

I. BACKGROUND OF THE REPORT

As the Offeror of the transaction, Great River Smarter Logistics (Hong Kong) Limited (“Great River Hong Kong”), an overseas subsidiary indirectly controlled by the listed company Guangdong Great River Smarter Logistics Co., Ltd.(“Great River Smarter”), proposed to, subject to the satisfaction of conditions precedent (for details, please refer to the document named “Great River Smarter Logistics: Announcement in relation to the proposed general offer by a subsidiary to acquire all the shares in Dragon Crown Group Holdings Limited” issued by 002930.SZ “Great River Hong Kong” on 9 October 2021), make a voluntary general offer through China International Capital Corporation Hong Kong Securities Limited on its behalf to all shareholders of the Target Company (“Dragon Crown Group”) to acquire all the shares (1,220,628,000 shares in aggregate) of the Target Company by way of cash.

For this purpose, the Company has been appointed by “Taicang Power Shell” to organise professional valuers to analyse the offer price offered by “Great River Hong Kong” to the shareholders of “Dragon Crown Group” based on the available public market information and financial statements, and has prepared this report under certain assumptions.

II. SPECIFIC TRANSACTION STRUCTURE OF THE OFFEROR

“Taicang Power Shell” was wholly-owned by “Great River Smarter”.

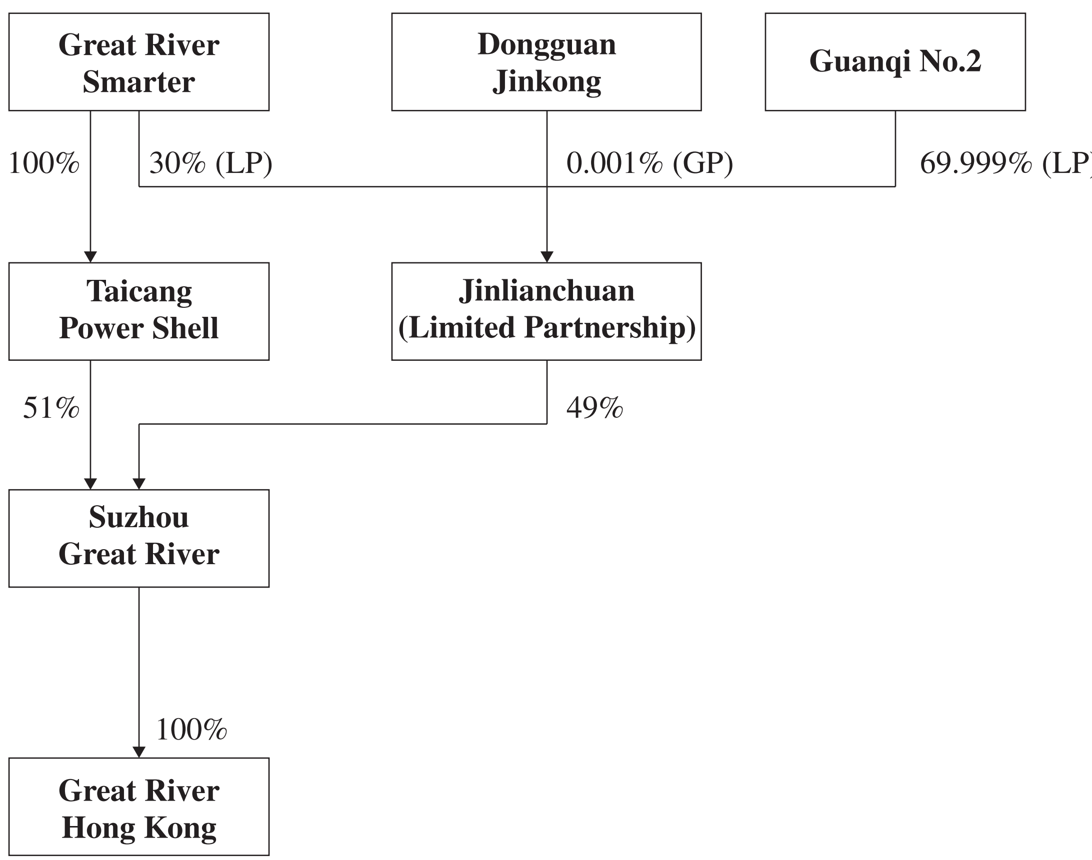
Suzhou Great River Smarter Logistics Development Co., Ltd. (“hereinafter referred to as “Suzhou Great River”, a holding subsidiary of “Taicang Power Shell”, of which “Taicang Power Shell” holds 51% and Dongguan Jinlianchuan Innovative Industry Investment Partnership (Limited Partnership) (hereinafter referred to as “Jinlianchuan”) holds 49%) has a wholly-owned subsidiary “Great River Hong Kong”.

"Jinlianchuan" is a limited partnership established by "Great River Smarter", Dongguan Jinkong Capital Investment Co., Ltd and Dongguan Shangshiguanqi No.2 Development Investment Partnership (Limited Partnership) in the PRC. "Dongguan Jinkong" serves as a general partner while "Guanqi No.2" and "Great River Smarter" serve as limited partners. "Dongguan Jinkong", "Guanqi No.2" and "Great River Smarter" hold 0.001%, 69.999% and 30% interest in "Jinlianchuan", respectively.

"Dongguan Jinkong" is indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of Dongguan Municipal People's Government.

"Great River Hong Kong" is the offeror of the transaction.

The specific transaction structure of the Offeror is shown in the figure below.



III. APPOINTING PERSON AND OTHER USERS OF THE VALUATION ASSESSMENT REPORT

(I) OVERVIEW OF THE APPOINTING PERSON

The summarized industrial and commercial information of the Appointing Person is as follows:

Name of the company	Taicang Power Shell Petrochemical Co., Ltd. (Taicang Power Shell)
Legal representative	Huang Yuntao

Registered capital	RMB300,606,609.00
Registered address of the company	No. 1, Shihua Road, Liujiagang, Fuqiao Town, Taicang City
Office address	No. 1, Shihua Road, Liujiagang, Fuqiao Town, Taicang City
Unified Social Credit Code	91320585773787140T
Date of establishment	30 May 2005
Type of enterprise	Limited liability company (wholly owned by legal persons invested or controlled by natural persons)
Business Scope	Operation of petrochemical terminals, loading, unloading and storage of liquid petrochemical products (toluene, methanol, xylene, ethylene glycol, gasoline, diesel, fuel oil, base oil, kerosene, petroleum crude oil, petroleum distillate, unspecified (including raffinate, naphtha, etc.)); port and other port facility services, providing cargo handling, warehousing and storage services within the port area; leasing services of port facilities and equipment (operating under the above foreign-related permits); construction of petrochemical terminals, consulting services for the petrochemical industry; self-operating and acting as an agent for the import and export of various commodities and technologies (except for those managed by State-designated companies or the import and export of which are prohibited). (For items that require approval according to law, business activities can be carried out only after approval by relevant departments) General items: property management (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws).
Operating period	–

(II) OTHER USERS OF THE VALUATION ASSESSMENT REPORT AS STIPULATED IN THE CONSULTANCY AND ASSESSMENT ENGAGEMENT AGREEMENT

Pursuant to the "Consultancy and Assessment Engagement Agreement" entered into between the Appointing Person and the Company, the valuation assessment report is limited to "Taicang Power Shell" and other users of the valuation assessment report as expressly provided for in the relevant laws and regulations of the PRC.

IV. PURPOSE OF THE REPORT

On 9 October 2021, the specific proposal of the transaction and relevant matters, as well as the relevant transaction documents and information disclosure documents involved in the transaction were considered and approved at the Board meeting of "Great River Smarter". It is intended that "Taicang Power Shell", as the Appointing Person, will appoint an Independent Third Party to analyze whether the offer price involved in the transaction is fair and reasonable, and whether there is any prejudice to the interests of the company and the shareholders.

This report is provided solely for the information of "Taicang Power Shell" and other users of the valuation assessment report as expressly provided for in the relevant laws and regulations of the PRC, and does not constitute a suggestion, recommendation or compensation to any third party.

V. BASIC INFORMATION ABOUT THE TARGET COMPANY

(I) Summarized industrial and commercial information of "Dragon Crown Group"

Name of the company	Dragon Crown Group Holdings Limited
English name	Dragon Crown Group Holdings Limited
Stock code	0935.HK
Actual controller	Ng Wai Man
Registered address of the company	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Office address	Room 3, 18th Floor, Office Building, Convention Plaza, 1 Harbour Road, Hong Kong
ISIN	KYG290281008
Date of establishment of the limited company	16 July 2010
Listing date	10 June 2011
Stock type	Hong Kong stock
Main business	Liquid chemical terminal storage and handling operations.
Operating period	–

(II) Shareholding structure of "Dragon Crown Group" as at the Report Benchmark Date

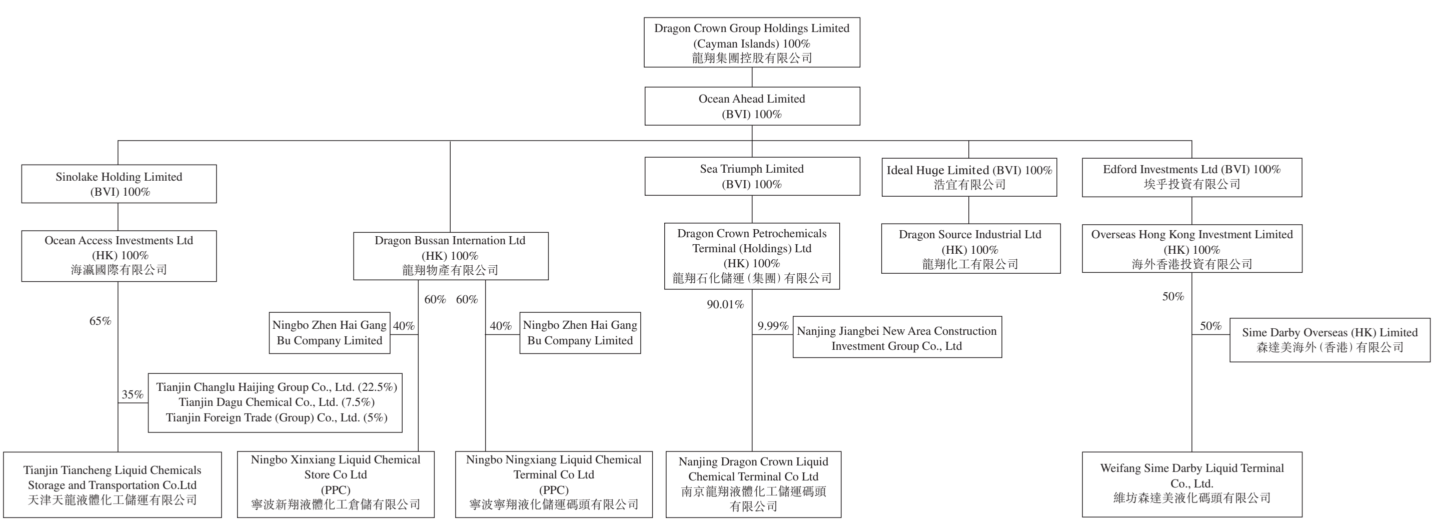
As of the date of the valuation assessment report, according to publicly available information, the major shareholders of "Dragon Crown Group" include:

No.	Shareholders	Number of shares held (shares)	Shareholding ratio (%)
1	"Lirun"	751,488,000	61.57%
2	Ng Wai Man	125,354,000	10.27%
3	Ng Dan Ching	117,040,000	9.59%
4	Chong Yat Chin	16,712,000	1.37%
5	"Sure Port"	16,500,000	1.35%
Total		1,027,094,000	84.14%

The direct controlling shareholder of the Target Company, "Lirun" holds approximately 61.57% of the shares in the Target Company. Ng Wai Man indirectly holds approximately 61.57% of the shares in the Target Company through his wholly-owned company "Lirun"; and indirectly holds approximately 1.35% of the shares in the Target Company through his wholly-owned company "Sure Port". At the same time, Ng Wai Man also directly holds approximately 10.27% of the shares in the Target Company. Ng Wai Man is the actual controller and indirect controlling shareholder of the Target Company, who, in aggregate, directly and indirectly holds approximately 73.19% of the shares in the Target Company.

(III) Companies held and invested by Dragon Crown Group

As of the Report Benchmark Date, external investment companies of "Dragon Crown Group" are shown below:



A summary of the major external investment companies of “Dragon Crown Group” is set out in the table below:

No.	Company name	Level	Establishment time	Registered Capital	Shareholding ratio	Subsidiary type
1	Nanjing Dragon Crown Liquid Chemical Terminal Company Limited	Fourth	26 April 2004	USD52.25482 million	90.01%	Holding
2	Ningbo Xinxiang Liquid Chemical Store Co., Ltd	Fourth	29 December 2003	RMB7 million	60%	Joint venture
3	Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd	Fourth	20 October 1993	RMB12.25 million	60%	Joint venture
4	Weifang Sime Darby Liquid Terminal Co., Ltd	Fourth	28 June 2013	RMB540 million	50%	Joint venture
5	Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd.	Fourth	28 August 1993	USD3 million	65%	Joint venture (in liquidation)

(IV) Major products and services of “Dragon Crown Group”

“Dragon Crown Group” is one of the leading integrated service providers in the PRC for the terminal storage and handling of liquid petrochemicals. The Target Company builds and operates terminal facilities and operates Nanjing Terminal, Ningbo Terminal and Weifang Terminal primarily through its subsidiaries located in Nanjing, Ningbo and Weifang.

VI. TYPE OF VALUE

The type of value involved in this valuation assessment report is market value.

Market value is the estimated amount at which the Target Company would have been valued in an arm's length transaction on the Report Benchmark Date if the willing buyer and the willing seller had each acted rationally and without any compulsion.

We hereby draw to the attention of users of this valuation assessment report that there may be differences in the value of the same asset in different markets. This assessment is based on market conditions and market environment which can be observed or analysed.

VII. REPORT BENCHMARK DATE

The Report Benchmark Date is 30 September 2021.

The above Report Benchmark Date is the same as the Report Benchmark Date agreed in the Consultancy and Assessment Engagement Agreement entered into between your company and the Company.

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION ASSESSMENT

(I) CLARIFICATION OF BASIC MATTERS RELATING TO CONSULTANCY AND ASSESSMENT

By understanding the overall scheme from the Appointing Person the basic matters of the consulting and assessment engagement such as the Appointing Person and other valuation assessment report users, purpose of the report, value type, Report Benchmark Date, scope of use of valuation assessment report, submission time of valuation assessment report and methodology were clarified.

(II) ENTERING INTO A CONSULTANCY AND ASSESSMENT ENGAGEMENT AGREEMENT

Based on the basic information of the consulting and assessment engagement, the Company eventually decided to enter into a Consultancy and Assessment Engagement Agreement with the Appointing Person after conducting a comprehensive analysis and evaluation of its professional competence, independence and business risks.

(III) PREPARATION OF CONSULTING AND ASSESSMENT PLAN

According to the specific circumstances of the project, the project leader prepared the consulting and assessment plan, made arrangements for the specific implementation procedures, time requirements and division of labor of the valuation assessment project, and submitted the consulting and assessment plan to the relevant personnel of the Company for examination and approval.

(IV) DUE DILIGENCE INVESTIGATION

According to the approved assessment plan, the Valuer conducted online investigation on the Target Company, which mainly includes obtaining the balance sheet and the relevant financial indicators of the Target Company prepared in accordance with the accounting standards for enterprises; investigating and understanding the macro and regional economic factors affecting the operation of the Target Company and the current situation and development prospects of the industry in which the Target Company operates as well as the business and financial situation of the Target Company, etc.; interviewing the management of the Target Company regarding the business description, financial statements and precedents of comparable companies.

(V) COLLECTION OF DOCUMENTS REQUIRED FOR VALUATION ASSESSMENT

Based on the due diligence investigation, the Valuer collected various documents and information in connection with this valuation assessment as required, including financial information, corporate profile, and market transaction information of relevant assets, industry information, and relevant market data of the Target Company.

(VI) FORMATION OF REPORT CONCLUSION BY APPRAISAL ESTIMATION

Based on the due diligence investigation and the valuation information collected, and taking into account the actual conditions and characteristics of the Target Company, the corresponding valuation assessment approach has been selected and the fairness of the offer price has been evaluated and analysed, and the report conclusion has been formed on this basis.

(VII) PREPARATION AND ISSUANCE OF VALUATION ASSESSMENT REPORT

Based on the above work, the project leader has prepared a valuation assessment report, which has been issued and submitted to the Appointing Person after the Company's internal review and approval.

IX. VALUATION ASSESSMENT IDEAS AND APPROACHES

(I) VALUATION ASSESSMENT APPROACH

Market approach is adopted for the valuation assessment.

(II) REASONS FOR THE CHOICE OF VALUATION ASSESSMENT APPROACH

The main valuation approaches for enterprise value are the market approach, the income approach, and the asset-based approach.

The market approach mentioned in this report refers to the method of analysing the fairness and reasonableness of the offer price of the transaction by comparing the valuation of the Target Company as estimated from the offer price with comparable listed companies or comparable transaction precedents. The two methods generally used under the market approach are the comparable listed company approach and the comparable transaction approach.

The income approach is the method of capitalizing or discounting the expected earnings of the Target Company to analyse whether the offer price of the transaction is fair and reasonable. The methods generally used under the income approach include discounted dividend method and discounted cash flow method.

The asset-based approach is the method that uses the balance sheet of the Target Company as at the Report Benchmark Date as a basis to reasonably estimate the values of assets and liabilities on and off the balance sheet of the enterprise in order to analyse whether the offer price is fair and reasonable.

The type of value chosen for this valuation assessment is market value. To analyze the fairness and reasonableness of the offer price, the market approach is undoubtedly the preferred method of valuation assessment.

Due to the openness of data of the selected comparable companies, the market approach has a relatively good operability. The basic conditions for its application are that there must be a relatively active capital and financial market; and indicators, parameters and other information which may be used for comparison between the Target Company and comparable companies can be sufficiently obtained.

Based on the above analysis and taking into account the actual situation of the Target Company, the type of value analysed and the information collected by the Valuer, it was determined that the market approach would be used for the valuation assessment.

(III) COMPARABLE LISTED COMPANY APPROACH

The comparable listed company approach compares the value of the Target Company as derived from the offer price with the valuation of listed companies with similar businesses, so as to assess whether the transaction price is fair and reasonable.

The asset scale of the seaport and service industry is relatively large in general, and during the operating period there is a relatively large amount of depreciation and amortization of long-term assets. Also, there are differences in capital structure of different companies. The above factors will have a certain impact on the level of net profit of the Company. EBITDA (earnings before interest, taxes, depreciation and amortization) can more fully reflect the operating performance of the seaport and service during the operating period as well as the amount of resources available for future business operation and construction. Also it is less affected by capital structure. Therefore, the EV/EBITDA indicator is adopted for valuation analysis under the comparable listed company approach. Considering that the assets, resources and operating performance of "Dragon Crown Group" are key factors which affect its value, P/E ratio was adopted simultaneously as an indicator for valuation assessment to conduct a valuation assessment under the comparable company approach.

Since there are few listed companies in the seaport and service sector in Hong Kong stock market, and "Dragon Crown Group", the Target Company of the transaction involves both Hong Kong and A-share listed companies, the valuation assessment needs to take into account the capital market situation in both places. Balancing the valuation levels of companies in the same industry in the buyer's and seller's markets, and given that the operational business of liquid chemical terminal storage and handling carried out by "Dragon Crown Group" through its joint venture company is located in China, the comparable companies are selected from Hong Kong and A-share listed companies which are principally engaged in the provision of domestic seaport and service business, and which revenue from seaport and service related business accounts for a high percentage of its total revenue.

Based on the above criteria, the EV/EBITDA and P/E indicator of the selected comparable companies as of 30 September 2021 is set out in the table below:

Serial number	Stock Code	Stock Short Name	EV/EBITDA	PE
1	2880.HK/601880.SH	Liaoning Port	16.24	51.23
2	6198.HK/601298.SH	Qingdao Port	6.23	11.08
3	3369.HK/601326.SH	QHD Port	7.38	16.94
4	3382.HK	Tianjin Port Development	6.54	7.50
5	600794.SH	Baoshui Technology	8.92	18.69
6	002492.SZ	Hengji Daxin	12.70	24.15
7	002040.SZ	Nanjing Port	9.99	23.21
8	600717.SH	Tianjin Port	7.36	17.76
9	601018.SH	Ningbo Port	9.75	18.36
10	600190.SH	Jingzhou Port	9.96	28.76
11	002930.SZ	Great River Smarter	18.00	33.84
Minimum			**6.23**	**7.50**
1/4 quartile			**7.37**	**17.35**
Median			**9.75**	**18.69**
3/4 quartile			**11.35**	**26.46**
Maximum			**18.00**	**51.23**
Value average			**10.28**	**22.87**

Note 1: Data source: Wind Information

Note 2: EV of comparable companies = market value – monetary fund+ interest-bearing debt + preference shares + minority interest; where market value is taken as of 30 September 2021. For a multi-location company, the category market values are calculated separately for different types of share prices and shares number and then summed; financial data as of 30 September 2021. For the comparable company Tianjinport Development, the latest financial data is as of 30 June 2021.

Note 3: The market value represents the average of the thirty trading days ending 30 September 2021 (inclusive).

Note 4: EBITDA of comparable companies is extracted from the financial data as at 31 December 2020, i.e. the year-end prior to the Valuation Benchmark Date.

The offer price in respect of "Dragon Crown Group" in this transaction is HKD1.28 per share. Assuming full acceptance of the offer, the total consideration for this transaction will be HKD1.5624038 billion. It was calculated according to the central parity rate of HKD against RMB published by the State Administration of Foreign Exchange of the PRC on 8 October 2021, being HKD1= RMB0.82981, and the amount converted is RMB1.2964983 billion.

According to the audited financial statements of "Dragon Crown Group", the enterprise value of "Dragon Crown Group" under the offer is RMB1.2578524 billion, taking into account the interest-bearing debts, monetary fund, minority interests and preference shares of "Dragon Crown Group" as of 30 September 2021.

According to the audited financial statements of "Dragon Crown Group", in 2020, "Dragon Crown Group" had a total profit of RMB110.1446 million, other gains of RMB1.7802 million, interest expense of RMB5.3010 million, depreciation and amortization of RMB45.9261 million, adjusted EBITDA of RMB159.5915 million, and net profit from continuing operations attributable to the parent company of RMB74.9706 million. As a result, the EV/EBITDA of the transaction was 7.88 times and the P/E was 17.29 times, with the relevant indicators as shown in the table below:

EBITDA (RMB'0000)	**net profit from continuing operations attributable to the parent company(RMB'0000)**	**EV/EBITDA**	**P/E**
15,959.15	7,497.06	7.88	17.29

As shown in the table above, based on the consideration of robustness, the minimum and average value were selected as the reference range for the EV/EBITDA and P/E ratios of comparable companies, with the EV/EBITDA of comparable companies ranging from 6.23 times to 10.28 times and with a median of approximately 9.75 times. The EV/EBITDA implied by the offer price is approximately 7.88 times, which is within the EV/EBITDA range of comparable companies and is below the average and median of comparable companies. The P/E ratios of the comparable companies range from 7.50 times to 22.87 times, with a median of approximately 18.69 times. The P/E ratio implied by the offer price is approximately 17.29 times, which is within the range of the P/E ratios of comparable companies and is below the average and median of comparable companies. The EV/EBITDA and P/E ratios implied by the transaction are in a reasonable range compared to the valuation levels of comparable companies.

(IV) COMPARABLE TRANSACTION APPROACH

The comparable transaction approach mentioned in this report compares the implied value of the Target Company as calculated from the offer price with the valuation of target companies with similar business in M&A transactions in the market, so as to assess the fairness and reasonableness of the transaction price.

Since there are relatively few M&A transactions involving listed companies in the seaport and service operation sector and there are fewer M&A transactions involving listed companies in Hong Kong in the seaport and service operation sector, and "Dragon Crown Group", the Target Company of the transaction involves both Hong Kong and A-share listed companies, the valuation assessment needs to take into account the capital market situation in both places. Balancing the valuation levels of companies in the same industry in the buyer's and seller's markets, the selection criteria of comparable transaction precedents for this valuation assessment include:

(1) M&A transactions involving companies in the seaport and service industry announced by A-share listed companies, Hong Kong listed companies or non-listed companies which M&A data is available from public sources since 2015;

(2) The target company is principally engaged in similar business of liquid chemical terminal storage, transportation and handling in Mainland China, and had achieved profitability in the year prior to the announcement of the transaction;

(3) As it is difficult to obtain complete information on depreciation and amortization indicators in the assets and liabilities of the target company acquired in comparable transactions, there is difficulty in accurately calculating EBITDA. EV/EBITDA can reflect a company's assets and resources and the relevant operating performance, while the revenue and the relevant operating performance of "Dragon Crown Group" are key factors which affect its value. As such, EBIT is also considered as an alternative valuation indicator for the valuation assessment under the comparable transaction approach.

The P/E ratios of comparable transaction precedents are shown in the following table:

Latest Disclosure Date	Buyer of the transaction	Subject of transaction	Transaction consideration for 100% of the target equity (in local currency/ $10,000)	Target net profit (in local currency/ $10,000)	EV/EBIT	Transaction PE
2020/4/7	Guangdong Great River Smarter Logistics Co., Ltd. (002930.SZ)	Jiangsu Yantze Petrochemical Co., Ltd.	82,240.13	1,303.13	N.M.	63.11
2020/2/19	Guangdong Great River Smarter Logistics Co., Ltd. (002930.SZ)	Changshu Great River Petrochemical Storage Co., Ltd.* (常熟宏川石化倉儲有限公司)	16,208.00	989.10	19.07	16.39
	Guangdong Great River Smarter Logistics Co., Ltd. (002930.SZ)	Changshu Great River Petrochemical Storage Co., Ltd.* (常熟宏川石化倉儲有限公司)	43,400.11	2,731.03	15.69	15.89
2019/12/5	Dongguan Sanjiang Port Storage Tank Co., Ltd.* (東莞三江港口儲罐有限公司)	Zhongshan Jiaxin Chemical Warehousing Logistics Co., Ltd.* (中山市嘉信化工倉儲物流有限公司)	30,000.00	1,663.33	13.80	18.04
2019/4/18	Milkyway (603713.SH)	Shanghai Zhenyi Enterprise Development Co., Ltd.* (上海振義企業發展有限公司)	14,520.00	854.34	N.M.	17.00
2018/1/19	United Strength (2337.HK)	Jilin Province Jieli Logistics Co., Ltd.* (吉林省捷利物流有限公司)	1,525.05	209.10	3.37	7.29
2016/8/25	Dalian Port (PDA) Investment and Financing Holding Group Co., Ltd* (大連港投融資控股集團有限公司)	Jinzhou Port (600190.SH, 900952.SH)	1,159,713.94	12,906.58	45.10	89.85
2016/8/25	Ningbo Zhoushan Port (601018.SH)	Ningbo Zhoushan Port Zhoushan Port Co., Ltd.* (寧波舟山港舟山港務有限公司)	354,424.74	18,523.62	24.10	19.13
2015/3/20	Jiahua Energy (600273.SH)	Zhejiang Zhapu Meifu Wharf Storage Co., Ltd.* (浙江乍浦美福碼頭倉儲有限公司)	70,000.00	1,268.02	35.89	55.20
		Minimum			**3.37**	**7.29**
		1/4 quartile			**14.75**	**16.39**
		Median			**19.07**	**18.04**
		3/4 quartile			**30.00**	**55.20**
		Maximum			**45.10**	**89.85**
		Value average			**22.43**	**33.54**

Note: Data sources are from relevant listed company announcements

According to the audited financial statements of “Dragon Crown Group”, in 2020, “Dragon Crown Group” had a total profit of RMB110.1446 million, other gains of RMB1.7802 million, interest expenses of RMB5.3010 million, the adjusted EBIT of RMB113.6654 million and net profit from continuing operations attributable to the parent company of RMB74.9706 million. As a result, the EV/EBIT of the transaction was 11.07 times and the P/E was 17.29 times.

As shown in the table above, based on the consideration of robustness, the minimum and average value were selected as the reference range for the EV/EBIT and P/E ratios of comparable transactions, with the EV/EBIT of comparable companies ranging from 3.37 times to 22.43 times, with a median of approximately 19.07 times. The EV/EBIT implied by the offer price is approximately 11.07 times, which is within the EV/EBIT range of comparable transactions, below the average and median. The P/E ratios of the comparable transactions range from 7.29 times to 33.54 times, with a median of approximately 18.04 times. The P/E ratio implied by the offer price is approximately 17.29 times, which is within the range of the P/E ratios of comparable transactions and lower than the average and median. The EV/EBIT and P/E ratios implied by the transaction are in a reasonable range compared to the valuation levels of comparable transactions.

(V) PRIVATISATION PREMIUM OF LISTED COMPANIES IN HONG KONG

This transaction is a takeover offer and the valuation multiples of comparable companies do not fully reflect the value of controlling interests of the Target Company. Therefore, the equity premium in the offer price for “Dragon Crown Group” in this transaction is also analysed.

Combining market valuation research and practice, this report analyzes the equity premium with reference to the cases of privatization completed in the Hong Kong stock market since 2021.

There have been a total of 15 privatisation cases in the Hong Kong stock market since 2021. Of which, the offer price of HKC (Holdings) [0190.HK] represents a premium of 120.39% to the closing price 1 trading day prior to the announcement and a premium of 119.78% to the average closing price over 30 trading days prior to the announcement, which is unusually high compared to other privatisation cases and is excluded for reasons of robustness; the premiums of the privatisation price of the remaining 14 cases over the average price of 1 trading day and 30 trading days before the trading suspension are as follows:

Announcement date	Delisted companies	Stock code	Premium of the offer price over the closing price 1 trading session prior to the announcement	Premium of the offer price over the average closing price 30 trading sessions prior to the announcement
2021/1/13	China Machinery Engineering	1829.HK	45.10%	118.93%
2021/1/18	RIVERA (HOLDINGS)	0281.HK	12.07%	26.34%
2021/1/21	Polytec Asset	0208.HK	61.29%	72.55%
2021/1/21	NC HOTEL	1158.HK	24.66%	20.76%
2021/1/22	Zhuhai Holdings Investment	0908.HK	37.84%	52.39%
2021/2/5	Cangnan Instrument	1743.HK	10.89%	12.01%
2021/2/25	Languang Justbon Services	2606.HK	31.08%	37.99%
2021/2/28	Xiezhong International Holdings	3663.HK	17.65%	25.00%
2021/5/19	CHB	1111.HK	51.16%	107.38%
2021/6/25	Bestway Global	3358.HK	26.96%	46.98%
2021/7/5	Clear Media	0100.HK	50.21%	86.88%
2021/7/9	Beijing Capital	2868.HK	62.79%	127.64%
2021/7/27	Nature Home	2083.HK	39.34%	31.78%
2021/8/12	Good Friend International	2398.HK	50.00%	61.58%
	1/4 quartile		**25.24%**	**27.70%**
	Median		**38.59%**	**49.69%**
	3/4 quartile		**50.16%**	**83.30%**
	Average		**37.22%**	**59.16%**

Note: Data source are from Announcements of Hong Kong Listed Company

The offer price for "Dragon Crown Group" in this transaction represents a premium of approximately 8.47% over the closing price of the Target Company of HKD1.18 per share on the last trading day. The offer price also represents a premium of approximately 9.40% over the average closing prices of the Target Company of approximately HKD1.17 per share as quoted on the Hong Kong Stock Exchange for the 30 trading days prior to and including the last trading day.

Based on the analysis of the above privatization cases, the premium of the offer price of "Dragon Crown Group" to the closing price on the relevant trading day does not exceed the 1/4 quartile, median, 3/4 quartile or the average benchmark. The valuation of "Dragon Crown Group" in terms of the offer price is within reasonable range.

X. VALUATION ASSESSMENT ASSUMPTIONS

The report conclusions contained in this report are based on the following valuation assessment assumptions, including valuation assessment benchmark assumptions and valuation assessment condition assumptions:

(I) VALUATION ASSESSMENT BENCHMARK ASSUMPTIONS

1. Transaction benchmark assumptions

It is assumed that the Target Company or its related assets are in the course of market transaction as at the Report Benchmark Date, and the assessment professionals estimate or assess the value accordingly by simulating the market based on the market environment and transaction conditions of the Target Company or its assets as at the Report Benchmark Date.

2. Open market benchmark assumptions

It is assumed that the transaction market of the Target Company or its assets as at the Report Benchmark Date is an open market. An open market refers to a transaction market that meets at least the following conditions: (1) there are a sufficient number of buyers in the market whose positions are equal, and all buyers are voluntary, rational and possess sufficient professional knowledge; (2) there are a sufficient number of sellers in the market whose positions are equal, and all sellers are voluntary, rational and possess sufficient professional knowledge; (3) the positions of all buyers and sellers in the market are equal; (4) all trading rules of the market are clear and open; (5) all buyers and sellers in the market are sufficiently informed and can obtain identical and sufficient information in relation to the transaction; (6) all transaction actions in the market are freely conducted within sufficient time and are not conducted under compulsion or unrestricted conditions.

3. Going concern/continuous use benchmark assumption

It is assumed that the Target Company or its corresponding economic body is operated as a going concern based on its operating team, financial structure, business model, market environment etc. as at the Report Benchmark Date and according to its existing operating goals; it is assumed that all assets and liabilities corresponding to the Target Company are in continuous use according to current use and method, scale, frequency, condition of use etc..

(II) ASSUMPTIONS ON VALUATION ASSESSMENT CONDITIONS

1. Assumptions of external conditions of valuation assessment

It is assumed that there are no material changes to the relevant laws and regulations and policies and national macroeconomic conditions of the PRC, and no material changes to the political, economic and social environment of the regions where the parties to the transaction are located in; it is assumed that no material changes occur in relation to interest rates, foreign exchange rates, tax benchmark and tax rate, policy levies, financing conditions, etc.; it is assumed that there is no force majeure and unforeseeable factors causing material adverse impact on the Target Company; it is assumed that all licenses, use permits, letters of consent or other legal or administrative authorisation documents issued by the relevant local and national government agencies, private organisations or groups required by the Target Company which the valuation assessment is based on have already been or can be freely obtained or renewed; it is assumed that all operating activities of the Target Company can be conducted in accordance with the provisions of the relevant laws and regulations and the relevant industrial standards and relevant rules of production and operation safety.

2. Assumptions of information necessary to the valuation assessment provided by the Appointing Person and/or relevant parties

It is assumed that information necessary to the valuation assessment (including but not limited to corporate information, assets and liabilities of Target Company and within its corresponding scope of valuation assessment or operating data and information relating to the Target Company, relevant financial reports and information and other important information) provided by the Appointing Person and/or relevant parties (i.e. units and its working staff which/who have the responsibility and obligation to provide information necessary to the valuation assessment in accordance with the relevant laws and regulations of the PRC, relevant provisions of valuation standards and requirements of the purpose of the report, including but not limited to: the property right holder or actual controller of Target Company; the Target Company and its related parties; actual owners, users, controllers, managers, debtors, creditors related to the corresponding assets and liabilities of Target Company) are true, complete, legal and valid.

The valuation assessment relies heavily on the information provided by the Appointing Person and the relevant parties that is necessary for the valuation assessment. Although the Appointing Person and the relevant parties have undertaken to our company that the information provided by them is true, complete, legal and valid, no assurance will be made as to its accuracy.

3. *Assumptions of information obtained from sources other than the Appointing Person and relevant parties*

It is assumed that information obtained from sources other than Appointing Person and relevant parties for the valuation assessment can reasonably reflect the corresponding market transaction logic, or market transaction trends, or market operating conditions, or market operating trends, etc.

4. *Assumptions relating to legal ownership of the Target Company and its relevant major assets*

Unless otherwise stated, described or considered in the report, the Target Company and all valued assets are assumed to be acquired, used and held in compliance with the provisions of the laws, regulations and regulatory documents of the PRC, i.e. their legal ownership is clear.

This valuation assessment analyzes the fairness and reasonableness of the offer price, and it is beyond the scope of practice of the valuation professionals to confirm or express an opinion on the legal ownership of the Target Company and its assets. We do not provide any guarantee for the legal ownership of the Target Company and its assets.

5. *Other assumption conditions*

It is assumed that the Target Company's future operations and management team will be diligent, and its corporate management will be competent in its role, and the Target Company continues to maintain its current operating management model. It is also assumed that the existing management, operating scope, business direction and technical team is relatively stable, or that a changed management, operating scope, business direction, and technical team has no material impact on the Target Company; the valuation assessment is only based on the operating capacity foreseeable as at the Report Benchmark Date or in the near future. It does not take into account future expansion of operating capacity due to possible circumstances such as management, operating strategy and continuing increment in investment; R&D capability and technological advancement of the Target Company after the Report Benchmark Date will be maintained at current levels; products or services of the Target Company will maintain current market competition positions. It is assumed that the obtaining and use of the Target Company's operating site remains consistent with that as at the Report Benchmark Date and no changes occur.

XI. REPORT CONCLUSIONS

Based on the above analysis, this report mainly adopts the comparable listed company approach and the comparable transaction approach, combined with an analysis on the privatization premium of listed companies in Hong Kong, to analyse the fairness and reasonableness of the offer price in the acquisition of the equity interest in "Dragon Crown Group" by "Great River Hong Kong". Based on the above, we are of the view that, the offer price of the acquisition of the equity interest in "Dragon Crown Group" by "Great River Hong Kong" is fair and reasonable.

The report conclusion is only valid as at the Report Benchmark Date as stated in the report. Users of the report should reasonably determine the expiry date of the valuation assessment report based on the condition of the assets and market changes after the Report Benchmark Date.

XII. LIMITATIONS ON THE USE OF THE VALUATION ASSESSMENT REPORT

(I) SCOPE OF USE OF THIS REPORT

1. Limitation on the scope of users of this report: The use of this report is limited and only restricted to the Appointing Person; other than that, no other institution or individual shall be the user of this report.

2. Limitation on the scope of the use or purpose of use of this report: the user of this report shall use this report in accordance with the law, administrative regulations and the purpose of the report stated in this report; under no other circumstance shall this report be used.

3. Limitation on the scope of the validity period of the use of the report conclusions contained in this report: users of the valuation assessment report shall reasonably determine the validity period of the valuation assessment report of the Target Company based on the condition of the assets and market changes after the Report Benchmark Date. Generally, this report can only be used if the gap between Report Benchmark Date and the date of realisation of the economic acts is not more than one year.

4. Limitations on extracts, quotations or disclosure of this report: The contents of this report shall not be extracted, quoted or disclosed in the public media without the written consent of our company, except as otherwise provided by law, administrative regulations and the Consultancy and Assessment Engagement Agreement.

(II) STATEMENT OF RESPONSIBILITY FOR USE OF THIS REPORT BEYOND THE SCOPE OF USE

Our company and the relevant valuation professionals shall accept no responsibilities if the valuation assessment report is not used by the user in accordance with the provisions of laws and administrative regulations and the scope of use set forth above.

(III) OTHER LIMITATIONS ON THE USE OF THIS REPORT

1. Users of this report should correctly understand the conclusion of this report. This report only expresses an opinion as to whether the relevant offer price is fair and reasonable. The report conclusion is not equivalent to the realizable price of the Target Company and should not be regarded as a guarantee thereof.

2. The user of this report should pay attention to the assumptions under which the report conclusions are valid, and the report conclusions will not normally be valid when the actual situation at the time of using the report conclusions contained in this report is no longer consistent with the situation at the Report Benchmark Date or the valuation assessment assumptions contained in this report.

3. The user of this report should pay attention to the subsequent events related to the Target Company after the report benchmark date and take appropriate measures in the course of implementing the economic acts corresponding to the purpose of the report.

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Shenzhen Pengxin Asset Appraisal Land & Real Estate Valuation Company Limited
(深圳市鵬信資產評估土地房地產估價有限公司)

Shenzhen, the PRC
10 January 2022

* *For identification purpose only*

I. SOURCES OF FUNDING FOR THIS TRANSACTION

The direct source of funding for this transaction is the self-raised financing of Great River Hong Kong.

As of the signing date of this report, Great River Hong Kong has signed an offshore loan agreement with Industrial Bank Co., Ltd., Hong Kong Branch for the full payment of the consideration for the transaction. Taicang Power Shell and Jinlianchuan have completed their equity contribution to Suzhou Great River, and Suzhou Great River has signed an onshore credit facility contract with Industrial Bank Co., Ltd., Suzhou Branch, and will further sign an onshore loan contract, and a standby letter of credit will be issued by Industrial Bank Co., Ltd., Suzhou Branch. The above equity contribution and the onshore credit facility will be used for the repayment of the offshore loan of Great River Hong Kong.

II. VALUATION ASSESSMENT OF THE TARGET ASSETS OF THE TRANSACTION

The transaction is an acquisition by the listed company of all the issued shares of Dragon Crown Group Holdings Limited from all shareholders of Dragon Crown Group Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, in cash.

The company has engaged Shenzhen Pengxin as the valuer to conduct valuation assessment on the transaction target and issue the valuation assessment report (Peng Xin Zi Xun Zi [2021] No. 919) with 30 September 2021 as the valuation benchmark date to analyse the fairness of the transaction price from the perspective of an independent valuer. The valuer has adopted the comparable company approach and the comparable transaction approach, respectively, combined with the privatisation premium of Hong Kong listed companies as a reference for the valuation of Dragon Crown Group Holdings Limited, and analysed the reasonableness of the consideration. According to the valuation assessment report (Peng Xin Zi Xun Zi [2021] No. 919), the consideration of the transaction is reasonable and fair.

III. ARRANGEMENTS FOR THE PROTECTION OF THE RIGHTS AND INTERESTS OF SMALL AND MEDIUM INVESTORS IN THE RESTRUCTURING

- **Ensuring fair and equitable pricing for the transaction**

  The transaction is an open market offer, and the transaction price has been determined based on market-based principles, taking into account various factors affecting the value of the target company, including asset status, profitability, valuation level, shareholders' interests and business development. In relation to the transaction, the listed company has engaged an accounting firm to conduct an audit of the target company and a valuer to conduct an assessment of the valuation of the target company and to analyse the reasonableness of the pricing of the transaction. The independent directors of the company expressed their independent opinion on the fairness of the pricing of the transaction and considered that the transaction price was fair and reasonable and there were no circumstances that would prejudice the legitimate interests of the listed company and the shareholders.

- ***Measures taken by the listed company to the diluted immediate return in the restructuring and for enhancing profitability in the future***

  The above assumptions do not constitute the performance commitment and profit forecast of the transaction, and investors are advised to pay attention to the relevant risks. In order to avoid the risk of a decrease in the basic earnings per share of the company after the material asset restructuring, the company intends to take the following measures to prevent the risks of dilution on immediate return as a result of the material asset restructuring:

  Accelerating the integration of resources of the assets to be acquired to improve overall profitability

  Upon completion of the transaction, the company will establish a more scientific and standardized operation system, actively conduct market development, maintain good communication with customers, fully mobilize resources in all aspects, timely and efficiently achieve the future development plan of the target company, and accelerate the integration of the assets to be acquired and the company's assets at the same time, standardize various aspects such as business, personnel and financial management, enhance the comprehensive strength of the company through integration of resources and enhance the profitability of the company.

IV. CORE COMPETITIVENESS AND INDUSTRY STATUS OF THE TARGET OF THE TRANSACTION

- **Industry status of the target company**

  Located in the hub of the petrochemical industry in China, the target company is a high-quality integrated terminal storage service provider for liquid chemicals, and has established terminal tank farms in coastal areas to provide comprehensive and high-quality terminal storage services to customers through its self-built terminals, storage tanks and dedicated pipelines. The target company was listed on the Main Board of the Hong Kong Stock Exchange in 2010.

- **Core competitiveness of the target company**

  Resource advantage

  Petrochemical storage and terminal services are capital-intensive industries, involving strict safety, environmental protection, licensing and other access qualification approvals, with high industry entry barriers. Due to the increasing enforcement on environmental protection policies and safety, as well as environmental protection supervision along the Yangtze River, it is more difficult to add new shoreline, terminals and storage areas on the Yangtze River, leading to difficulties in building "new, renovated and expanded" projects, so the stock of terminals and storage areas are relatively scarce resources. While petrochemical industry products are indispensable production resources, the petrochemical storage business is an important part of the petrochemical logistics chain, leading to the continuous demand for the industry. Against the backdrop of promising prospects for the industry as a whole, the target company can further expand and strengthen its existing operations based on its existing excellent self-built terminals, pipeline bridges and storage tank resources.

Locational advantage

The target company derives its major revenue from Nanjing Dragon Crown Liquid Chemical Terminal Company Limited, which is located in Nanjing Chemical Industry Park. The Yangtze River Delta is one of the major liquid chemical consumption areas in China and Nanjing Chemical Industry Park is one of the major chemical industry parks in the former, covering an area of approximately 45 square kilometres, with a shoreline of approximately 14 kilometres along the Yangtze River basin. It is an important production base for acetic acid in the world, as well as an important production base for ethylene, aromatics, caprolactam, polyurethane raw materials, oil refining and various viscose fibres in China, gathering a large number of chemical enterprises to set up production facilities in the park. The target company is one of the only three independent terminal service providers in the Nanjing Chemical Industry Park, capable of providing terminal storage services to customers in the park in high volume, efficiently, safely and at low cost. The target company has therefore a locational advantage in serving customers in the Nanjing Chemical Industry Park and the Yangtze River Delta.

V. INDUSTRY AND BUSINESS RISKS OF THE TARGET COMPANY

- **Risk of production safety**

Most of the goods stored in the storage area of petrochemical storage companies are flammable, toxic, or corrosive chemicals. Operational error or equipment failures can result in potential production accidents and endanger the operating staff. Although the target company highly values production safety, certain accidents might ensue due to operational error, equipment failure and other non-human factors during the storage process, and adversely impact the operation of the target company. Therefore, the target company is exposed to a certain degree of production safety risk.

- **Risk of market competition**

Since the transportation cost of petrochemical products is directly related to the transported distance, the business radius of petrochemical logistics enterprises is limited by the geographical presence of their terminal resources. Therefore, the petrochemical logistics industry has formed a regional competition pattern. Due to the presence of comparable companies in the target company's located area, the target company is exposed to a certain degree of market competition risk.

- **Risk of high customer concentration**

  During the reporting period, the ratio of sales revenue obtained by the target company from its largest customer, Celanese, to the operating revenue of the target company was 85.79%, 85.35% and 88.08% in 2019, 2020 and January-September 2021, respectively, implying relatively high customer concentration. Nanjing Dragon Crown Liquid Chemical Terminal Company Limited is located in Nanjing Chemical Industry Park and has played the role of an industrial depot since its establishment, primarily providing supporting petrochemical storage services for petrochemical enterprises in the park, and it is also expanding its business to adjacent areas such as Shanghai and Anhui depending on its storage tank capacity. Celanese is a major customer of petrochemical storage services in the park and has established a long-term stable business relationship with Nanjing Dragon Crown Liquid Chemical Terminal Company Limited upon the completion of Nanjing Dragon Crown Liquid Chemical Terminal Company Limited's facility construction in 2007, accounting for a high proportion of the target company's revenue ever since. The Phase II business contract between the target company and Celanese has already been signed and will take effect gradually from 2022 to 2023 with a contract term until 2032. According to the currently signed Phase II business contract, the annual fixed fee of the terminal storage service charges is lower than that in the Phase I business contract and the handling service fee model remains unchanged. Assuming such Phase II business contract already took effect at the beginning of the reporting period, and without taking into account changes in handling service fee of the customer, other business changes, possible increases in production capacity of the customer, possible business development including signing of new contracts, and any other factors, the target company's annual revenue from the customer would have decreased by RMB39 million during the reporting period. Therefore, if the target company fails to effectively increase its business processing volume, carry out further business expansion or realize synergies post the transaction, the target company's operational and financial performance might be negatively affected after the Phase II business contract fully taking effect.

- **Risk of real estate property ownership defects**

  As of the signing date of this report, the subsidiaries, joint ventures and associated companies of target company own 61 real estate properties with a total area of 29,662.69 square meters, 16 of which have not yet obtained ownership certificates, with a total area of 1,679.34 square meters, accounting for 5.66% of the total real estate area owned by the target company. The real estate properties of the subsidiaries of the target company missing ownership certificates are all ancillary facilities to support daily business operation with an area accounting for a relatively small proportion. If the ownership certificates of the above 16 properties cannot be obtained in accordance with relevant regulations in a timely manner or cannot be obtained, the subsidiaries of the target company might have to discontinue the use of such property, face regulatory penalties risks and/or be ordered to dismantle such properties.

- **Risk of industry policy changes**

  On 16 October 2020, the General Office of the Ministry of Housing and Urban-Rural Development issued the national standard "Design Specification for Petroleum Depot (Partial Revision Consultation Paper seeking Public Opinion)", which proposes that no liquefied hydrocarbon storage tanks or Class A and B solid goods warehouses shall be planned in petroleum depots in relation to the design of new establishment, expansion and alteration of petroleum depots. Phase III of the liquefied products storage area project of Weifang Sime Darby Liquid Terminal Co., Ltd. located in the middle harbor area of Weifang Harbour is still pending completion inspection as of now, and if such completion inspection cannot be finished before the official adoption of the abovementioned national standard assuming no revisions, certain liquefied hydrocarbon storage tank facilities in Phase III might be declared useless, causing potential loss to the target company.

- **Risk of significant pending litigation and arbitration**

  As of the signing date of this report, a joint venture of the target company, Weifang Sime Darby Liquid Terminal Co., Ltd has one major pending litigation as the respondent against the claimant China Construction Third Engineering Bureau Co. Ltd regarding certain construction contracts involving an amount of RMB71,628,900; it has one major pending litigation as the respondent against the claimant Sunrise Group Corporation regarding some other maritime disputes involving an amount of RMB18,295,100; it also has one major pending arbitration as the claimant against the respondent Weifang Shengchun Chemical Co. Ltd regarding certain storage contracts involving an amount of RMB16,963,900. For detailed case information, please refer to "(I) Litigation and Arbitration" in "Section IV. Basic Information of the Target Company" of the MAR Report. In relation to the pending litigation with China Construction Third Engineering Bureau Co. Ltd, both parties had jointly signed the Mediation Agreement on 31 December 2021. On the same day, Weifang Sime Darby Liquid Terminal Co., Ltd. made a payment of RMB21,996,000 to China Construction Third Engineering Bureau Co. Ltd,. The Court had issued the Civil Mediation Letter based on the signed Mediation Agreement on 13 January 2022. The above cases are still under trial or in process of handling, and potential investors are advised to pay attention to such risk of pending litigation and arbitration.

- **Risk of Weifang Sime Darby Liquid Terminal Co., Ltd.'s unstable financial performance**

  Weifang Sime Darby Liquid Terminal Co., Ltd., a joint venture of the target company, is mainly engaged in the storage and handling services of petroleum, liquid chemicals and liquefied hydrocarbons with a focus on petroleum products. Its operational performance is therefore exposed to the fluctuation of international crude oil prices and the influence of national policies regulating the petrochemical logistics industry. The operating results of Weifang Sime Darby Liquid Terminal Co., Ltd. was volatile during the reporting period. Weifang Sime Darby Liquid Terminal Co., Ltd. is subject to the risk of unstable financial performance, which in turn could affect the share of profits and losses of associate and joint ventures of the target company.

VI. UNDERTAKING FROM ACTUAL CONTROLLER OF GUANGDONG GREAT RIVER SMARTER LOGISTICS CO., LTD IN RELATION TO DEFECTS IN PROPERTIES

If Guangdong Great River Smarter Logistics Co., Ltd. is required to bear any fines and/or losses as a result of the failure of the land and properties of the target company to obtain the corresponding land and property certificates, I will fully compensate Guangdong Great River Smarter Logistics Co., Ltd. for the expenses incurred and/or losses arising therefrom and guarantee that Guangdong Great River Smarter Logistics Co., Ltd. will not suffer any losses as a result.

VII. INDEMNITY ARRANGEMENT IN RELATION TO THE DISPUTE ON CONSTRUCTION CONTRACTS BETWEEN CHINA CONSTRUCTION THIRD ENGINEERING BUREAU CO. LTD. AND WEIFANG SIME DARBY LIQUID TERMINAL CO., LTD

Regarding the dispute on construction contracts between China Construction Third Engineering Bureau Co. Ltd. and Weifang Sime Darby Liquid Terminal Co., Ltd, the Ng IU Parties have given an indemnity in their irrevocable undertaking and confirmation letter, and pursuant to the aforesaid Mediation Agreement, the additional loss in excess of the current book value of the amount payable for Phase II project of Weifang Sime Darby Liquid Terminal Co., Ltd amounted to RMB25,137,423.58 (to be further adjusted in accordance with the Court's final litigation costs), the Ng IU Parties will indemnify the Offeror and Offeror Parent for 50% of such additional loss, i.e., RMB12,568,711.79, and the Ng IU Parties' maximum aggregate indemnity for such category will not exceed RMB15 million.

VIII. INDEMNITY ARRANGEMENT IN RELATION TO THE COMPLETION AND ACCEPTANCE OF THE WEIFANG SIME DARBY LIQUID TERMINAL CO., LTD PHASE III PROJECT

Regarding the completion and acceptance of the Weifang Sime Darby Liquid Terminal Co., Ltd Phase III project, the Ng IU Parties have given an indemnity in their irrevocable undertaking and confirmation letter that: (1) for the additional project cost of RMB3,150,997.16 for the Phase III project on top of the original management account, the Ng IU Parties will indemnify the Offeror and Offeror Parent for 50% of such additional project cost, i.e. RMB1,575,498.58; (2) in the event that the original construction in progress of Weifang Sime Darby Liquid Terminal Co., Ltd does not have the initial external operating conditions or qualifications within six months after the completion date of the Offer, resulting in losses incurred by Dragon Crown Group Holdings Limited and its subsidiaries, joint ventures and holding companies, and the external operating conditions or qualifications are still not available within twelve months after the completion date of the Offer, the Ng IU Parties will indemnify the Offeror and Offeror Parent or any member of Dragon Crown Group Holdings Limited's group for 50% of the amount of losses actually incurred within twelve months after the completion date of the Offer. The maximum amount of indemnity payable by the Ng IU Parties in respect of (1) and (2) above will not exceed RMB20 million in aggregate.

IX. VALUATION ASSESSMENT OF THE TARGET ASSETS OF THE TRANSACTION

In this transaction, Shenzhen Pengxin has issued a valuation assessment report (Peng Xin Zi Xun Zi [2021] No. 919) to analyse the valuation level of the target company from the perspective of an independent valuer. The valuation assessment report does not serve as a basis for the pricing of the transaction and only provides an analysis of the reasonableness and fairness of the offer price.

X. OPINIONS OF THE BOARD OF DIRECTORS ON THE VALUATION OF THE TRANSACTION

The directors of the company expressed the following opinions on the independence of the valuer, the reasonableness of the premises assumed in the valuation, the relevance of the valuation method to the purpose of the valuation and the fairness of the transaction price:

"1. The valuer of the transaction is Shenzhen Pengxin Appraisal Limited. Except for the business relationship, the valuer and its personnel have no other related relationships with the company and the parties involved in the transaction, and there are no actual and expected interests or conflicts. The above valuer is independent.

2. The assumptions in the valuation report can be implemented in accordance with the relevant national regulations and requirements, follow the common market practice or guidelines, are in line with the actual situation of the valuation target and the actual situation of the transaction, and the assumptions of the valuation assessment are reasonable.

3. The valuer has followed the principles of independence, objectivity, scientificity and impartiality in the valuation process, applied valuation methods that are compliant and consistent with the actual situation of the target company and the actual situation of the transaction, selected appropriate comparable companies and comparable transactions, and reliable reference data. The valuation methods were properly selected, the valuation conclusion was reasonable, and the valuation methods were consistent with the purpose of the valuation.

4. In the transaction, the company has considered and comprehensively evaluated the asset status, level of profitability, level of valuation, shareholders' interests and the benefits of integration of the target company and other factors to finalise the transaction price. The purpose of the valuation report is to analyse the reasonableness of the price of the transaction and whether there are circumstances that are detrimental to the interests of the company and shareholders.

In conclusion, the transaction price has been determined based on fairness and reasonableness, taking into account various factors affecting the value of the target company, including asset status, profitability, valuation level, shareholders' interests and business development. The board of directors of the company considered that the transaction price was within a reasonable and fair range and there were no circumstances that would prejudice the legitimate interests of the listed company and the shareholders."

XI. OPINIONS OF THE INDEPENDENT DIRECTORS ON THE VALUATION OF THE TRANSACTION

The independent directors of the company expressed the following independent opinions on the independence of the valuer, the reasonableness of the premises assumed in the valuation, the relevance of the valuation method to the purpose of the valuation and the fairness of the transaction price:

"1. The valuer of the transaction is Shenzhen Pengxin Appraisal Limited. Except for the business relationship, the valuer and its personnel have no other related relationships with the company and the parties involved in the transaction, and there are no actual and expected interests or conflicts. The above valuer is independent.

2. The assumptions in the valuation report can be implemented in accordance with the relevant national regulations and requirements, follow the common market practice or guidelines, are in line with the actual situation of the valuation target and the actual situation of the transaction, and the assumptions of the valuation are reasonable.

3. The valuer has followed the principles of independence, objectivity, scientificity and impartiality in the valuation process, applied valuation methods that are compliant and consistent with the actual situation of the target company and the actual situation of the transaction, selected appropriate comparable companies and comparable transactions, and reliable reference data. The valuation methods were properly selected, the valuation conclusion was reasonable, and the valuation methods were consistent with the purpose of the valuation.

4. In accordance with the relevant laws and regulations of the State and the relevant regulations of the CSRC, the transaction price was determined through negotiation based on the principle of fairness and reasonableness, and has taken into account various factors. The transaction price is reasonable and fair, and the legitimate rights and interests of the company and shareholders are not jeopardized."

XII. RELEVANT ARRANGEMENTS FOR THE PROTECTION OF THE LEGITIMATE RIGHTS AND INTERESTS OF INVESTORS

During the transaction, the listed company will adopt the following arrangements and measures to protect the legitimate rights and interests of investors, especially small and medium investors:

Ensuring fair and equitable pricing for the transaction

The transaction is an open market offer, and the transaction price has been determined based on market-based principles, taking into account various factors affecting the value of the target company, including asset status, profitability, valuation level, shareholders' interests and business development. In relation to the transaction, the listed company has engaged an accounting firm to conduct an audit of the target company and a valuer to conduct an assessment of the valuation of the target company and to analyse the reasonableness of the pricing of the transaction. The independent directors of the company expressed their independent opinion on the fairness of the pricing of the transaction and considered that the transaction price was fair and reasonable and there were no circumstances that would prejudice the legitimate interests of the listed company and the shareholders.

XIII. VERIFICATION OPINIONS FROM INDEPENDENT FINANCIAL ADVISER

- **Analysis of the reasonableness of the valuation of the transaction**

  The final appraisal methods selected for the appraisal and its reasonableness

  In accordance with the relevant national regulations on asset valuation, and in accordance with the principles of independence, impartiality and objectivity and the necessary appraisal procedures, the valuer has conducted an analysis of the fairness and reasonableness of the pricing in relation to the acquisition of equity interest in Dragon Crown Group Holdings Limited by Great River Hong Kong. Shenzhen Pengxin, as the valuer, conducted a valuation analysis of the target company using 30 September 2021 as the valuation benchmark date and issued the valuation assessment report (Peng Xin Zi Xun Zi [2021] No. 919) to analyse the fairness of the price of the transaction from the perspective of an independent valuer. The valuer has analysed the reasonableness of the price of the transaction using the comparable company approach and the comparable transaction approach respectively as well as the premiums in privatisations of Hong Kong listed companies as the valuation reference for Dragon Crown Group Holdings Limited. According to the valuation assessment report (Peng Xin Zi Xun Zi [2021] No. 919), the price of the target company in this transaction is reasonable and fair. After verification, this independent financial adviser is of the view that the appraisal has followed the principles of independence, objectivity, scientificity and impartiality, and has applied an appraisal method that is compliant and consistent with the actual situation of the target company as well as the transaction, the parameters selected are reliable and the valuation conclusion is reasonable.

APPENDIX III
AUDITED FINANCIAL STATEMENTS

Disclaimer: Shareholders and potential investors should note the Audited Financial Statements (including the auditor's report and the audited financial statements) are prepared in accordance with the Chinese Accounting Standards and issued and published on the Shenzhen Stock Exchange in connection with the MAR for the purpose of compliance with the MAR Measures only. Please refer to the website of the Shenzhen Stock Exchange (www.szse.cn) for the full text of the Audited Financial Statements. The Audited Financial Statements are in Chinese language and the English translation below is for reference only. In case of any discrepancy, the Chinese version shall always prevail.

AUDITOR'S REPORT

Ernst & Young Hua Ming (2022) Shen Zi No. 61117986_G01
Dragon Crown Group Holdings Limited

To the Board of Guangdong Great River Smarter Logistics Co., Ltd.,

I. OPINION

We have audited the financial statements of Dragon Crown Group Holdings Limited ("**Dragon Crown Group**") which comprise the consolidated and company balance sheets as at 31 December 2019, 31 December 2020 and 30 September 2021, the consolidated and company income statements, statement of changes in equity and cash flow statement for the years of 2019, 2020 and the nine months ended 30 September 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements of Dragon Crown Group Holdings Limited have been prepared in accordance with the Chinese Accounting Standards in all material aspects and give a true and fair view of the consolidated and company financial position of Dragon Crown Group Holdings Limited as at 31 December 2019, 31 December 2020 and 30 September 2021 and the consolidated and company results of operation and cash flows for the years of 2019, 2020 and the nine months ended 30 September 2021.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with Chinese Standards on Auditing ("CSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section in the audit report. We are independent of Dragon Crown Group Holdings Limited in accordance with the China Code of Ethics for Certified Public Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the years of 2019, 2020 and the nine months ended 30 September 2021 respectively. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter:	How our audit addressed the key audit matter:
Expected credit loss assessment on accounts receivable	
As at 31 December 2019, 31 December 2020 and 30 September 2021, the balances of accounts receivable in the consolidated financial statements amounted to RMB27,640,141, RMB22,616,407 and RMB20,723,440, respectively, representing approximately 10%, 7% and 7% of consolidated current assets, without provision for expected credit losses as at 31 December 2019, 31 December 2020 and 30 September 2021. Management performs specific impairment tests on accounts receivable where there is objective evidence of impairment and recognises expected credit losses. For the remaining accounts receivable classified as a portfolio for impairment testing, the management makes forward-looking adjustments to calculate expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions.	In the course of our audit, the audit procedures performed in respect of the expected credit loss of accounts receivable mainly include: (1) Understanding the management's process for supervising the collectability of accounts receivable; (2) Reviewing the ageing analysis of accounts receivable to identify possible accounts receivable collectability issues; (3) Reviewing the historical default rates used by the management in its assessment of expected credit losses and the assumptions used in establishing forward-looking adjustments;

Key audit matter:	How our audit addressed the key audit matter:
Expected credit loss assessment on accounts receivable	
Estimates of expected credit losses on accounts receivable are based on an ageing analysis and an assessment of the collectability of accounts receivable and a projection of forward-looking factors. A significant amount of judgement is required in assessing the ultimate collectability of accounts receivable based on each customer's historical collection history and current creditworthiness. Accordingly, we have identified it as a key audit matter. The accounting policies and disclosures in the financial statements for accounts receivable are set out in Note III.9, 33 and Note V.4 to the financial statements.	(4) Discussing with the management on the collectability of significant individual balances of accounts receivable and the management's consideration of accounts receivable by specific profiles and risks; (5) Obtaining confirmations on accounts receivable to confirm the balance of accounts receivable and to check the subsequent collection of accounts receivable.

IV. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Chinese Accounting Standards and designing, implementing and maintaining of internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing Dragon Crown Group Holdings Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of assumption unless there are plans for liquidation or cessation or there are no other realistic alternatives.

The governance body of the Company is responsible for overseeing Dragon Crown Group Holdings Limited's financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, however, the purpose is not to express an opinion on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Dragon Crown Group Holdings Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to issue a qualified opinion. Our conclusions are based on the information obtained up to the date of our auditor's report. However, future events or conditions may cause Dragon Crown Group Holdings Limited to cease to continue as a going concern.

(5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dragon Crown Group Holdings Limited to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the years of 2019, 2020 and the nine months ended 30 September 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

VI. RESTRICTION ON USE

This report is solely for the purpose of the application documents to be filed with Shenzhen Stock Exchange in relation to the proposed general offer by Guangdong Great River Smarter Logistics Co., Ltd. to acquire all the shares of Dragon Crown Group Holdings Limited only, and shall not be used for other purposes.

Ernst & Young Hua Ming LLP

PRC certified public accountant: Wen Boyuan
(Project partner)

Beijing, PRC

PRC certified public accountant: Wang Lingling

10 January 2022

Dragon Crown Group Holdings Limited
CONSOLIDATED BALANCE SHEET
30 September 2021, 31 December 2020, and 31 December 2019

Unit: RMB

	Note V	**30 September 2021**	**31 December 2020**	**31 December 2019**
Assets				
Current assets				
Cash and bank balances	*1*	199,713,609	242,843,041	217,412,613
Held-for-trading financial assets	*2*	60,000,000	–	–
Bills receivable	*3*	2,135,000	3,986,371	1,417,992
Accounts receivable	*4*	20,723,440	22,616,407	27,640,141
Prepayments	*5*	2,462,795	2,454,029	6,256,868
Other receivables	*6*	4,684,604	31,989,028	24,720,915
Inventories	*7*	2,547,184	2,673,563	2,812,746
Total current assets		292,266,632	306,562,439	280,261,275
Non-current assets				
Long-term receivables	*8*	143,060,000	143,060,000	143,060,000
Long-term equity investments	*9*	306,486,964	314,663,193	307,545,543
Fixed assets	*10*	367,065,203	385,027,842	422,184,726
Construction in progress	*11*	3,310,705	10,438,933	967,352
Right-of-use assets	*12*	887,603	–	–
Intangible assets	*13*	27,959,908	28,553,066	29,343,944
Goodwill	*14*	1,002,237	1,019,116	1,081,979
Long-term prepaid expenses	*15*	–	178,062	756,667
Deferred tax assets	*16*	5,134,286	5,711,893	6,482,036
Other non-current assets	*17*	38,457,421	282,688	2,291,500
Total non-current assets		893,364,327	888,934,793	913,713,747
TOTAL ASSETS		1,185,630,959	1,195,497,232	1,193,975,022

Unit: RMB

	Note V	30 September 2021	31 December 2020	31 December 2019
Liabilities and shareholders' equity				
Current liabilities				
Advances from customers	*18*	–	–	4,156,447
Contract liabilities	*19*	3,403,887	4,219,001	–
Salaries and welfares payable	*20*	2,770,968	3,432,248	2,431,609
Taxes payable	*21*	5,670,019	6,849,765	6,576,261
Other payables	*22*	36,111,632	8,620,490	14,339,299
Non-current liabilities due within one year	*23*	121,376,180	60,485,071	46,673,905
Total current liabilities		169,332,686	83,606,575	74,177,521
Non-current liabilities				
Long-term borrowings	*24*	–	83,887,673	130,967,281
Lease liabilities	*25*	71,146	–	–
Deferred tax liabilities	*16*	6,067,328	3,885,832	3,033,979
Other non-current liabilities	*18, 19*	17,456,572	19,928,659	23,655,860
Total non-current liabilities		23,595,046	107,702,164	157,657,120
Total liabilities		192,927,732	191,308,739	231,834,641

Unit: RMB

	Note V	**30 September 2021**	**31 December 2020**	**31 December 2019**
Shareholders' equity				
Share capital	*26*	101,875,951	101,875,951	101,875,951
Capital reserves	*27*	487,965,351	487,965,351	487,965,351
Other comprehensive income	*28*	19,040,586	20,449,643	24,429,256
Surplus reserve	*29*	14,814,948	14,814,948	14,121,773
Retained profits	*31*	328,482,660	337,199,472	293,385,866
Total equity attributable to the shareholders of the Company		952,179,496	962,305,365	921,778,197
Non-controlling interests		40,523,731	41,883,128	40,362,184
Total shareholders' equity		992,703,227	1,004,188,493	962,140,381
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,185,630,959	1,195,497,232	1,193,975,022

Dragon Crown Group Holdings Limited
CONSOLIDATED INCOME STATEMENT
For the nine months ended 30 September 2021, and the years of 2020 and 2019

Unit: RMB

	Note V	January-September 2021	2020	2019
Operating revenue	32	159,707,336	214,352,998	205,109,741
Less: Operating costs	32	72,871,726	101,597,466	102,808,847
Taxes and surcharges	33	1,829,379	2,361,806	2,601,384
Administrative expenses	34	25,718,217	31,067,975	34,129,197
Finance costs	35	(10,091,587)	(18,221,250)	(2,870,029)
Including: Interest expenses		2,120,953	5,301,004	7,492,410
Interest income		9,168,106	12,315,663	12,584,361
Add: Other income	36	524,293	1,780,159	312,119
Investment (losses)/gains	37	(3,591,896)	11,454,450	(2,052,212)
Including: (losses)/gains from investments in an associate and joint ventures	37	(3,831,707)	11,239,837	(2,052,212)
Operating profit		66,311,998	110,781,610	66,700,249
Add: Non-operating income	38	150,745	122,401	100
Less: Non-operating expenses	39	270,663	759,371	2,728,319
Total profit		66,192,080	110,144,640	63,972,030
Less: Income tax	41	20,761,084	28,214,159	23,702,790
Net profit		45,430,996	81,930,481	40,269,240
Classified by the continuity of operations				
Net profit from continuing operations		45,430,996	81,930,481	40,269,240
Classified by ownership				
Net profit attributable to shareholders of the Company		40,100,169	74,970,629	34,394,471
Net profit attributable to non-controlling interests		5,330,827	6,959,852	5,874,769

Unit: RMB

	Note V	**January-September 2021**	**2020**	**2019**
Other comprehensive losses, net of tax	*28*	(1,409,057)	(3,979,613)	(508,006)
Other comprehensive losses attributable to shareholders of the Company, net of tax		(1,409,057)	(3,979,613)	(508,006)
Other comprehensive loss to be reclassified to profit or loss				
Translation differences on translation of foreign currency financial statements	*28*	(1,409,057)	(3,979,613)	(508,006)
Total comprehensive income		44,021,939	77,950,868	39,761,234
Including:				
Total comprehensive income attributable to shareholders of the Company		38,691,112	70,991,016	33,886,465
Total comprehensive income attributable to non-controlling interests		5,330,827	6,959,852	5,874,769
Earnings per share				
Basic earnings per share	*42*	0.03	0.06	0.03
Diluted earnings per share	*42*	0.03	0.06	0.03

Dragon Crown Group Holdings Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021, and the years of 2020 and 2019

Period from January to September 2021

Unit: RMB

	Equity attributable to shareholders of the Company								
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance at the beginning of the period	101,875,951	487,965,351	20,449,643	–	14,814,948	337,199,472	962,305,365	41,883,128	1,004,188,493
II. Changes during the period									
(I) Total comprehensive income	–	–	(1,409,057)	–	–	40,100,169	38,691,112	5,330,827	44,021,939
(II) Profit appropriation									
1. Distribution to shareholders	–	–	–	–	–	(48,816,981)	(48,816,981)	(6,690,224)	(55,507,205)
(III) Special reserves									
1. Appropriation during the period	–	–	–	2,374,277	–	–	2,374,277	263,516	2,637,793
2. Application during the period	–	–	–	(2,374,277)	–	–	(2,374,277)	(263,516)	(2,637,793)
III. Balance at the end of the period	101,875,951	487,965,351	19,040,586	–	14,814,948	328,482,660	952,179,496	40,523,731	992,703,227

2020

Unit: RMB

	Equity attributable to shareholders of the Company								
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserve	Retained profits	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance at the beginning of the year	101,875,951	487,965,351	24,429,256	–	14,121,773	293,385,866	921,778,197	40,362,184	962,140,381
II. Changes during the year									
(I) Total comprehensive income	–	–	(3,979,613)	–	–	74,970,629	70,991,016	6,959,852	77,950,868
(II) Profit appropriation									
1. Profit appropriation to surplus reserve	–	–	–	–	693,175	(760,736)	(67,561)	67,561	–
2. Distribution to shareholders	–	–	–	–	–	(30,396,287)	(30,396,287)	(5,506,469)	(35,902,756)
(III) Special reserves									
1. Appropriation during the year	–	–	–	3,105,166	–	–	3,105,166	344,635	3,449,801
2. Application during the year	–	–	–	(3,105,166)	–	–	(3,105,166)	(344,635)	(3,449,801)
III. Balance at the end of the year	101,875,951	487,965,351	20,449,643	–	14,814,948	337,199,472	962,305,365	41,883,128	1,004,188,493

2019

Unit: RMB

	Equity attributable to shareholders of the Company								
	Share capital	**Capital reserves**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total shareholders' equity**
I. Balance at the beginning of the year	101,875,951	487,965,351	24,937,262	–	13,529,178	297,283,436	925,591,178	44,109,697	969,700,875
II. Changes during the year									
(I) Total comprehensive income	–	–	(508,006)	–	–	34,394,471	33,886,465	5,874,769	39,761,234
(II) Profit appropriation									
1. Profit appropriation to surplus reserve	–	–	–	–	592,595	(648,213)	(55,618)	55,618	–
2. Distribution to shareholders	–	–	–	–	–	(37,643,828)	(37,643,828)	(9,677,900)	(47,321,728)
(III) Special reserves									
1. Appropriation during the year	–	–	–	3,445,787	–	–	3,445,787	382,440	3,828,227
2. Application during the year	–	–	–	(3,445,787)	–	–	(3,445,787)	(382,440)	(3,828,227)
III. Balance at the end of the year	101,875,951	487,965,351	24,429,256	–	14,121,773	293,385,866	921,778,197	40,362,184	962,140,381

Dragon Crown Group Holdings Limited
CONSOLIDATED CASH FLOW STATEMENT
For the nine months ended 30 September 2021, and the years of 2020 and 2019

Unit: RMB

		Note V	**Period from January to September 2021**	**2020**	**2019**
I.	**Cash flows from operating activities**				
	Cash received from sale of goods and rendering of services		160,290,852	213,143,706	215,654,934
	Tax rebate received		524,293	696,211	266,020
	Cash received relating to other operating activities	*43*	150,745	1,206,349	46,199
	Sub-total of cash inflows from operating activities		160,965,890	215,046,266	215,967,153
	Cash paid for goods and services		29,746,820	49,667,942	45,557,720
	Cash paid to and on behalf of employees		24,781,475	28,223,359	28,472,948
	Cash paid for taxes		21,083,152	28,776,729	27,875,056
	Cash paid for other operating activities	*43*	7,696,684	9,784,215	13,631,380
	Sub-total of cash outflows from operating activities		83,308,131	116,452,245	115,537,104
	Net cash flows from operating activities		77,657,759	98,594,021	100,430,049

Unit: RMB

		Note V	Period from January to September 2021	2020	2019
II.	**Cash flows from investing activities**				
	Cash received from sale of investments		100,000,000	30,000,000	5,000,000
	Cash received from investment gain		4,334,644	9,233,935	13,397,884
	Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		726,400	80,197	235,634
	Sub-total of cash inflows from investing activities		105,061,044	39,314,132	18,633,518
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		10,396,685	15,519,122	8,560,393
	Cash paid for investments		160,000,000	30,000,000	30,000,000
	Sub-total of cash outflows from investing activities		170,396,685	45,519,122	38,560,393
	Net cash flows used in investing activities		(65,335,641)	(6,204,990)	(19,926,875)

Unit: RMB

		Note V	Period from January to September 2021	2020	2019
III.	**Cash flows from financing activities**				
	Cash received from borrowings		–	–	44,056,745
	Sub-total of cash inflows from financing activities		–	–	44,056,745
	Cash paid for repayment of borrowings		22,552,002	24,123,977	23,790,642
	Cash payments for distribution of dividends, profits or interest expenses		32,659,926	41,321,879	54,774,615
	Including: Dividends paid to non-controlling interests by subsidiaries		–	5,506,470	9,677,902
	Other cash paid in relation to financing activities	*43*	642,852	–	–
	Sub-total of cash outflows from financing activities		55,854,780	65,445,856	78,565,257
	Net cash flows used in financing activities		(55,854,780)	(65,445,856)	(34,508,512)
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**		403,230	(1,512,747)	237,722
V.	**Net (decrease)/increase in cash and cash equivalents**	*44*	(43,129,432)	25,430,428	46,232,384
	Add: cash and cash equivalents at beginning of period/year		242,843,041	217,412,613	171,180,229
VI.	**Net balance of cash and cash equivalents at the end of period/year**	*44*	199,713,609	242,843,041	217,412,613

Dragon Crown Group Holdings Limited
BALANCE SHEET
30 September 2021, 31 December 2020 and 31 December 2019

Unit: RMB

	Note XIII	**30 September 2021**	**31 December 2020**	**31 December 2019**
Assets				
Current assets				
Cash and bank balances		87,012,493	116,170,479	123,907,007
Prepayments		202,708	401,438	361,035
Other receivables		6,711	119,726	207,143
Total current assets		87,221,912	116,691,643	124,475,185
Non-current assets				
Long-term equity investments		643	654	695
Long-term receivables	*1*	612,672,401	655,753,081	674,631,816
Total non-current assets		612,673,044	655,753,735	674,632,511
TOTAL ASSETS		699,894,956	772,445,378	799,107,696

Unit: RMB

	Note XIII	30 September 2021	31 December 2020	31 December 2019
Liabilities and shareholders' equity				
Current liabilities				
Other payables		20,543,482	1,331,698	1,532,158
Non-current liabilities due within one year		120,543,990	60,485,071	46,673,905
Total current liabilities		141,087,472	61,816,769	48,206,063
Non-current liabilities				
Long-term borrowings		–	83,887,673	130,967,281
Total non-current liabilities		–	83,887,673	130,967,281
Total liabilities		141,087,472	145,704,442	179,173,344
Shareholders' equity				
Share capital		101,875,951	101,875,951	101,875,951
Capital reserves		470,038,973	470,038,973	470,038,973
Other comprehensive (loss)/income		(17,997,960)	(7,972,871)	30,452,642
Retained profits		4,890,520	62,798,883	17,566,786
Total shareholders' equity		558,807,484	626,740,936	619,934,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		699,894,956	772,445,378	799,107,696

Dragon Crown Group Holdings Limited
INCOME STATEMENT
For the nine months ended 30 September 2021, and the years of 2020 and 2019

Unit: RMB

	January-September 2021	2020	2019
Operating revenue	–	–	–
Less: Administrative expenses	9,984,208	13,357,094	15,467,466
Finance costs	(892,826)	(49,156)	6,359,295
Including: Interest expenses	2,076,858	5,301,004	7,492,410
Interest income	1,334,103	1,879,072	2,993,610
Add: Investment gains	–	88,936,322	–
Operating (loss)/profit	(9,091,382)	75,628,384	(21,826,761)
Total (loss)/profit	(9,091,382)	75,628,384	(21,826,761)
Net (loss)/profit	(9,091,382)	75,628,384	(21,826,761)
Classified by the continuity of operations			
Net (loss)/profit from continuing operations	(9,091,382)	75,628,384	(21,826,761)
Other comprehensive (loss)/income, net of tax	(10,025,089)	(38,425,513)	10,965,256
Other comprehensive (loss)/income to be reclassified to profit or loss			
Translation differences on translation of foreign currency financial statements	(10,025,089)	(38,425,513)	10,965,256
Total comprehensive (loss)/income	(19,116,471)	37,202,871	(10,861,505)

Dragon Crown Group Holdings Limited
STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2021, and the years of 2020 and 2019

Period from January to September 2021

Unit: RMB

	Period from January to September 2021				
	Share capital	**Capital reserve**	**Other comprehensive loss**	**Retained profits**	**Total shareholders' equity**
I. Opening balance of the period	101,875,951	470,038,973	(7,972,871)	62,798,883	626,740,936
II. Changes during the period					
(I) Total comprehensive loss	–	–	(10,025,089)	(9,091,382)	(19,116,471)
(II) Profit appropriation					
1. Distribution to shareholders	–	–	–	(48,816,981)	(48,816,981)
III. Balance at the end of the period	101,875,951	470,038,973	(17,997,960)	4,890,520	558,807,484

2020

Unit: RMB

	2020				
	Share capital	**Capital reserve**	**Other comprehensive income/(loss)**	**Retained profits**	**Total shareholders' equity**
I. Balance at the beginning of the year	101,875,951	470,038,973	30,452,642	17,566,786	619,934,352
II. Changes during the year					
(I) Total comprehensive income	–	–	(38,425,513)	75,628,384	37,202,871
(II) Profit appropriation					
1. Distribution to shareholders	–	–	–	(30,396,287)	(30,396,287)
III. Balance at the end of the year	101,875,951	470,038,973	(7,972,871)	62,798,883	626,740,936

2019

Unit: RMB

	2019				
	Share capital	**Capital reserves**	**Other comprehensive income**	**Retained profits**	**Total shareholders' equity**
I. Balance at the beginning of the year	101,875,951	470,038,973	19,487,386	77,037,375	668,439,685
II. Changes during the year					
(I) Total comprehensive loss	–	–	10,965,256	(21,826,761)	(10,861,505)
(II) Profit appropriation					
1. Distribution to shareholders	–	–	–	(37,643,828)	(37,643,828)
III. Balance at the end of the year	101,875,951	470,038,973	30,452,642	17,566,786	619,934,352

Dragon Crown Group Holdings Limited
CASH FLOW STATEMENT
For the nine months ended 30 September 2021, and the years of 2020 and 2019

Unit: RMB

		Period from January to September 2021	2020	2019
I.	**Cash flows from operating activities**			
	Cash received from other operating activities	311,745	87,417	3,938
	Sub-total of cash inflows	311,745	87,417	3,938
	Cash paid for other operating activities	2,599,185	11,519,641	4,164,569
	Sub-total of cash outflows from operating activities	2,599,185	11,519,641	4,164,569
	Net cash flows used in operating activities	(2,287,440)	(11,432,224)	(4,160,631)
II.	**Cash flows from investing activities**			
	Cash received from investment gain	27,382,137	66,149,622	46,293,998
	Sub-total of cash inflows from investing activities	27,382,137	66,149,622	46,293,998
	Net cash flows from investing activities	27,382,137	66,149,622	46,293,998

Unit: RMB

	Period from January to September 2021	2020	2019
III. Cash flows from financing activities			
Cash received from borrowings	–	–	44,056,745
Sub-total of cash inflows from financing activities	–	–	44,056,745
Cash paid for repayment of borrowings	22,552,002	24,123,977	23,790,642
Cash payments for distribution of dividends, profits or interest expenses	32,659,926	35,815,409	45,096,713
Sub-total of cash outflows from financing activities	55,211,928	59,939,386	68,887,355
Net cash flows used in financing activities	(55,211,928)	(59,939,386)	(24,830,610)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	959,245	(2,514,540)	233,575
V. Net (decrease)/increase in cash and cash equivalents	(29,157,986)	(7,736,528)	17,536,332
Add: cash and cash equivalents at beginning of period/year	116,170,479	123,907,007	106,370,675
VI. Net balance of cash and cash equivalents at the end of period/year	87,012,493	116,170,479	123,907,007

I. Corporate information

Dragon Crown Group Holdings Limited (the "Company") was incorporated on 16 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company completed its initial public offering on the Main Board of the Hong Kong Stock Exchange on 10 June 2011. The Company offered 1,109,662,000 shares when listing in June 2011 and completed a new share placement of 110,966,200 shares in September 2016. The placement shares were issued under the general mandate. As of 31 December 2019, 31 December 2020 and 30 September 2021, the Company has a total of 1,220,628,000 issued shares.

The Company and its subsidiaries (the "Group") is one of the integrated service providers in China in storage and handling of liquid petrochemicals with 3 liquid petrochemical terminals in Nanjing, Ningbo and Weifang. Its specific businesses include loading and discharging of liquid chemical products at the Group's terminals, storage of liquid chemical products at the Group's tank farm and delivery of such products by utilising the Group's dedicated pipelines and other basic terminal infrastructure.

The ultimate holding company of the Company is Lirun Limited, which is a company incorporated in British Virgin Islands with limited liability.

The consolidation scope of consolidated financial statements is determined on the basis of control. There is no change in the scope of consolidation during the reporting period.

These financial statements were approved by the board of directors of the Group on 10 January 2022.

II. Preparation basis of the financial statements

These financial statements are solely for the purpose of the application documents to be filed with the Shenzhen Stock Exchange in relation to the proposed general offer by Guangdong Great River Smarter Logistics Co., Ltd. to acquire all the shares of Dragon Crown Group Holdings Limited only, and shall not be used for other purposes.

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "Chinese Accounting Standards").

The financial statements are presented on a going concern basis. In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

III. Significant accounting policies and accounting estimates

Accounting policies and accounting estimates are formulated based on the actual characteristics of production and operation. These are reflected in the provision for bad debts in respect of account receivables, inventory valuation method, depreciation of fixed assets and recognition and measurement of revenue.

1. Statement of compliance with Chinese Accounting Standards

The financial statements present, fairly and fully, the financial position of the Company and the Group as at 31 December 2019, 31 December 2020 and 30 September 2021 and the results of operations and the cash flows for the years of 2019 and 2020 and the nine months ended 30 September 2021 in accordance with Chinese Accounting Standards.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The functional currency of the Company is Hong Kong dollar. The currency used by the Group in preparing the financial statements is Renminbi. The amounts in the financial statements were denominated in Renminbi, unless otherwise stated.

The subsidiaries, joint ventures and an associate of the Group may determine their own functional currencies based on the major economic environment in which they operate the business. In preparation of financial statements, their functional currencies shall be translated into Renminbi.

4. Business combination

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

The excess of the fair value of the sum of the consideration paid (or fair value of equities securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the fair value of the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or fair value of equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or fair value of equities securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or fair value of equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in profit or loss.

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company.

In preparation of consolidated financial statements, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies when the accounting policies of a subsidiary is different from that of the Company. The Company shall make adjustments to the accounting period of the subsidiary based on its own accounting period when the accounting period of a subsidiary is different from that of the Company. All intra-group assets, liabilities, interests, income, expenses and cash flow are eliminated in full on consolidation.

Where the amount of losses of a subsidiary attributable to the non-controlling interests in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

6. Classification of joint arrangements

Joint arrangements are in the form of joint operation or jointly-controlled enterprise. A joint operation is a joint arrangement under which the joint venture parties are entitled to assets and undertake liabilities under the arrangement. A jointly-controlled enterprise is a joint arrangement under which the joint venture parties are only entitled to the net assets under such arrangement.

The joint venture jointly controlled by the Group and other joint venture parties uses the Group's Articles of Association as the basis for determining it as a joint venture.

7. Cash and cash equivalents

Cash comprises cash on hand and demand deposits; cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

8. Foreign currency operations and foreign currency translation

Transactions in foreign currencies are translated into the reporting currency accordingly.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing at the end of transaction month. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary items translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing an the end of transaction month, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognized in profit or loss for the current period or as other comprehensive income based on the nature of the non-monetary items.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rate at the balance sheet date, and equity items other than "retained profits" are translated using the spot exchange rate at the date of transactions; revenue and expense items in the income statement are translated using the average exchange rate for the period during which the transactions occur. The resulting foreign currency exchange differences in the financial statement are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss for the current period. If the disposal only involves a portion of a particular foreign operation, the amount is recognized on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instrument

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's account and balance sheet) when:

(1) the rights to receive cash flows from the financial asset have expired; or

(2) the Group has transferred its rights to receive cash flows from the financial 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) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

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

A regular way purchases or sales of financial assets are recognised and derecognised, as applicable, using trade date accounting. A regular way purchase or sale of financial assets represents a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

Financial assets of the Group are initially classified into financial assets at fair value through profit or loss and financial assets at amortised cost based on the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are measured at fair value on initial recognition. However, if accounts receivable or bills receivable arising from sales of merchandises or provision of services does not include significant financing components or does not consider financing components not exceeding one year, it shall initially be recognized as the transaction price.

Underlying fee of financial assets at fair value through profit or loss are directly recognised in profit or loss, while those of other classifications are attributed to the acquisition of financial assets.

Subsequent measurement of financial assets are based on their classification:

Debt instrument investment at amortised cost

Financial assets are classified into financial assets at amortised cost when both of the following conditions are satisfied: The business model is to collect contractual cash flows; the cash flows on specific date are solely payments of principal and interest on the principal amount outstanding according to the agreement of the financial assets. Their interest income is recognised using the effective interest rate method. Gains or losses arising from derecognition, modification or impairment are recognised in profit or loss.

Financial assets at fair value through profit or loss

Other than the financial assets at amortised cost and the financial assets at fair value through other comprehensive income mentioned above, financial assets are classified into financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value and the gain or loss arising from a change in the fair value will be recognised in profit or loss.

Classification and measurement of financial liabilities
Financial liabilities of the Group are classified as other financial liabilities on initial recognition. Underlying fee of other financial liabilities are included in the initial recognition amounts.

Subsequent measurement of financial liabilities is based on their classification:

Other financial liabilities

Such financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Group recognises a loss for impairment of financial assets at amortised cost based on their expected credit loss.

For receivable without significant financing components, the Group uses the simplified approach to calculate the credit impairment loss, based on lifetime expected credit loss.

Other than the financial assets using simplified approach, the Group evaluates whether the credit risk has significantly increases since the initial recognition at each balance sheet date. When credit risk has not increased significantly since the initial recognition, the financial instruments are included in Stage I. The Group calculates impairment allowance at an amount equivalent to the expected credit loss of the financial instruments for the next 12 months and recognises the interest income by using the carrying amount and effective interest rate. When credit risk has increased significantly since the initial recognition, but have no objective evidence of impairment, the financial instruments are included in Stage II. The Group calculates the impairment allowance at an amount equivalent to the expected credit loss over the lifetime of the financial instruments and recognises the interest income by using carrying amount and effective interest rate. If the financial assets have objective evidence of impairment, the financial instruments are included in Stage III. The Group calculates the impairment allowance at an amount equivalent to the expected credit loss over the lifetime of the financial instruments and recognises the interest income by using amortised cost and effective interest rate.

The Group assesses the expected credit loss of financial instruments individually and collectively. The Group considers the nature of credit risks of different customers, and assesses the expected credit loss of receivables and other receivables based on aging portfolio of overdue debts.

The disclosure related to the criterion for whether the credit risk has increased significantly, the definition of the impaired financial assets and the hypothesis of the measurement of expected credit loss refers to Note VII.3.

When the Group no longer reasonably expects to collect all or part of the contractual cash flows, the Group writes down the carrying amount of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

10. Inventories

Inventories include raw materials and spare parts reserved for sale or consumption in production operation.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of processing and other costs. The actual cost of raw materials transferred out is assigned by specific identification method.

The Groups adopts perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for impairment of inventories is recognized in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist, so that the net realisable value is higher than its carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the decline in value of inventories. The amount of the reversal is recognised in profit or loss for the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. When making provision for impairment loss, for the cost of inventories not recoverable due to damage or obsolescence or for the reason that the selling prices are lower than costs, impairment loss shall be made at the end of the period if the net realisable value of individual inventory item is lower than its carrying amount. The carrying amount of inventories will be credited into profit or loss in full to write-off at one time if such inventories are rotten and deteriorated, have expired with no transfer value, are no longer required in production and without use value and transfer value.

11. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and an associate.

Long-term equity investments are initially measured at its initial investment cost when acquired. For a long-term equity investment acquired through business combination involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree in the ultimate controlling party's consolidated financial statements on the date of combination. The difference between initial investment cost and the carrying amount of the consolidated consideration is adjusted to capital reserve (if the balance of capital reserve is not sufficient to absorb the difference, any excess shall be adjusted to retained profits). For other comprehensive income before the combination date, the same basis as direct disposal of the related assets or liabilities of the investee is adopted when the investment is disposed of. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profits distribution of the investee is transferred to profit or loss for the period when the investment is disposed of. Among which, after the disposal, the long-term equity investments will still be carried forward in proportion, and if it is converted into financial instruments after the disposal, it will be carried forward in full. For a long-term equity investment acquired through business combination not involving enterprises under common control, the combination cost is taken as the initial investment cost (if the business combination not involving enterprises under common control is realised step by step through multiple transactions, the initial investment cost will be the sum of the carrying amount of the equity investment held by the acquire prior to the acquisition date and the new investment cost on the acquisition date). The combination cost includes the sum of the assets paid by the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities. For other comprehensive income held before the acquisition date and recognised as a result of the adoption of the equity method, the same basis as direct disposal of the related assets or liabilities of the invest is adopted when the investments are disposed of. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is transferred to the profit or loss for the period when the investment is disposed of. Among which, after the disposal, the long-term equity investments will still be transferred in proportion, and if it is converted into financial instruments after the disposal, it will be transferred in full. In addition to the long-term equity investments acquired by the long-term investment formed by business combination, the initial investment cost is determined according to the following methods: if acquired by cash payment, the actual purchase price and the expenses, taxes and other required expenditures directly related to the long-term equity investment will be taken as the initial investment cost; if acquired through issuing equity securities, the fair value of the issued equity instruments will be taken as the initial investment cost.

The long-term equity investments that the Group can exercise control over the investee is accounted for using the cost method in the Group's individual financial statements. Control refers to having the power to the investee to enjoy variable returns by participating in the relevant activities of the investee and having the ability to use the power of the investee to influence the amount of returns.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment shall be adjusted. The cash dividends or profits declared by the Investee are recognised as investment gain for the current period.

When the Group has joint control or significant influence over the investee, the long-term equity investments shall be accounted for using the equity method. Joint control is the contractually agreed sharing of control over an arrangement, and exists only when the decision making about the relevant activities requires the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, it will be classified as the initial investment cost of the long-term equity investment. Where the initial investment cost of the long-term investment is less than the Group's share of the fair value of the investee's identifiable net assets at the time of investment, the difference is recognised in profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after a long-term equity investment is acquired, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment gain or loss and other comprehensive income for the period, respectively, and adjusts the carrying amount of the long-term equity investment. When recognizing the share of the net profit or loss of the investee to be entitled, based on the fair value of the investee's identifiable assets at the time of acquiring the investment, in accordance with the Group's accounting policies and accounting periods, the Group will offset the profits or losses arising from internal transactions between an associate and joint ventures to calculate the portion attributable to the investor in proportion to be enjoyed (but if the losses of internal transaction are asset impairment losses, they shall be fully recognised). The net profit of the investee is recognised after the adjustment, except that the assets that are invested or sold constitute businesses. The portion to be enjoyed shall be calculated according to the profit or cash dividend declared to be distributed by the investee, and the carrying amount of the long-term equity investment shall be reduced accordingly. The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. For changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of long-term equity investment shall be adjusted and recognised in shareholders' equity.

For disposal of a long-term equity investment, the difference between the carrying amount and the actual price is recognised in profit or loss for the current period. For long-term equity investments under the equity method, if the equity method is adopted due to the termination of the disposal, other comprehensive income related to the original equity method is accounted for on the same basis as the investee's directly disposes of the related assets or liabilities. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is all transferred to profit or loss for the period; under the equity method, other comprehensive income related to the original equity method is accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities, and is transferred to the profit or loss for the period in proportion. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is transferred to the profit or loss for the current period according to the corresponding proportion.

12. Fixed assets

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such subsequent expenditures shall be recognised in profit or loss for the current period in which they are incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Depreciation of fixed assets is provided on the straight-line basis over their useful life. The estimated useful lives, estimated residual value and annual depreciation rates of fixed assets are as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Buildings and structures	5-30 years	5%	3%-19%
Means of transportation vehicles	5 years	5%	19%
Office and electronic equipment	5 years	5%	19%

The Group reviews the useful life, estimated net residual value of a fixed asset and the depreciation method applied at least once at each year-end, and make adjustments when necessary.

13. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It includes all types of expenditures necessary to be incurred during the construction period, capitalised borrowing costs on related borrowings before the asset is ready for intended use, and other relevant expenditures.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

14. Borrowing costs

Borrowing costs refer to interest and other related costs arising from the Group's borrowing. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised when such costs full the conditions of capitalisation, whereas other borrowing costs are recorded in profit or loss for the period. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantially long period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

(1) Expenditures for the asset have been incurred;

(2) Borrowing costs have been incurred; and

(3) Activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred shall be recognised in profit or loss for the current period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

(1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual interest costs incurred during the current period deducted by any temporary interest or investment gain;

(2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the excess amounts of cumulative expenditures on the asset over the weighted average of cumulative expenditures on the asset of specific borrowings multiplying the weight average rate of general borrowings.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of qualifying assets is interrupted abnormally for a continuous period of more than three months except the necessary procedures for the assets to get ready for their intended use or sale. The borrowing costs incurred during the suspension period shall be recognised as expenses in profit or loss for the current period until the acquisition, construction or production of the asset is resumed.

15. Right-of-use assets (applicable from 1 January 2021)

The Group's right-of-use assets include buildings and structures and leased land.

On the commencement date of the lease term, the Group recognises its right to use the leased assets over the lease term as right-of-use assets, the amount of which includes: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease term less any lease incentives already received; any initial direct costs incurred by the lessee; an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease. The Group depreciates the right-of-use assets by using the straight-line method. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group shall depreciate the leased assets over the remaining useful life. If it is not reasonable to determine that the ownership of the leased assets can be obtained at the expiry of the lease term, the Group shall depreciate the leased assets over the lease term or the remaining useful life of the leased assets, whichever is shorter.

The Group shall remeasure lease liabilities according to the present value of the changed lease payments and adjust the book value of the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets is reduced to zero, yet there is still a further reduction in the measurement of the lease liabilities, the Group recognises any remaining amount of the remeasurement in profit or loss for the current period.

16. Intangible assets

Intangible assets are recognised only when it is probable that the economic benefits associated with the asset will flow into the Group and the costs can be measured reliably. Intangible assets are measured initially at cost.

The useful life of the intangible assets shall be determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of each category of intangible assets are as follows:

	Useful life
Land use rights	50 years

Land use rights obtained by the Group are usually accounted for as intangible assets.

Intangible assets with finite useful lives are amortised over their useful lives using the straight-line method. The Group reviews the useful lives and the amortisation method for intangible assets with finite useful lives at least once at each year-end, and makes adjustments when necessary.

17. Impairment of assets

The Group determines the impairment of assets other than inventories, deferred income taxes and financial assets based on the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that such assets may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is difficult to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group shall be based on whether major cash inflows generated by the asset group are independent from the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount by the Group. The reduced amount is recognised in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is difficult to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and is not larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups including goodwill for impairment, if there is indication of impairment, the Group shall first test the asset group or the set of asset groups excluding goodwill for impairment. It shall determine and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group shall test the asset group or set of asset groups including goodwill for impairment. The carrying amount of the related asset group or set of asset group is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups and then, the carrying amount of other assets (excluding goodwill) within the asset group or set of asset groups pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it shall not be reversed in subsequent accounting periods.

18. Long-term prepayments

Long-term prepayments are amortised on the straight-line basis. The amortisation period is as follows:

	Amortisation period
Renovation and overhaul	5 years

19. Employee benefits

Employee compensation includes short-term compensation, post-employment benefits and termination benefits provided in various forms of consideration other than share-based payment given by the Group in exchange for service rendered by employees or compensations for the termination of employment relationship. The benefits that the Group provides to the spouse, children and dependents of the employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

Short-term remuneration

During an accounting period when employees render services, short-term remuneration actually incurred are recognised as a liability, and charged to profit or loss or in related costs of assets for the current period.

Post-employment benefits (defined contribution plan)

The Group's employees participate in the pension insurance and unemployment insurance administered by the local government in Mainland China or the mandatory provident fund system administered by the HKSAR government according to their place of work, and the relevant expenditure is recognised, when incurred, in the costs of the relevant assets or profit or loss of the current period.

Termination benefits

The Group recognises a liability for employee remuneration arising from termination benefits, and charged to profit or loss at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits unilaterally due to proposed termination of employment or proposal for rundown; and when the entity recognises costs or expenses for restructuring that related to the payment of termination benefits.

20. Lease liabilities (applicable from 1 January 2021)

On the commencement date of the lease term, the Group recognises the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group used the lessee's incremental borrowing rate as the discount rate because the interest rate implicit in the lease is not readily determinable. The Group calculates interest expenses of lease liabilities in each period of the lease term based on the constant periodic interest rate and recognises the interest expenses in profit or loss for the current period, except for those that are stipulated to be recognised in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, except for those that are stipulated to be recognised in related asset costs.

After the commencement date of the lease term, in the event of change in the actual fixed payment amount, change in the amount expected to be payable under a residual value guaranteed, change in the index or ratio used to determine the lease payment, or change in the assessment results or actual exercise rights of the call option, renewal option or termination option, the Group re-measures the lease liability based on the present value of the changed lease payments.

21. Provisions

Except for contingent consideration and contingent liabilities assumed in business combinations involving enterprises not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

(1) the obligation is a present obligation assumed by the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimation.

22. Revenue from contracts with customers (applicable from 1 January 2020)

The Group recognises revenue when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Acquiring control of the goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits therefrom.

Service agreement

The service agreement entered into between the Group and its customers usually includes performance obligations such as terminal storage and handling, berthage, mooring and unmooring services for liquid chemicals. Customers simultaneously receive and consume the benefits provided by the Group, the revenue is recognised as the performance obligation performed within a certain period of time on a straight-line basis over contract terms, or alternatively, use an input method, i.e. recognising the revenue based on the performance progress, based on the proportion of the throughput volume incurred relative to the service rendered by the Group.

Rental income

Rental income under an operating lease are recognised on a straight-line basis in each period over the lease term.

Variable consideration

When the amount of the contract includes a variable amount, the contract amount is the amount that the Group is expected to be entitled to receive in exchange for the goods or services transferred to the customer. The Group determines the variable consideration based on the expected or the most probable value. However, the transaction price including variable considerations should not exceed the amount accumulatively recognised which is not likely to be significantly reversed when the uncertainty disappears.

Significant financing component

If the contract includes significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when control of the goods or services is obtained by the customer. By discounting the nominal amount of the contract consideration to the discount rate of the current selling price of the goods or services, the difference between the transaction price determined and the contract consideration of the contract committed shall be amortised within the contract period using effective interest rate method. If the Group expects that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

23. Revenue (applicable for 2019)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably, and that the following conditions are satisfied.

Revenue from rendering of services

At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, the percentage of completion method shall be used to recognise revenue from rendering of services., otherwise revenues are recognised to the extent of the costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably means that it also satisfies the following conditions: the amount of income can be reliably measured; the relevant economic benefits are likely to flow to the Group; the progress of completion of the transaction can be reliably determined; and the costs incurred and the costs to be incurred in the transaction can be reliably measured. The Group’s revenues mainly include terminal storage and handling, berthage, mooring and unmooring services for liquid chemicals. The revenues for rendering terminal storage and handling, berthage, mooring and unmooring services for liquid chemicals are recognised (1) on a straight-line basis over the period stipulated in the contract terms; or (2) according to the progress of completion of the transaction based on the proportion of the throughput volume incurred relative to the service rendered by the Group. The total amount of revenue from rendering of services shall be determined in accordance with the contract or agreed price received or receivable from the party receiving the services, except that the contract or agreed price received or receivable is unfair.

Rental income

Rental income under an operating lease are recognised on a straight-line basis in each period over the lease term. Contingent rents are recognised in profit or loss in the period in which they actually arise.

24. Contract liabilities (applicable from 1 January 2020)

Customer payments received by the Group before performance of obligations are presented in the balance sheet as contract liabilities.

Contract liabilities

Contract liabilities are the obligation to transfer goods or services to customers at a price received or receivable, such as amounts that the business has received prior to the transfer of promised goods or services.

25. Government grants

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognised as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants, if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognised as the government grants related to assets, and the others should be recognised as income-related government grants.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

Government grants related to assets are recognised as deferred income and evenly distributed in profit or loss over the useful period of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognised immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

26. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income tax expense or income in profit or loss for the current period, except for the adjusted goodwill resulting from a business combination or those relating to a transaction or event which is included directly in shareholders' equity, they are included in the shareholder's equity.

Current income tax liabilities or assets for the current and prior periods are measured at the amount of income tax expected to be paid or recovered according to the requirements of tax laws.

For temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and tax bases, and temporary differences between the carrying amounts and the tax bases of items which have not been recognised as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred taxes are provided using the liability method of the balance sheet.

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

(1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected.

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures that satisfy all of the following conditions simultaneously, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available for deducting against the deductible temporary differences in the future.

At the balance sheet date, deferred tax assets and deferred tax 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, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences of the manner by which the Group expects to recover the assets or settle the liabilities at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable to obtain sufficient taxable profit in future periods to deduct the income of deferred income tax assets. Deferred tax assets which have not been recognised are reassessed at the balance sheet date and are recognised to the extent that it is probable to have sufficient taxable profit available to deduct all or part of the deferred tax asset to be recovered.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed in the net amount after offsetting: the Group has a legal right to settle current tax assets and income tax liabilities on a net basis; the deferred income tax assets and deferred income tax liabilities are related to the income tax payable by the same tax payer to the same taxation authority or related to different tax payers, but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed, the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

27. Leases (applicable from 1 January 2021)

Recognition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange of consideration. To determine whether the right to control the use of identified assets within a certain period of time under a contract has been transferred, the Group assesses whether a client in the contract has the right to use almost all of the economic benefits arising from the use of the identified assets during the period of use, and has the right to dominate the use of identified assets during this period of use.

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and reasonably determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset but reasonably determine that the option will not be exercised. The lease term includes the period covered by the option to terminate the lease. In the event of a major event or change within the Group's controllable scope, and affecting whether the Group reasonably determines that the option will be exercised, the Group reassesses whether it reasonably determines that it will exercise the option to renew the lease, call option or not to exercise the option to terminate the lease.

As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Note III. 15 and Note III. 20.

Modification of lease

Modification of lease is the modification of lease scope, lease consideration, and lease term beyond the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the modification of lease happens and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease:

(1) the modification of lease expands the scope of lease by increasing the rights of use of one or more leased assets;

(2) the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with the contract situation.

If accounting treatment for the modification of lease as a separate lease is not conducted, the Group shall redetermine the lease term on the effective date of modification of lease and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the Group adopts the interest rate contained in the lease for the remaining lease periods as the discount rate; if the lease interest rate contained in the lease for the remaining lease periods cannot be readily determined, the Group's incremental borrowing increase shall then be used as the discount rate on the effective date of modification of lease.

In view of the consequences of the above adjustment of the lease liabilities, the Group conducts accounting treatment based on each of the following cases accordingly:

(1) if the modification of lease results in a narrower scope of lease or a shorter lease term, the Group reduces the book value of the right-of-use assets to reflect the partial or complete termination of the lease. The Group recognises the gain or loss relevant to the partial or complete termination of the leases in the profit or loss;

(2) for other modification of lease, the Group adjusts the book value of the right-of-use assets accordingly.

Short-term leases and low-value asset leases

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a call option as a short-term lease. The Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as low-value asset lease. The Group chooses not to recognise short-term leases and low-value asset leases as right-of-use assets and lease liabilities. During each period over the lease term, short-term leases and low-value asset leases shall be recognised in the related asset cost or current profit and loss on a straight-line basis.

As a lessor

On the commencement date of the lease term, all leases with risks and rewards incident to the ownership of the leased assets are substantially transferred into finance leases, and all other leases are operating leases.

As the lessor of an operating lease

Rental income under an operating lease is recognised in profit or loss on a straight-line basis in each period over the lease term. Variable lease payments that are not included in lease receipts are included in profit or loss in the period in which they actually arise.

28. Leases (applicable for 2019 and 2020)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset, and all other leases are operating leases.

As the lessee of an operating lease

Rental expense under an operating lease is included in the cost of the underlying asset or profit or loss on a straight-line basis in each period over the lease term.

As the lessor of an operating lease

Rental income under an operating lease is recognised in profit or loss on a straight-line basis in each period over the lease term. Contingent rents are recognised in profit or loss in the period in which they actually arise.

29. Production safety expenses

The Group provides and uses production safety expenses in accordance with the relevant requirements and pursuant to the relevant provisions of the "Administrative Measures for the Provision and Use of Enterprise Work Safety Funds" (Cai Qi [2012] No. 16) of the Ministry of Finance and the State Administration of Work Safety. The Group provides production safety expenses for the tank fields based on the actual operating revenue in last year, which are provided monthly in a regressive basis in accordance with the following standards:

1) Provision of 4% for operating income of RMB10 million and below;

2) Provision of 2% for operating income of RMB10 million to RMB100 million (inclusive);

3) Provision of 0.5% for operating income of RMB100 million to RMB1,000 million (inclusive);

4) Provision of 0.2% for operating income above RMB1,000 million.

Production safety expenses for terminals are provided monthly based on the actual operating revenue in last year in accordance with the following standards:

1) Provision of 1% for general cargo transportation business;

2) Provision of 1.5% for passenger transportation business, pipeline transportation and special cargo transportation such as dangerous goods.

Production safety expenses are included in the cost of relevant products or the current profit and loss and simultaneously credited in “special reserve” account when provided. When using the production safety expenses provided in accordance with the required scope, the amount will be debited directly from the special reserve if it is related to expenditure. If it is for forming fixed assets, the expenditure incurred will be debited from the “construction-in-progress” item. When the status of the safety project is ready for intended use, the costs of such safety project should be recognised as fixed assets. Meanwhile, special reserve will be offset by the cost for forming the fixed assets and the same amount will be recognised as accumulated depreciation. No depreciation will be charged for the fixed assets in the subsequent periods.

30. Profit distribution

The Company’s cash dividends are recognised as liabilities upon approval by the general meeting.

31. Fair value measurement

The Group measures receivables for financing at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1-Quoted (unadjusted) market prices in active markets for identical assets or liabilities; Level 2-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; Level 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each balance sheet date.

32. Related parties

Connected transactions refer to the transfer of resources or obligations between the Company or its subsidiaries, and a related person of the Company. Related person includes related legal person (or other organization) and related natural person.

A legal person (or other organization) is a related legal person (or other organization) of the Company if it has one of the following:

(1) A legal person (or other organization) that directly or indirectly controls the Company;

(2) Legal persons (or other organizations) other than the Company and its subsidiaries, which are directly or indirectly controlled by the legal persons (or other organization) referred to in the preceding paragraph;

(3) Legal persons (or other organizations) other than the Company and its subsidiaries that are directly or indirectly controlled by related natural person, or with related natural person as their director or senior management personnel;

(4) Legal persons (or other organizations), and persons acting in concert with them, holding more than 5% of the Company's shares;

(5) Any of the above circumstances within the past 12 months or within the next 12 months under the relevant agreement and arrangement;

(6) Any other legal person (or other organization) having a special relationship with the Company that may cause or has caused the Company to be biased in favour its interests, as determined by the CSRC, the stock exchange or the Company in accordance with the principle of substance over form.

A natural person is a related natural person of the Company if he/she:

(1) A natural person who directly or indirectly holds more than 5% of the Company's shares;

(2) Directors, supervisors and senior management of the Company;

(3) Directors, supervisors and senior management of legal persons directly or indirectly controlling the Company;

(4) Family members who are closely related to the persons mentioned in (1) and (2) above, including spouses, parents, children who have reached the age of 18 and their spouses, siblings and their spouses, parents and siblings of spouses, and parents of spouses of children;

(5) The existence of one of the above circumstances within the past 12 months or within the next 12 months under the relevant agreement and arrangement;

(6) Any other natural person who has a special relationship with the Company that may cause or has caused the Company to be biased in favour of his or her interests, as determined by the CSRC, the stock exchange or the Company in accordance with the principle of substance over form.

33. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgements, estimations and assumption that affect the reported amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations 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 which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Determining the amount of income tax to be provided requires management to exercise significant judgment in the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and determines the amount of income tax to be provided. The tax treatment of these transactions is regularly reviewed and all changes in tax policy are taken into account.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Expected credit losses on accounts receivable

The group uses the expected credit loss model to assess the expected credit loss on accounts receivable. The expected credit loss rate is determined based on days past due for groupings of various customers that have similar credit risk characteristics (i.e. by customer type). The expected credit loss model is based on observable historical default rates and is adjusted for forward-looking information. As at each balance sheet date, the Group updates the historical default rate and analyses changes in forward-looking factors.

Assessing the correlation between historical default rates and future economic conditions to expected credit losses involves significant accounting estimates. Expected credit losses are highly sensitive to changes in the environment and future economic conditions. The Group's historical experience with credit losses and projected future economic conditions may not be representative of actual future defaults by customers. The assessment of the expected credit losses from the Group's accounts receivable is detailed in Notes V.4 to the financial statements.

Impairment of non-current assets

The Group assesses whether there are any indicators of impairment for non-current assets other than financial assets as at the balance sheet date. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

34. Changes in accounting policies

The New Standard on Financial Instruments

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No. 22 – Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No. 23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No. 24 – Hedging" and "Accounting Standard for Business Enterprises No. 37 – Presentation of financial instruments" (the "New Financial Instruments Standard"). The Group began to implement the accounting treatment to the above new financial instruments from 1 January 2019. According to the convergence rules, the information for the comparative period will not be adjusted and retained profits or other comprehensive income as at the beginning of 2019 will be retrospectively adjusted since the difference between the implementation of the new standards and the current standards on the first day.

The New Standard on Financial Instruments has changed the classification and measurement of financial assets, affirming three major categories of measurement, namely at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Such categorization takes into account the entity's own business model and the characteristics of the contract cashflow of its financial assets. An investment in equity instruments is required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income for equity instruments not held for trading.

The New Standard on Financial Instruments requires the measurement of impairment of financial assets be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

As at 1 January 2019, other financial assets classified as loans and receivables under the old financial instruments standard were reclassified to financial assets measured at amortised cost at their original carrying amounts by the Group. At the same time, the implementation of the new financial instruments standard has no significant impact on the classification and measurement of financial liabilities.

On the first adoption date, the compared results of financial assets classified and measured in accordance with the original and revised standard for recognition and measurement of financial instruments are as follows:

Consolidated balance sheet of the Group

	Pre-amended standards of recognition and measurement for financial instruments		**Revised standards of recognition and measurement for financial instruments**	
	Measurement category	**Book value**	**Measurement category**	**Book value**
Cash and bank balances	Amortised cost (Loans and receivables)	171,180,229	Amortised cost	171,180,229
Bills receivable	Amortised cost (Loans and receivables)	1,631,453	Amortised cost	1,631,453
Accounts receivable	Amortised cost (Loans and receivables)	42,304,397	Amortised cost	42,304,397
Other receivables	Amortised cost (Loans and receivables)	21,425,121	Amortised cost	21,425,121
Long-term receivables	Amortised cost (Loans and receivables)	118,060,000	Amortised cost	118,060,000

Balance sheet of the Company

	Pre-amended standards of recognition and measurement for financial instruments		**Revised standards of recognition and measurement for financial instruments**	
	Measurement category	**Book value**	**Measurement category**	**Book value**
Cash and bank balances	Amortised cost (Loans and receivables)	106,370,675	Amortised cost	106,370,675
Other receivables	Amortised cost (Loans and receivables)	133,910	Amortised cost	133,910
Long-term receivables	Amortised cost (Loans and receivables)	716,972,283	Amortised cost	716,972,283

New Revenue Standard

In 2017, the Ministry of Finance issued the revised "Accounting Standard for Business Enterprises No.14 – Revenue" (the "New Revenue Standard"). The Group began to implement the accounting treatment according to the newly revised New Revenue Standard from 1 January 2020. According to the convergence rules, the information for the comparable period will not be adjusted and undistributed profit or other comprehensive income will be retrospectively adjusted by the difference between the implementation of the new standards on the first day and the current standards.

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customers. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition.

Based on the review of the sales contracts that have not been completed on 31 December 2019, the Group considered that the adoption of a simplified treatment has no significant impact on its financial statements. It is mainly because the revenue recognised upon the transfer of risks and rewards is synchronized with the performance of the obligations in sales contract and a sale contract of the Group generally involves only one performance obligation.

The impacts of implementing the New Revenue Standard on the balance sheet items dated 1 January 2020 were as follows:

Consolidated Balance Sheet of the Group

	Implementing the New Revenue Standard	**Implementing the original standard**	**Impact**
Contractual liabilities	4,156,447	–	4,156,447
Advance from customers	–	4,156,447	(4,156,447)

New lease standard

In 2018, the Ministry of Finance issued the revised "Accounting Standard for Business Enterprises No. 21 – Leasing" (the "New Lease Standard") which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognize depreciation and interest expenses, respectively. The Group began to implement the accounting treatment according to the newly revised lease standard from 1 January 2021. According to the convergence rules, the information for the comparable period will not be adjusted and retained profits at the beginning of 2021 will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation:

(1) For operating leases subsisting prior to the date of initial application, the Group measures lease liabilities based on the present value of the remaining lease payment discounted using incremental borrowing rate, for all leases at an amount equal to the lease liability, necessary adjustments are made based on lease prepayments to measures right-of-use assets;

(2) The Group carried out impairment test for right-of-use assets and applied corresponding accounting treatment in accordance with Note III. 17.

The Group adopts simplified treatment for operating leases in which the lease assets are low-value assets or operating leases completed within 12 months before the date of initial application, without recognizing the right-of-use assets and lease liabilities.

For outstanding minimum lease payments for significant operating leases disclosed in the 2020 financial statements, based on the incremental borrowing rate of the Group as the lessee on 1 January 2021, the Group adjusted the difference between the discounted present value of the outstanding minimum lease payments and the lease liabilities included in the balance sheet on 1 January 2021 as follows:

Minimum lease payments for significant operating leases as at 31 December 2020	12,980,760
Less: Lease payments under simplified treatment	11,409,344
Including: Leases with a remaining term of less than 12 months	11,409,344
	1,571,416
Weighted average at incremental borrowing rate	4.75%
Present value of operating lease payments as at 1 January 2021	1,502,096
Lease liabilities as at 1 January 2021 (including lease liabilities due within one year)	1,502,096

The impact of the implementation of the new lease standard on the consolidated balance sheet items on 1 January 2021 is as follows:

Consolidated balance sheet

	As stated	**Presumed value under the original standard**	**Impact**
Right-of-use assets	1,502,096	–	1,502,096
Non-current liabilities due within one year	61,288,193	60,485,071	803,122
Lease liabilities	698,974	–	698,974

Impact of application of the New Lease Standard on the financial statements for the nine months ended 30 September 2021 is as follows:

Consolidated balance sheet

	As stated	**Presumed value under the original standard**	**Impact**
Right-of-use assets	887,603	–	887,603
Non-current liabilities due within one year	121,367,180	120,534,990	832,190
Lease liabilities	71,146	–	71,146

Consolidated income statement

	As stated	Presumed value under the original standard	Impact
Administrative expenses	25,718,217	25,746,576	(28,359)
Finance costs	(10,091,587)	(10,135,679)	44,092

In addition, beginning from the date of initial application, the Group included the cash paid for repayment of the principal and interest on lease liabilities on the statement of cash flows as cash outflow from financing activities, and continued to include lease payments paid for short-term and low-value assets leases under simplified treatment as cash outflow from operating activities.

The retrospective adjustments due to the above changes of accounting policy have the following major impact:

The Group

	Before the change of accounting policy Balance at the end of 2020	After the change of accounting policy Opening balance for 2021	Change of accounting policy Impact of the New Lease Standard
Right-of-use assets	–	1,502,096	1,502,096
Non-current liabilities due within one year	60,485,071	61,288,193	803,122
Lease liabilities	–	698,974	698,974

IV. TAXATION

1. Main taxes and tax rates

The main taxes and tax rates of the Group are as follows:

Tax	Tax determination basis	Tax rate
Value-added tax	Taxable income	Output tax of domestic sales at the tax rate of 6%, property rental income at the tax rate of 5%
Urban maintenance and construction tax	Turnover taxes paid	7%
Educational surcharge	Turnover taxes paid	3%
Local educational surcharge	Turnover taxes paid	2%
Corporate income tax	Taxable income	25%
Profits tax	Hong Kong taxable income	8.5%, 16.5%
Urban land use tax	Actual area of land used	RMB3 per square meter

2. Tax preferential

According to Schedule 8B of the Inland Revenue Ordinance of Hong Kong, Two-tier Rates of Profits Tax Regime – Corporations, under the two-tiered profits tax rates regime, the profits tax rate for the first $2 million of taxable profits will be lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance) for corporations and 7.5% (half of the standard rate) for unincorporated businesses (mostly partnerships and sole proprietorships). Taxable profits above HKD2 million will continue to be subject to the rate of 16.5% for corporations and standard rate of 15% for unincorporated businesses. Ocean Access Investments Limited, a subsidiary of the Group, is a company that qualifies for the two-tiered profits tax rates regime. The subsidiary is taxed at a rate of 8.25% on taxable income up to HKD2 million and at a rate of 16.5% on taxable income in excess of HKD2 million.

According to Cai Shui [2017] No. 33 and Cai Shui [2020] No. 16, from 1 January 2017 to 31 December 2022, the urban land use tax shall be reduced by 50% of the applicable tax rate of the respective land class for the land owned (including self-use and leased) by logistics enterprises for bulk commodity warehousing and storage facilities. Nanjing Dragon Crown Liquid Chemical Terminal Company Limited, a subsidiary of the Company, will be subject to the above-mentioned preferential tax rate for urban land use tax for the years of 2019 and 2020 and the period from January to September 2021.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balances

	30 September 2021	31 December 2020	31 December 2019
Cash	–	8,515	29,263
Bank deposit	199,713,609	242,834,526	217,383,350
	199,713,609	242,843,041	217,412,613

As at 30 September 2021, the Group's overseas currency deposits amounted to RMB80,671,716, HKD106,177,137 (equivalent to RMB87,924,095) and USD622,052 (equivalent to RMB4,017,896). As at 31 December 2020, the Group's overseas currency deposits amounted to RMB179,843,311, HKD38,001,741 (equivalent to RMB31,998,771) and USD622,047 (equivalent to RMB4,085,542); as at 31 December 2019, the Group's overseas currency deposits amounted to RMB166,721,912, HKD27,733,629 (equivalent to RMB24,793,160) and USD630,012 (equivalent to RMB4,393,074).

Current bank deposits earn interest income based on current deposit interest rate. The period for short-term time deposits varies from 1 days to 3 months. The short-term time deposits, subject to the Group's cash needs, earn interest income based on corresponding time deposits interest rate.

2. Held-for-trading financial assets

	30 September 2021	31 December 2020	31 December 2019
Financial assets at fair value through profit and loss			
Wealth management products	60,000,000	–	–

As at 30 September 2021, the held-for-trading financial assets represent the investment wealth management products purchased by the Group from Bank of Communications Co., Ltd.

3. Bills receivable

	30 September 2021	31 December 2020	31 December 2019
Bank acceptance bills	2,135,000	3,986,371	1,417,992

As at 30 September 2021, 31 December 2020 and 31 December 2019, the Group's bills receivable are all bank acceptance and the bills are not pledged and no provision for bad debts is required.

Bills receivable that have been endorsed or discounted but not yet due at the balance sheet date are as follows:

	30 September 2021	
	Derecognition	Not yet derecognition
Bank acceptance bills	117,653	1,635,000

As at 31 December 2020 and 31 December 2019, the Group had no endorsed or discounted bills receivable.

4. Accounts receivable

The Group's customers were normally entitled to credit periods, except for new customers who are normally required to pay in advance. The credit period for accounts receivable was normally 30 days, which can be extended to 60 days for major customers. Accounts receivable were interest-free.

Aging analysis of accounts receivable was as follows:

	30 September 2021	31 December 2020	31 December 2019
Within 1 year	20,723,440	22,616,407	27,640,141

The Group had no pledged accounts receivable as at 30 September 2021, 31 December 2020 and 31 December 2019.

The Group uses an expected credit loss model to assess the impairment of accounts receivable to calculate expected credit losses. The Group classifies its accounts receivable into portfolios based on credit risk characteristics and calculates the expected credit loss rate based on the days past due of customers on a portfolio basis. When estimating expected credit losses, the management takes into account all reasonable and substantiated information including the default risk-weighted average results, the time value of money, historical information available up to the date of this report and the expected macroeconomic environment. Accounts receivable are normally written off if they are overdue for more than one year and no enforcement action can be taken. As at 30 September 2021, 31 December 2020 and 31 December 2019, the Group assesses that the expected credit loss rate on accounts receivable is low and no provision for expected credit losses on accounts receivable is required.

5. Prepayments

Aging analysis of prepayments was as follows:

	30 September 2021		31 December 2020		31 December 2019	
	Book balance	Percentage	Book balance	Percentage	Book balance	Percentage
		(%)		*(%)*		*(%)*
Within 1 year	2,394,343	97	2,385,577	97	6,180,711	99
1 to 2 years	–	–	–	–	28,200	–
2 to 3 years	–	–	20,495	1	–	–
Over 3 years	68,452	3	47,957	2	47,957	1
	2,462,795	100	2,454,029	100	6,256,868	100

Top five accounts of prepayments as at 30 September 2021 were as follows:

	Balance at the end of the period	As a percentage of total amounts of prepayments
		(%)
Nanjing Zunke Machinery Industry Co., Ltd.	317,500	13
Shenzhen Qinghui Environmental Technology Co., Ltd.	258,000	11
Shanghai Dapan International Trade Co., Ltd.	250,645	10
Nanjing Yalan Connection Electrical Equipment Co., Ltd.	208,700	8
Buke Hade Compressor (Shanghai) Co., Ltd.	182,576	7
	1,217,421	49

Top five accounts of prepayments as at 31 December 2020 were as follows:

	Balance at the end of the year	As a percentage of total amounts of prepayments
		(%)
Ping An Property & Casualty Insurance Company of China, Ltd. (Anhui Branch)	515,300	21
Jiangsu Dibang Construction Engineering Co., Ltd.	514,866	21
Nanjing Zhongzhide Mechanical and Electrical Equipment Co., Ltd.	225,000	9
The Stock Exchange of Hong Kong Limited	166,723	7
Marsh (Hong Kong) Limited	88,067	4
	1,509,956	62

Top five accounts of prepayments as at 31 December 2019 were as follows:

	Balance at the end of the year	As a percentage of total amounts of prepayments *(%)*
China National Air Separation Engineering Co., Ltd.	2,958,250	47
Ping An Property & Casualty Insurance Company of China, Ltd. (Hefei Central Branch)	543,495	9
Jiangsu Guoheng Safety Evaluation Consulting Service Co., Ltd.	475,000	8
Nanjing Yangtze River Management Office	462,773	7
Nanjing Riverside Resources Ecological Science Research Institute Co., Ltd.	291,465	5
	4,730,983	76

6. Other receivables

	30 September 2021	31 December 2020	31 December 2019
Interests receivables	58,044	31,404,114	24,180,968
Dividends receivables	4,077,461	–	–
Other receivables	549,099	584,914	539,947
	4,684,604	31,989,028	24,720,915

Interests receivables

	30 September 2021	31 December 2020	31 December 2019
Interests receivables on bank deposits	58,044	192,093	237,902
Interest receivable from a joint venture	–	31,212,021	23,943,066
	58,044	31,404,114	24,180,968

Other receivables mainly comprise deposits and interest receivable from Weifang Sime Darby Liguid Terminal Co., Ltd., a joint venture of the Company. Interest receivable is repayable on demand.

Aging analysis of other receivables was as follows:

	30 September 2021	31 December 2020	31 December 2019
Within 1 year	46,705	110,747	210,126
1 to 2 years	40,000	165,000	305,219
2 to 3 years	438,269	286,573	–
Over 3 years	24,125	22,594	24,602
	549,099	584,914	539,947

Other receivables analysed by nature were as follows:

	30 September 2021	31 December 2020	31 December 2019
Deposits	443,394	447,999	470,653
Reserves	34,000	91,866	9,168
Others	71,705	45,049	60,126
	549,099	584,914	539,947

There was no recent history of default and past due amounts for the financial assets included in the above balances. As at 30 September 2021, 31 December 2020 and 31 December 2019, the Group estimates that the expected credit loss rate on other receivables is low and no provision for expected credit losses has been made on other receivables.

Top five accounts of other receivables as at 30 September 2021 were as follows:

	Balance at the end of the period	**As a percentage of the total amount of other receivables**	**Nature**	**Aging**
		(%)		
Dragon Crown Investments Limited	273,269	50	Deposits	2-3 years
Shanghai Donghu Hotel	150,000	27	Deposits	2-3 years
Sinopec Marketing Co., Ltd. (Jiangsu Nanjing Petroleum Branch)	45,000	8	Others	Within 1 year/ 1-2 years/2-3 years
Chen Peng	30,000	6	Reserves	1-2 years
Jiangsu Expressway Network Operation Management Co., Ltd.	23,028	4	Others	Within 1 year
	521,297	95		

Top five accounts of other receivables as at 31 December 2020 were as follows:

	Balance at the end of the year	**As a percentage of the total amount of other receivables**	**Nature**	**Aging**
		(%)		
Dragon Crown Investments Limited	277,871	48	Deposits	2 to 3 years
Shanghai Donghu Hotel	150,000	26	Deposits	1-2 years
Lin Xi	54,698	9	Reserves	Within 1 year/ Over 3 years
Chen Peng	30,000	5	Reserves	Within 1 year
Sinopec Marketing Co., Ltd.(Jiangsu Nanjing Petroleum Branch)	25,000	4	Others	Within 1 year/ 1-2 years
	537,569	92		

Top five accounts of other receivables as at 31 December 2019 were as follows:

	Balance at the end of the year	As a percentage of the total amount of other receivables (%)	Nature	Aging
Dragon Crown Investments Limited	295,012	54	Deposits	1-2 years
Shanghai Donghu Hotel	150,000	28	Deposits	Within 1 year
Nanjing Suning Engineering Consulting Co., Ltd.	25,000	5	Others	Within 1 year
Jiangsu Expressway Network Operation Management Co., Ltd.	20,126	4	Others	Within 1 year
Sinopec Marketing Co., Ltd. (Jiangsu Nanjing Petroleum Branch)	15,000	3	Others	Within 1 year
	505,138	94		

7. Inventories

	30 September 2021		
	Book balance	Provision for impairment	Carrying value
Spare parts	2,547,184	–	2,547,184

	31 December 2020		
	Book balance	Provision for impairment	Carrying value
Raw materials	133,472	–	133,472
Spare parts	2,540,091	–	2,540,091
	2,673,563	–	2,673,563

	31 December 2019		
	Book balance	Provision for impairment	Carrying value
Raw materials	133,472	–	133,472
Spare parts	2,679,274	–	2,679,274
	2,812,746	–	2,812,746

8. Long-term receivables

	30 September 2021, 31 December 2020 and 31 December 2019		
	Book balance	Provision for bad debts	Carrying value
Interest from loan to a joint venture	143,060,000	–	143,060,000

As at 30 September 2021, 31 December 2020 and 31 December 2019, the bearing-interest loans of RMB122,000,000 and RMB21,060,000 provided by the Group to Weifang Sime Darby Liguid Terminal Co., Ltd., a joint venture, were carried at 6% and 6.4% per annum, respectively. Such shareholder loans are unsecured with a term of five years under the original agreement, of which the loans of RMB61,060,000, RMB52,000,000 and RMB30,000,000 are due on 14 July 2021, 14 July 2022 and 18 December 2023 respectively. The Group and Weifang Sime Darby Liguid Terminal Co., Ltd. entered into a supplemental agreement on 9 July 2021 to extend all of the above borrowings to 31 December 2028. The management of the Company considers that these loans are part of the Group's net investment in the joint venture and are not expected to be repaid within twelve months after the end of each reporting period and no impairment provision is required for long-term receivables as at 30 September 2021 and 31 December 2020 and 2019.

9. Long-term equity investments

Period from January to September 2021

		Changes during the period					
	Balance at the beginning of the period	Profit or loss on investments under the equity method	Declaration of cash dividends	Other changes in equity	Carrying value at the end of the period	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*
Joint ventures							
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd#	16,248,822	2,608,110	(3,310,142)	(57,832)	15,488,958	60	60
Ningbo Xinxiang Liquid Chemical Store Co. Ltd#	5,819,169	701,829	(981,922)	–	5,539,076	60	60
Weifang Sime Darby Liquid Terminal Co., Ltd.#	277,452,810	(6,848,607)	–	–	270,604,203	50	50
An associate							
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd*	15,142,392	(293,039)	–	5,374	14,854,727	65	65
	314,663,193	(3,831,707)	(4,292,064)	(52,458)	306,486,964		

2020

	Balance at the beginning of the year	Changes during the year: Profit or loss on investments under the equity method	Declaration of cash dividends	Other equity changes	Carrying value at the end of the year	Shareholding at the beginning of the year *(%)*	Shareholding at the end of the year *(%)*
Joint ventures							
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd#	16,115,667	3,460,948	(3,112,398)	(215,395)	16,248,822	60	60
Ningbo Xinxiang Liquid Chemical Store Co. Ltd#	5,622,089	1,011,488	(814,408)	–	5,819,169	60	60
Weifang Sime Darby Liquid Terminal Co., Ltd.#	270,414,872	7,037,938	–	–	277,452,810	50	50
An associate							
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd*	15,392,915	(270,537)	–	20,014	15,142,392	65	65
	307,545,543	11,239,837	(3,926,806)	(195,381)	314,663,193		

2019

	Balance at the beginning of the year	Changes during the year: Profit or loss on investments under the equity method	Declaration of cash dividends	Other equity changes	Carrying value at the end of the year	Shareholding at the beginning of the year *(%)*	Shareholding at the end of the year *(%)*
Joint ventures							
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd#	15,209,292	3,308,961	(2,467,066)	64,480	16,115,667	60	60
Ningbo Xinxiang Liquid Chemical Store Co. Ltd#	6,627,536	779,789	(1,785,236)	–	5,622,089	60	60
Weifang Sime Darby Liquid Terminal Co., Ltd.#	276,221,856	(5,806,984)	–	–	270,414,872	50	50
An associate							
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd*	15,732,884	(333,978)	–	(5,991)	15,392,915	65	65
	313,791,568	(2,052,212)	(4,252,302)	58,489	307,545,543		

* *In accordance with the Articles of Association, the Group has significant influence over the enterprise but no single control.*

\# *In accordance with the Articles of Association, the Group has joint control over these enterprises with other joint venture parties.*

As at 30 September 2021, 31 December 2020 and 31 December 2019, no provision for impairment of long-term equity investments is required by the Group.

10. Fixed Assets

Period from January to September 2021

Original price	**Buildings and structures**	**Transportation equipment**	**Office and electronic equipment**	**Total**
Balance at the beginning of the period	845,420,970	3,750,306	1,308,618	850,479,894
Acquisition	4,294,958	–	163,096	4,458,054
Transfer from construction in progress	11,526,072	–	–	11,526,072
Disposal or scrap	(3,395,111)	–	–	(3,395,111)
Translation differences on foreign currency statements	–	–	(3,314)	(3,314)
Balance at the end of the period	857,846,889	3,750,306	1,468,400	863,065,595
Accumulated depreciation				
Balance at the beginning of the period	460,819,783	3,474,790	1,157,479	465,452,052
Accrual	32,799,072	111,356	39,135	32,949,563
Disposal or scrap	(2,398,851)	–	–	(2,398,851)
Translation differences on foreign currency statements	–	–	(2,372)	(2,372)
Balance at the end of the period	491,220,004	3,586,146	1,194,242	496,000,392
Carrying value				
At the end of the period	366,626,885	164,160	274,158	367,065,203
At the beginning of the period	384,601,187	275,516	151,139	385,027,842

2020

Original price	**Buildings and structures**	**Transportation equipment**	**Office and electronic equipment**	**Total**
Balance at the beginning of the year	839,677,145	4,086,251	1,212,488	844,975,884
Acquisition	5,340,066	–	108,450	5,448,516
Transfer from construction in progress	2,607,838	–	–	2,607,838
Disposal or scrap	(2,204,079)	(335,945)	–	(2,540,024)
Translation differences on foreign currency statements	–	–	(12,320)	(12,320)
Balance at the end of the year	845,420,970	3,750,306	1,308,618	850,479,894
Accumulated depreciation				
Balance at the beginning of the year	418,019,980	3,645,464	1,125,714	422,791,158
Accrual	44,368,177	148,474	39,998	44,556,649
Disposal or scrap	(1,568,374)	(319,148)	–	(1,887,522)
Translation differences on foreign currency statements	–	–	(8,233)	(8,233)
Balance at the end of the year	460,819,783	3,474,790	1,157,479	465,452,052
Carrying value				
At the end of the year	384,601,187	275,516	151,139	385,027,842
At the beginning of the year	421,657,165	440,787	86,774	422,184,726

2019

Original price	Buildings and structures	Transportation equipment	Office and electronic equipment	Total
Balance at the beginning of the year	835,905,473	4,086,251	1,425,451	841,417,175
Acquisition	4,245,786	–	9,030	4,254,816
Transfer from construction in progress	6,594,424	–	–	6,594,424
Disposal or scrap	(7,068,538)	–	(226,293)	(7,294,831)
Translation differences on foreign currency statements	–	–	4,300	4,300
Balance at the end of the year	839,677,145	4,086,251	1,212,488	844,975,884
Accumulated depreciation				
Balance at the beginning of the year	378,011,002	3,428,766	1,293,640	382,733,408
Accrual	44,138,479	216,698	55,880	44,411,057
Disposal or scrap	(4,129,501)	–	(226,293)	(4,355,794)
Translation differences on foreign currency statements	–	–	2,487	2,487
Balance at the end of the year	418,019,980	3,645,464	1,125,714	422,791,158
Carrying value				
At the end of the year	421,657,165	440,787	86,774	422,184,726
At the beginning of the year	457,894,471	657,485	131,811	458,683,767

The fixed assets with outstanding certificates of title are as follows:

	Carrying value			
	30 September 2021	**31 December 2020**	**31 December 2019**	**Reason for not obtaining the title certificate**
Buildings and Structures	669,646	617,906	657,291	Relevant legal procedures have not been timely prepared

11. Construction in progress

Changes in construction in progress during the period from January to September 2021 are as follows:

	Budget	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets during the period	Balance at the end of the period	Funding sources	Proportion of project investment in budget (%)	Project progress (%)
Hazardous chemicals warehouse	3,500,000	1,023,570	2,020,330	–	3,043,900	Owned	87	87
VOC gas treatment project	7,140,000	8,156,589	1,540,178	(9,696,767)	–	Owned	136	100
Safety information platform	1,600,000	1,140,162	179,246	(1,319,408)	–	Owned	82	100
Plant-wide fire-fighting pipe network rehabilitation	4,000,000	94,340	–	–	94,340	Owned	2	2
Explosion-proof monitoring towers	–	–	509,897	(509,897)	–	Owned	–	100
Water balance system	400,000	–	148,193	–	148,193	Owned	–	37
Sulphuric acid project	16,000,000	24,272	–	–	24,272	Owned	–	–
	32,640,000	10,438,933	4,397,844	(11,526,072)	3,310,705			

Changes in construction in progress in 2020 are as follows:

	Budget	Balance at the beginning of the year	Increase during the year	Transfer to fixed assets during the year	Balance at the end of the year	Funding sources	Proportion of project investment in budget (%)	Project progress (%)
Hazardous chemicals warehouse	3,500,000	757,156	266,414	–	1,023,570	Owned	29	29
VOC gas treatment project	7,140,000	152,296	8,004,293	–	8,156,589	Owned	114	85
Safety information platform	1,600,000	33,628	1,106,534	–	1,140,162	Owned	71	80
Diesel pump project	1,500,000	–	1,478,416	(1,478,416)	–	Owned	99	100
Distributed control system expansion	–	–	698,678	(698,678)	–	Owned	–	100
Expansion of the detection and alarm system for flammable and toxic gases	–	–	430,744	(430,744)	–	Owned	–	100
Plant-wide fire-fighting pipe network rehabilitation	4,000,000	–	94,340	–	94,340	Owned	2	2
Sulphuric acid project	16,000,000	24,272	–	–	24,272	Owned	–	–
	33,740,000	967,352	12,079,419	(2,607,838)	10,438,933			

Changes in construction in progress in 2019 are as follows:

	Budget	Balance at the beginning of the year	Increase during the year	Transfer to fixed assets during the year	Balance at the end of the year	Funding sources	Proportion of project investment in budget *(%)*	Project progress *(%)*
Hazardous chemicals warehouse	3,500,000	581,428	175,728	–	757,156	Owned	22	22
VOC gas treatment project	7,140,000	152,296	–	–	152,296	Owned	2	2
Tank farm SIS system	–	688,098	254,034	(942,132)	–	Owned	–	100
GDS system	–	454,376	125,401	(579,777)	–	Owned	–	100
900# filter project	–	–	232,042	(232,042)	–	Owned	–	100
VAM return pump project	–	–	142,111	(142,111)	–	Owned	–	100
1# floor scale upgrade	–	–	176,250	(176,250)	–	Owned	–	100
Pressure stabilizer item	–	–	302,235	(302,235)	–	Owned	–	100
Loading dock exhaust treatment project	4,600,000	–	4,219,877	(4,219,877)	–	Owned	92	100
Safety information platform	1,600,000	–	33,628	–	33,628	Owned	2	2
Sulphuric acid project	16,000,000	–	24,272	–	24,272	Owned	–	–
	32,840,000	1,876,198	5,685,578	(6,594,424)	967,352			

As at 30 September 2021, 31 December 2020 and 31 December 2019, no interest was capitalised on the Group's construction in progress.

12. Right-of-use assets

Period from January to September 2021

	Buildings and Structures
Costs	
Balance at the beginning and the end of the period	1,502,096
Accumulated depreciation	
Balance at the beginning of the period	–
Accrual	614,493
Balance at the end of the period	614,493
Carrying value	
At the end of the period	887,603
At the beginning of the period	1,502,096

13. Intangible assets

Period from January to September 2021

	Land use rights
Original price	
Balance at the beginning and the end of the period	39,543,885
Accumulated depreciation	
Balance at the beginning of the period	10,990,819
Accrual	593,158
Balance at the end of the period	11,583,977
Carrying value	
At the end of the period	27,959,908
At the beginning of the period	28,553,066

2020

	Land use rights
Original price	
Balance at the beginning and end of the year	39,543,885
Accumulated depreciation	
Balance at the beginning of the year	10,199,941
Accrual	790,878
Balance at the end of the year	10,990,819
Carrying value	
At the end of the year	28,553,066
At the beginning of the year	29,343,944

2019

	Land use rights
Original price	
Balance at the beginning and end of the year	39,543,885
Accumulated depreciation	
Balance at the beginning of the year	9,409,063
Accrual	790,878
Balance at the end of the year	10,199,941
Carrying value	
At the end of the year	29,343,944
At the beginning of the year	30,134,822

14. Goodwill

	30 September 2021	31 December 2020	31 December 2019
Cost and net carrying value at the beginning of the period/year and the end of the period/year	1,002,237	1,019,116	1,081,979

On 27 September 2010, the Group acquired the remaining 40% equity interest in Dragon Bussan International Ltd, an associate in which the Group previously held a 60% stake, to form goodwill.

Goodwill impairment test

The goodwill acquired through business combination is attributed to a group of assets for terminal storage and handling of liquid chemicals, the recoverable amount of which has been determined at the discounted present value of the cash flow projections, which are based on the five-year financial budget approved by management. The discount rates applied to cash flow projections for the period from January to September 2021 and the years of 2020 and 2019 are 7.8%, 7.8% and 8.1% respectively and the cash flows over five-year period are projected using an inflation rate of 5%.

The following illustrates the key assumptions made by the management in determining cash flow forecasts for the goodwill impairment test:

Discount rates – The discount rates before tax reflect the specific risks of related asset group or portfolio of asset groups.

Inflation rate – The inflation rate used represents the rate of increase in the general price level in the PRC over a year and is used to forecast changes in revenue and costs since the budget base period.

15. Long-term prepaid expenses

Period from January to September 2021

	Balance at the beginning of the period	Amortization for the period	Balance at the end of the period
Phase I of ethylene overhaul	178,062	178,062	–

2020

	Balance at the beginning of the year	Amortization for the year	Balance at the end of the year
Office renovation	151,253	151,253	–
Phase I of ethylene overhaul	605,414	427,352	178,062
	756,667	578,605	178,062

2019

	Balance at the beginning of the year	Amortization for the year	Balance at the end of the year
Ethylene central control decoration fee	270,000	270,000	–
Office renovation	378,134	226,881	151,253
Phase I of ethylene overhaul	1,032,764	427,350	605,414
	1,680,898	924,231	756,667

16. Deferred tax assets/liabilities

Deferred income tax assets and deferred income tax liabilities that have not been offset:

	30 September 2021		31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets						
Difference in timing of revenue recognition	20,537,144	5,134,286	22,847,572	5,711,893	25,928,144	6,482,036

	30 September 2021		31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities						
Income tax withheld on distributable dividends for subsidiaries and joint ventures	121,346,564	6,067,328	77,716,640	3,885,832	60,679,582	3,033,979

Deductible temporary differences and deductible losses on unrecognized deferred income tax assets are as follows:

	30 September 2021	31 December 2020	31 December 2019
Deductible losses	165,083,605	154,814,755	141,450,434

For the above deductible losses incurred by the Group in Hong Kong, under the relevant Hong Kong profits tax regulations, losses incurred in one tax year may be carried forward and used to offset profits in subsequent years indefinitely. No provision for deferred income tax assets has been made as management believes that the Company is unlikely to obtain sufficient taxable income in future periods to offset the benefit of deferred tax assets arising from such losses.

17. Other non-current assets

	30 September 2021	31 December 2020	31 December 2019
Prepayment of long-term assets	1,823,475	282,688	2,291,500
Interest receivable	36,633,946	–	–
	38,457,421	282,688	2,291,500

Interest receivable represents interest on borrowings from Weifang Sime Darby Liguid Terminal Co., Ltd,, a joint venture of the Company. On 9 July 2021, the Group entered into a supplemental agreement with Weifang Sime Darby Liguid Terminal Co., Ltd. to extend the entire borrowings to 31 December 2028. The management of the Company considers that the interest on the borrowings is not expected to be recovered within 12 months after 30 September 2021 and therefore it is classified as other non-current assets.

18. Advances from customers/other non-current liabilities

	31 December 2019
Advances from customers	
Advance receipts-current portion	4,156,447
Other non-current liabilities	
Advance receipts-non-current portion	23,655,860

As at 31 December 2019, significant advance receipts (other non-current liabilities) aged over one year are shown below:

	Amount of advance receipts	Reasons not carried forward
Celanese (Nanjing) Chemical Company Limited	23,655,860	Advance receipts that have not reached the prescribed amortisation period for recognition of income

19. Contract liabilities/other non-current liabilities

	30 September 2021	31 December 2020
Contract liabilities		
Advance receipts-current portion	3,403,887	4,219,001
Other non-current liabilities		
Advance receipts-non-current portion	17,456,572	19,928,659

Contractual liabilities represent amounts received in advance from customers before the Group fulfills its contractual obligations. Revenue relating to the contract will be recognised as the Group fulfills its obligations. Generally, for the current portion of contract liabilities, the Group will fulfill its contractual obligations and recognize revenue within 12 months of receipt of advance payment from the customer; for the non-current portion of contract liabilities, the Group will amortise and recognize revenue over the life of future contracts with customers.

As at 30 September 2021, significant advance receipts (other non-current liabilities) aged over one year are shown below:

	Amount of advance receipts	**Reasons not carried forward**
Celanese (Nanjing) Chemical Company Limited	17,456,572	Advance receipts that have not reached the prescribed amortisation period for recognition of income

As at 31 December 2020, significant advance receipts (other non-current liabilities) aged over one year are shown below:

	Amount of advance receipts	**Reasons not carried forward**
Celanese (Nanjing) Chemical Company Limited	19,928,659	Advance receipts that have not reached the prescribed amortisation period for recognition of income

20. Salaries and welfares payable

Period from January to September 2021

	Balance at the beginning of the period	**Increase during the period**	**Decrease during the period**	**Balance at the end of the period**
Short-term remuneration	3,421,723	22,515,511	23,176,141	2,761,093
Post-employment benefits (defined contribution plan)	10,525	1,436,852	1,437,502	9,875
Resignation benefits	–	167,832	167,832	–
	3,432,248	24,120,195	24,781,475	2,770,968

2020

	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Short-term remuneration	2,421,596	28,958,518	27,958,391	3,421,723
Post-employment benefits (defined contribution plan)	10,013	265,480	264,968	10,525
	2,431,609	29,223,998	28,223,359	3,432,248

2019

	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Short-term remuneration	966,968	28,168,837	26,714,209	2,421,596
Post-employment benefits (defined contribution plan)	10,363	1,758,389	1,758,739	10,013
	977,331	29,927,226	28,472,948	2,431,609

Short-term remuneration are analysed as follows:

Period from January to September 2021

	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Wages, bonuses, allowances and subsidies	3,421,723	18,989,683	19,650,313	2,761,093
Employee benefits	–	1,464,798	1,464,798	–
Social security fee	–	811,406	811,406	–
Including: Medical insurance premium	–	714,889	714,889	–
Work injury insurance premium	–	42,813	42,813	–
Maternity insurance	–	53,704	53,704	–
Housing fund	–	1,050,228	1,050,228	–
Labor union funding and employee education funding	–	199,396	199,396	–
	3,421,723	22,515,511	23,176,141	2,761,093

2020

	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Wages, bonuses, allowances and subsidies	2,421,596	24,927,155	23,927,028	3,421,723
Employee benefits	–	1,688,408	1,688,408	–
Social security fee	–	788,172	788,172	–
Including: Medical insurance premium	–	708,392	708,392	–
Work injury insurance premium	–	663	663	–
Maternity insurance	–	79,117	79,117	–
Housing fund	–	1,254,055	1,254,055	–
Labor union funding and employee education funding	–	300,728	300,728	–
	2,421,596	28,958,518	27,958,391	3,421,723

2019

	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
Wages, bonuses, allowances and subsidies	966,968	23,883,241	22,428,613	2,421,596
Employee benefits	–	1,914,628	1,914,628	–
Social security fee	–	925,099	925,099	–
Including: Medical insurance premium	–	842,064	842,064	–
Work injury insurance premium	–	8,185	8,185	–
Maternity insurance	–	74,850	74,850	–
Housing fund	–	1,078,055	1,078,055	–
Labor union funding and employee education funding	–	367,814	367,814	–
	966,968	28,168,837	26,714,209	2,421,596

Defined contribution plans are analysed as follows:

Period from January to September 2021

	Balance at the beginning of the period	Increase for the period	Decrease for the period	Balance at the end of the period
Pension insurance	–	1,306,113	1,306,113	–
Mandatory provident funds	10,525	89,901	90,551	9,875
Unemployment insurance	–	40,838	40,838	–
	10,525	1,436,852	1,437,502	9,875

2020

	Balance at the beginning of the year	Increase for the year	Decrease for the year	Balance at the end of the year
Pension insurance	–	132,515	132,515	–
Mandatory provident funds	10,013	128,824	128,312	10,525
Unemployment insurance	–	4,141	4,141	–
	10,013	265,480	264,968	10,525

2019

	Balance at the beginning of the year	Increase for the year	Decrease for the year	Balance at the end of the year
Pension insurance	–	1,587,100	1,587,100	–
Mandatory provident funds	10,363	124,526	124,876	10,013
Unemployment insurance	–	46,763	46,763	–
	10,363	1,758,389	1,758,739	10,013

21. Taxes payable

	30 September 2021	31 December 2020	31 December 2019
Corporate income tax	5,257,905	6,471,447	6,322,165
Individual income tax	–	–	758
Value-added tax	353,430	321,799	225,535
Stamp duty	19,247	20,758	20,602
City maintenance and construction tax	23,603	21,177	4,140
Education supplementary tax	10,095	9,054	1,752
Local education supplementary tax	5,739	5,530	1,309
	5,670,019	6,849,765	6,576,261

22. Other payables

	30 September 2021	31 December 2020	31 December 2019
Other payables	11,227,218	8,620,490	14,339,299
Dividends payable	24,884,414	–	–
	36,111,632	8,620,490	14,339,299

Other payables

	30 September 2021	31 December 2020	31 December 2019
Accruals of operating costs	3,161,496	6,041,713	9,482,875
Facility maintenance costs	3,090,168	329,709	364,200
Accruals of audit fees	2,335,208	1,246,211	1,323,082
Construction costs	1,635,000	–	–
Anti-corrosion and insulation costs	329,040	13,288	1,590,085
Deposits and guarantees	288,308	232,670	258,163
Quality deposit	281,594	553,062	935,480
Others	106,404	203,837	385,414
	11,227,218	8,620,490	14,339,299

23. Non-current liabilities due within one year

	30 September 2021	31 December 2020	31 December 2019
Long-term borrowings due within one year	120,543,990	60,485,071	46,673,905
Lease liabilities due within one year	832,190	–	–
	121,376,180	60,485,071	46,673,905

24. Long-term borrowings

	30 September 2021	31 December 2020	31 December 2019
Credit borrowings	120,543,990	144,372,744	177,641,186
Less: Long-term borrowings due within one year	120,543,990	60,485,071	46,673,905
	–	83,887,673	130,967,281

As at 30 September 2021, 31 December 2020 and 31 December 2019, the closing balances of long-term borrowings (including the long-term borrowings due within one year) amounted to RMB120,543,990, RMB144,372,744 and RMB177,641,186, respectively, all of which were borrowed by the Company from Bank of China (Hong Kong) Limited and Hang Seng Bank Limited in the form of credit facilities, of which the interest rate of Bank of China (Hong Kong) Limited's credit facilities per annum is HKIBOR + 1.4% and the interest rate of Hang Seng Bank Limited's credit facilities per annum is HKIBOR + 1.9%.

The above borrowings are unsecured and without guarantors.

25. Lease liabilities

	30 September 2021
Lease of buildings and structures	903,336
Less: Lease liabilities due within one year	832,190
	71,146

26. Share capital

	30 September 2021	31 December 2020	31 December 2019
Authorised:			
4,000,000,000 ordinary shares of HKD0.10 each	HKD400,000,000	HKD400,000,000	HKD400,000,000
Issued and fully paid:			
1,220,628,000 ordinary shares of HKD0.10 each	HKD122,062,800	HKD122,062,800	HKD122,062,800

As at 30 September 2021, 31 December 2020 and 31 December 2019, the issued and fully paid share capital of the Company was equivalent to RMB101,875,951.

27. Capital reserve

As at 30 September 2021, 31 December 2020 and 31 December 2019

	opening/ closing balance of the period/year
Share premium	470,038,973
Others	17,926,378
	487,965,351

28. Other comprehensive income

Cumulative balance of other comprehensive income attributable to the shareholders of the Company in the consolidated balance sheet:

	1 January 2021	Changes	30 September 2021
Exchange differences from translation of financial statements	20,449,643	(1,409,057)	19,040,586

	1 January 2020	Changes	31 December 2020
Exchange differences from translation of financial statements	24,429,256	(3,979,613)	20,449,643

	1 January 2019	Changes	31 December 2019
Exchange differences from translation of financial statements	24,937,262	(508,006)	24,429,256

Current amount of other comprehensive income:

Period from January to September 2021

	Amount before and after tax	Attributable to shareholders of the Company	Attributable to non-controlling interests
Exchange differences from translation of financial statements to be reclassified to profit or loss as other comprehensive income	(1,409,057)	(1,409,057)	–

2020

	Amount before and after tax	Attributable to shareholders of the Company	Attributable to non-controlling interests
Exchange differences from translation of financial statements to be reclassified to profit or loss as other comprehensive income	(3,979,613)	(3,979,613)	–

2019

	Amount before and after tax	Attributable to shareholders of the Company	Attributable to non-controlling interests
Exchange differences from translation of financial statements to be reclassified to profit or loss as other comprehensive income	(508,006)	(508,006)	–

29. Surplus reserve

Period from January to September 2021

	Balance at the beginning of the period	Increase for the period	Balance at the end of the period
Statutory surplus reserve	2,973,268	–	2,973,268
Discretionary surplus reserve	11,841,680	–	11,841,680
	14,814,948	–	14,814,948

2020

	Balance at the beginning of the year	Increase for the year	Balance at the end of the year
Statutory surplus reserve	2,973,268	–	2,973,268
Discretionary surplus reserve	11,148,505	693,175	11,841,680
	14,121,773	693,175	14,814,948

2019

	Balance at the beginning of the year	Increase for the year	Balance at the end of the year
Statutory surplus reserve	2,973,268	–	2,973,268
Discretionary surplus reserve	10,555,910	592,595	11,148,505
	13,529,178	592,595	14,121,773

In accordance with the requirements of the Company Law and the Articles of Association, a subsidiary of the Company incorporated in Mainland China shall appropriate 10% of its net profit to statutory surplus reserve. If the accumulated amount of statutory surplus reserves is more than 50% of the registered capital, no further appropriation need to be made.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for losses of the prior years or to increase the share capital.

30. Special reserves

	Period from January to September 2021	2020	2019
Safety production expenses			
Opening balance for the period/year	–	–	–
Amount appropriated during the period/year	2,637,793	3,449,801	3,828,227
Amount utilised during the period/year	(2,637,793)	(3,449,801)	(3,828,227)
Closing balance for the period/year	–	–	–

31. Retained profits

	Period from January to September 2021	2020	2019
Retained profits at the beginning of the period/year	337,199,472	293,385,866	297,283,436
Net profit attributable to shareholders of the Company	40,100,169	74,970,629	34,394,471
Less: Appropriation to surplus reserve	–	760,736	648,213
Distribution of dividends	48,816,981	30,396,287	37,643,828
Retained profits at the end of the period/year	328,482,660	337,199,472	293,385,866

32. Operating revenue and costs

	Period from January to September 2021		2020		2019	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal operating activities	158,414,886	72,772,210	212,498,125	101,555,680	203,502,645	102,717,724
Other operating activities	1,292,450	99,516	1,854,873	41,786	1,607,096	91,123
	159,707,336	72,871,726	214,352,998	101,597,466	205,109,741	102,808,847

Operating revenue is set out as follows:

	Period from January to September 2021	2020	2019
Terminal storage services	88,150,888	118,674,936	117,530,847
Handling services	70,263,998	93,823,189	85,971,798
Others	1,292,450	1,854,873	1,607,096
	159,707,336	214,352,998	205,109,741

	Period from January to September 2021	2020
Revenue from contracts with customers	159,189,606	213,593,677
Rental income	517,730	759,321
	159,707,336	214,352,998

Disaggregation of revenue from contracts with customers is as follows:

Geographical information

	Period from January to September 2021	2020
Mainland China	159,189,606	213,593,677

All revenue of the Group is recognized over a period of time.

Revenue recognised in the current period/year included in the carrying value of the contractual liability at the beginning of the period/year is as follows:

	Period from January to September 2021	2020
Revenue from contracts with customers	3,221,345	4,156,447

The information related to the performance obligations of the Group is as follows:

The Group's revenue from its principal activities is derived from the Group's provision of integrated warehousing services, logistics chain management services and transshipments and other services for liquid chemicals and oil products to its customers. The Group satisfies a performance obligation over a period of time primarily on the basis that the customer obtains and consumes the economic benefits of the Group's performance at the same time as the Group's fulfillment of its performance obligations.

The estimated time for the total transaction price allocated to the year-end outstanding (or partially unfulfilled) performance obligations to be recognised as revenue is as follows:

	Period from January to September 2021	2020
With 1 year	3,403,887	4,219,001
More than 1 year	17,456,572	19,928,659
	20,860,459	24,147,660

33. Taxes and surcharges

	Period from January to September 2021	2020	2019
Land use tax	486,363	632,019	629,770
Environmental protection tax	351,644	388,270	372,182
Property tax	303,187	378,750	376,364
City maintenance and construction tax	273,919	388,745	520,292
Stamp duty	187,466	253,862	237,959
Education supplementary tax	117,394	166,605	222,982
Local education supplementary tax	77,777	110,423	146,974
Vehicle usage tax	7,380	10,800	10,800
Others	24,249	32,332	84,061
Total	1,829,379	2,361,806	2,601,384

34. Administrative expenses

	Period from January to September 2021	2020	2019
Labour costs	15,441,533	19,237,166	19,478,907
Intermediary agency fees	3,413,849	2,723,493	3,730,252
Rental expenses	1,237,294	2,618,075	2,574,087
Depreciation and amortization charges	1,173,328	908,733	1,066,478
Business entertainment expenses	850,241	1,308,830	1,711,407
Office and travel expenses	908,597	976,360	1,874,811
Landscaping expenses	410,205	155,855	273,891
Communication costs	260,770	386,927	348,842
Others	2,022,400	2,752,536	3,070,522
	25,718,217	31,067,975	34,129,197

35. Finance costs

	Period from January to September 2021	2020	2019
Interest expenses	2,120,953	5,301,004	7,492,410
Less: Interest income	9,168,106	12,315,663	12,584,361
Exchange (profits)/losses	(3,058,487)	(11,230,879)	2,199,271
Bank charges	14,053	24,288	22,651
	(10,091,587)	(18,221,250)	(2,870,029)

The details of the interest income are listed as follows:

	Period from January to September 2021	2020	2019
Interest on bank deposits	2,673,242	3,609,055	3,671,837
Interest accrued on borrowings to a joint venture	6,494,864	8,706,608	8,912,524
	9,168,106	12,315,663	12,584,361

36. Other income

	Period from January to September 2021	2020	2019
Government grants related to ordinary activities	–	1,046,774	46,099
Input value-added tax surplus deduction	523,221	696,211	266,020
VAT reduction or exemption	1.072	–	–
Others	–	37,174	–
	524,293	1,780,159	312,119

Government grants related to ordinary activities are as follows:

Item	2020	Asset/income related
Grants for emergency exercise services	583,019	Income related
Wage subsidies under the Employment Support Scheme from the Anti-epidemic Fund	430,896	Income related
2020 environmental pollution liability insurance premium subsidies	25,700	Income related
2020 green insurance subsidies of Jiangbei New Area	6,400	Income related
Employment subsidies	759	Income related
	1,046,774	

Item	2019	Asset/income related
Employment subsidies	46,099	Income related

37. Investment (losses)/gains

	Period from January to September 2021	2020	2019
Investment (losses)/gains from investments in joint ventures under the equity method	(3,538,668)	11,510,374	(1,718,234)
Investment losses from investments in an associate under the equity method	(293,039)	(270,537)	(333,978)
Investment gains from disposal of held-for-trading financial assets	239,811	214,613	–
	(3,591,896)	11,454,450	(2,052,212)

38. Non-operating income

	Period from January to September 2021	2020	2019
Compensation	150,646	120,000	–
Others	99	2,401	100
	150,745	122,401	100

Amount included in non-recurring profit or loss for the period/year:

	Period from January to September 2021	2020	2019
Compensation	150,646	120,000	–
Others	99	2,401	100
	150,745	122,401	100

39. Non-operating expenses

	Period from January to September 2021	2020	2019
Penalty and overdue fine	803	168,000	24,916
Net loss on retirement of fixed assets	269,860	572,305	2,703,403
Others	–	19,066	–
	270,663	759,371	2,728,319

Amount included in non-recurring profit or loss for the period/year:

	Period from January to September 2021	2020	2019
Penalty and overdue fine	803	168,000	24,916
Net loss on retirement of fixed assets	269,860	572,305	2,703,403
Others	–	19,066	–
	270,663	759,371	2,728,319

40. Expenses by nature

Supplementary information on the Group's operating costs and administrative expenses by nature is as follows:

	Period from January to September 2021	2020	2019
Depreciation and amortization	34,335,276	45,926,132	46,126,166
Wages	24,120,195	29,223,998	29,927,226
Maintenance and renovation costs	3,521,763	9,660,021	11,507,066
Rental expenses	8,585,636	12,415,865	12,371,877
Material consumption costs	9,130,251	12,465,061	11,720,744
Intermediary agency fees	3,413,849	2,723,493	3,730,252
Fire safety expenses	2,140,595	3,421,149	2,181,324
Environmental protection expenses	2,468,738	2,708,848	2,739,193
Property insurance costs	1,272,392	1,776,893	1,996,621
Office and travelling expenses	978,707	1,035,655	1,940,185
Business entertainment expenses	850,241	1,308,830	1,711,407
Others	7,772,300	9,999,496	10,985,983
	98,589,943	132,665,441	136,938,044

41. Income tax

	Period from January to September 2021	2020	2019
Current income tax expense	17,746,901	23,915,154	19,219,308
Deferred income tax expense	3,014,183	4,299,005	4,483,482
	20,761,084	28,214,159	23,702,790

Reconciliation of income tax expenses to total profit is as follows:

	Period from January to September 2021	2020	2019
Total profit	66,192,080	110,144,640	63,972,030
Tax at statutory tax rate *(Note)*	10,921,693	18,173,866	10,555,385
Effect of different tax rates applicable to subsidiaries	6,093,534	8,052,053	6,733,345
Income not subject to tax	(2,567,300)	(3,834,169)	(2,130,596)
Expenses not deductible for tax	1,572,361	1,812,617	1,878,713
Deductible losses of previous periods	(22,444)	(49,426)	(44,302)
Unrecognised deductible tax losses	1,694,360	2,205,113	2,552,995
Adjustments in respect of current income tax of previous periods	72	179,816	105,297
Effect of withholding income tax on distributable dividends of the Group's subsidiaries and joint ventures in Mainland China	2,436,576	3,528,862	3,713,338
Gains and losses attributable to joint ventures and an associate	632,232	(1,854,573)	338,615
Tax charge at the Group's effective tax rate	20,761,084	28,214,159	23,702,790

Note: The income tax of the Company is calculated based on the estimated taxable income gained in Hong Kong, the PRC and the applicable tax rate of 16.5%. Ocean Access Investments Ltd, a subsidiary of the Company, is eligible for a two-tier profits tax rate, with the first HKD2 million taxable income being taxed at 8.25% and the remaining taxable income at 16.5%. Tax arising from the taxable income in Mainland China is calculated at applicable tax rate according to existing laws, interpretations and practices of Mainland China.

42. Earnings per share

Pursuant to the "Regulation for the preparation of information disclosure for listed securities companies (2010) No.9 – Calculation and disclosure of return on net assets and earnings per share" (2010 revised) issued by the China Securities Regulatory Commission, the Company's basic earnings per share and diluted earnings per share are as follows:

	Period from January to September 2021	2020	2019
Basic earnings per share	0.03	0.06	0.03

Basic earnings per share shall be calculated by profit or loss attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the period.

The calculation of basic earnings per share are as follows:

	Period from January to September 2021	2020	2019
Earnings			
Net profit attributable to ordinary shareholders of the Company for the period/year	40,100,169	74,970,629	34,394,471
Shares			
Weighted average number of ordinary shares outstanding of the Company *(Note)*	1,220,628,000	1,220,628,000	1,220,628,000
Basic earnings per share	0.03	0.06	0.03

As the Company has no potential dilutive ordinary shares, the diluted earnings per share was the same as the basic earnings per share.

43. Notes to items in cash flow statement

Other cash received relating to operating activities are as follows:

	Period from January to September 2021	2020	2019
Other non-operating income	150,745	122,401	100
Government grants received	–	1,083,948	46,099
	150,745	1,206,349	46,199

Other cash paid relating to operating activities are as follows:

	Period from January to September 2021	2020	2019
Other non-operating expenses	803	187,066	24,916
Out-of-pocket expenses	7,695,881	9,597,149	13,606,464
	7,696,684	9,784,215	13,631,380

Other cash paid relating to financing activities are as follows:

	Period from January to September 2021	2020	2019
Rental expenses	642,852	–	–

44. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Net profit adjusted to cash flow of operating activities:

	Period from January to September 2021	2020	2019
Net profit	45,430,996	81,930,481	40,269,240
Add: Depreciation of fixed assets	32,949,563	44,556,649	44,411,057
Amortization of right-to-use assets	614,493	–	–
Amortization of intangible assets	593,158	790,878	790,878
Amortization of long-term prepaid expenses	178,062	578,605	924,231
Loss on disposal of fixed assets	269,860	572,305	2,703,403
Finance costs	(10,105,640)	(18,245,538)	(2,892,680)
Investment loss/(gain)	3,591,896	(11,454,450)	2,052,212
Decrease in deferred tax assets	577,607	770,143	770,143
Increase/(decrease) in deferred tax liabilities	2,181,496	851,853	(859,176)
Decrease/(increase) in inventories	126,379	139,183	(167,583)
Decrease in operating receivables	3,811,801	6,213,225	11,725,335
Increase/(decrease) in operating payables	(2,561,912)	(8,109,313)	702,989
	77,657,759	98,594,021	100,430,049

Net change in cash and cash equivalents:

	Period from January to September 2021	2020	2019
Closing balance of cash	199,713,609	242,843,041	217,412,613
Less: Opening balance of cash	242,843,041	217,412,613	171,180,229
Net (decrease)/ increase in cash and cash equivalents	(43,129,432)	25,430,428	46,232,384

(2) Cash and cash equivalents

	Period from January to September 2021	2020	2019
Cash	199,713,609	242,843,041	217,412,613
Including: Cash on hand	–	8,515	29,263
Time deposit due within three months	139,486,691	205,324,118	154,321,309
Bank deposits available for payment at any time	60,226,918	37,510,408	63,062,041
Cash and cash equivalents at the end of the period/year	199,713,609	242,843,041	217,412,613

45 Foreign currency monetary items

	30 September 2021		
	Original currency	**Translation rate**	**RMB equivalent**
Cash and bank balances			
USD	622,052	6.4591	4,017,896
HKD	106,177,137	0.8281	87,924,095
			91,941,991
Other receivables			
HKD	404,685	0.8281	335,115
Other payables			
HKD	2,837,003	0.8281	2,349,290
Non-current liabilities due within one year			
HKD	145,568,923	0.8281	120,543,990

	31 December 2020		
	Original currency	**Translation rate**	**RMB equivalent**
Cash and bank balances			
USD	622,047	6.5679	4,085,542
HKD	38,001,741	0.8420	31,998,771
			36,084,313
Other receivables			
HKD	558,280	0.8420	470,091
Other payables			
HKD	1,581,526	0.8420	1,331,699
Non-current liabilities due within one year			
HKD	71,832,070	0.8420	60,485,071
Long-term borrowings			
HKD	99,625,000	0.8420	83,887,673

	31 December 2019		
	Original currency	**Translation rate**	**RMB equivalent**
Cash and bank balances			
USD	630,012	6.9730	4,393,074
HKD	27,733,629	0.8940	24,793,160
			29,186,234
Other receivables			
HKD	596,267	0.8940	533,048
Other payables			
HKD	1,793,595	0.8940	1,603,428
Non-current liabilities due within one year			
HKD	52,209,430	0.8940	46,673,905
Long-term borrowings			
HKD	146,500,000	0.8940	130,967,281

VI. Interests in Other Entities

1. Interests in subsidiaries

	Principal place of business	Place of registration	Business nature	Registered capital	Shareholding proportion Direct	Shareholding proportion Indirect
Ocean Ahead Limited	Hong Kong	BVI	Investment holding	USD100	100%	–
Edford Investments Limited	Hong Kong	BVI	Investment holding	USD1	–	100%
Ocean Access Investments Limited	Hong Kong	Hong Kong	Investment holding and provision of administrative and technical services	HKD1	–	100%
Dragon Bussan International Limited	Hong Kong	Hong Kong	Investment holding and provision of marketing services	Ordinary USD600,000 Non-voting deferred shares USD900,000 *(Note 1)*	–	100%
Dragon Crown Petrochemicals Terminal (Holdings) Limited	Hong Kong	Hong Kong	Investment holding and provision of finance and management services	Ordinary USD26,600,000 Non-voting deferred shares USD500,000 *(Note 1)*	–	100%
Dragon Source Industrial Limited (龍翔化工有限公司)	Hong Kong	Hong Kong	Investment holding and provision of accounting services	Ordinary HKD26,000,000 Non-voting deferred shares HKD2,000,000 *(Note 1)*		
Overseas Hong Kong Investment Limited (海外香港投資有限公司)	Hong Kong	Hong Kong	Investment holding and provision of business development service	HKD10,000	–	100%
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (南京龍翔液體化工儲運碼頭有限公司)	Nanjing	Nanjing	Terminal and other ports facility operation	USD52,254,820	–	90.01%

Note 1: The holders of non-voting subordinated shares shall not be entitled to receive notice of, attend or vote at any general meeting of the Company or to receive any dividend. In the event of liquidation, the holders of non-voting subordinated shares shall be entitled to a refund of the capital paid up in full in respect of the non-voting shares held by them out of the remaining assets of the Company, up to one half of the balance of HKD100,000,000,000,000 distributed to the ordinary shareholders of the Company upon liquidation.

The subsidiaries with significant non-controlling interests are as follows:

Period from January to September 2021

	Shareholding of non-controlling interests	Profit and loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Accumulative non-controlling interests at the end of the year
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (南京龍翔液體化工儲運碼頭有限公司)	9.99%	5,330,827	(6,690,224)	40,523,731

2020

	Shareholding of non-controlling interests	Profit and loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Accumulative non-controlling interests at the end of the year
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (南京龍翔液體化工儲運碼頭有限公司)	9.99%	6,959,852	(5,506,469)	41,883,128

2019

	Shareholding of non-controlling interests	Profit and loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Accumulative non-controlling interests at the end of the year
Nanjing Dragon Crown Liquid Chemical Terminal Company Limited (南京龍翔液體化工儲運碼頭有限公司)	9.99%	5,874,769	(9,677,900)	40,362,184

The following table illustrates the financial information of the above subsidiary. These information are the amounts before offsetting among the companies in the Group:

	30 September 2021	**31 December 2020**	**31 December 2019**
Current assets	114,999,424	58,474,261	59,416,406
Non-current assets	413,574,320	437,691,116	469,956,848
Total assets	528,573,744	496,165,377	529,373,254
Current liabilities	87,773,224	39,356,857	84,077,769
Non-current liabilities	17,527,718	19,928,659	23,655,860
Total liabilities	105,300,942	59,285,516	107,733,629
Revenue	159,707,336	214,352,998	205,109,741
Net profit	53,291,353	70,275,077	59,389,333
Total comprehensive income	53,291,353	70,275,077	59,389,333
Net cash flows from operating activities	97,080,163	119,335,797	122,975,191

2. Interests in Joint Ventures and an Associate

Name	Principal place of business and place of incorporation	Business nature	Registered capital	Shareholding Ratio Direct	Shareholding Ratio Indirect	Voting right ratio	Accounting method
An associate							
Tianjin Tianlong Liquid Chemicals Storage and Transportation Co., Ltd. (天津天龍液體化工儲運有限公司)	Tianjin	Terminal storage and handling of liquid chemicals	USD3 million	–	65%	42%	Equity method
Joint ventures							
Ningbo Xinxiang Liquid Chemical Store Co., Ltd. (寧波新翔液體化工倉儲有限公司)	Ningbo	Terminal storage and handling of liquid chemicals	RMB7 million	–	60%	60%	Equity method
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd. (寧波寧翔液化儲運碼頭有限公司)	Ningbo	Terminal storage and handling of liquid chemicals	RMB12,250,000	–	60%	60%	Equity method
Weifang Sime Darby Liguid Terminal Co., Ltd. (濰坊森達美液化品碼頭有限公司)	Weifang	Terminal storage and handling of liquid chemicals	RMB540,000,000	–	50%	50%	Equity method

Weifang Sime Darby Liguid Terminal Co., Ltd., as a material joint venture of the Group, is engaged in terminal storage and handling of liquid chemicals in mainland China, which is accounted for adopting the equity method.

The Group has participated in the financial and operational decisions of Weifang Sime Darby Liguid Terminal Co., Ltd. Although the Group holds 50% of the voting rights of the Board of Directors of Weifang Sime Darby Liguid Terminal Co., Ltd., the resolutions of the Board of Directors are subject to the approval of 2/3 (inclusive) of the directors by way of voting. Therefore, Weifang Sime Darby Liguid Terminal Co., Ltd. is under common control by the Group and other shareholders, and thus is a joint venture of the Group.

The following table illustrates the financial information of Weifang Sime Darby Liguid Terminal Co., Ltd., which is adjusted for differences in accounting policies and reconciled to the carrying amounts in these financial statements:

	Period from January to September 2021	**2020**	**2019**
Current assets	221,002,842	201,772,495	202,815,673
Including: cash and cash equivalents	89,600,953	91,151,198	67,862,913
Non-current assets	1,270,889,187	1,279,335,934	1,313,550,074
Total assets	1,491,892,029	1,481,108,429	1,516,365,747
Current liabilities	655,693,077	719,944,845	774,130,996
Non-current liabilities	319,176,270	230,443,688	225,590,731
Total liabilities	974,869,347	950,388,533	999,721,727
Shareholders' equity	517,022,682	530,719,896	516,644,020
Net assets share calculated based on the percentage of shareholding	258,511,341	265,359,948	258,322,010
Adjustments	12,092,862	12,092,862	12,092,862
Book value in the investment	270,604,203	277,452,810	270,414,872

	Period from January to September 2021	**2020**	**2019**
Revenue	92,851,182	150,498,367	118,297,098
Finance costs	(32,214,719)	(46,869,166)	(41,990,795)
Including: interest income	1,069,774	763,653	653,601
interest expenses	(33,091,535)	(47,454,522)	(42,565,729)
Income tax expenses	229,563	(3,835,478)	–
Net (loss)/profit	(13,697,214)	14,075,875	(11,613,968)
Total comprehensive (loss)/income	(13,697,214)	14,075,875	(11,613,968)

The following table presents the aggregated financial information of joint ventures and an associate that are not material to the Group:

	Period from January to September 2021	2020	2019
Joint Ventures			
Total carrying amount of investment	21,028,034	22,067,991	21,737,756
The followings were calculated by the proportion of shareholding			
Net profit	3,309,939	4,472,436	4,088,750
Total comprehensive income	3,309,939	4,472,436	4,088,750
An Associate			
Total carrying amount of investment	14,854,727	15,142,392	15,392,915
The followings were calculated by the proportion of shareholding			
Net loss	(293,039)	(270,537)	(333,978)
Total comprehensive loss	(293,039)	(270,537)	(333,978)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of Financial Instruments

The book values of various financial instruments on the balance sheet date are as follows:

Financial assets

	Financial assets measured at fair value		
	30 September 2021	2020	2019
Held-for-trading financial assets	60,000,000	–	–

	Financial assets at amortised cost		
	30 September 2021	2020	2019
Cash and bank balances	199,713,609	242,843,041	217,412,613
Bills receivable	2,135,000	3,986,371	1,417,992
Accounts receivable	20,723,440	22,616,407	27,640,141
Other receivables	4,684,604	31,989,028	24,720,915
Long-term receivables	143,060,000	143,060,000	143,060,000
Other non-current assets	36,633,946	–	–
	406,950,599	444,494,847	414,251,661

Financial liabilities

	Financial liabilities at amortised cost		
	30 September 2021	2020	2019
Other payables	36,111,632	8,620,490	14,339,299
Non-current liabilities due within one year	121,376,180	60,485,071	46,673,905
Long-term borrowings	–	83,887,673	130,967,281
Lease liabilities	71,146	–	–
	157,558,958	152,993,234	191,980,485

2. Transfer of financial assets

Financial assets transferred but not fully derecognized

As at 30 September 2021, Nanjing Dragon Crown Liquid Chemical Terminal Company Limited endorsed bank acceptance notes to the suppliers with a carrying amount of RMB1,635,000 for settlement of other payables. As at 30 September 2021, the maturity of bank acceptance notes is 1 to 12 months. According to the relevant provisions of the Bill Act, if the acceptance bank refuses to pay, its holder has the right of recourse against the Group ("Continuing Involvement"). As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognize them and the settled other payables associated therewith in full. After the endorsement, the Group no longer reserved the rights to use these financial assets related to it, including the rights to sell, transfer or pledge to any other third parties. As at 30 September 2021, the total carrying amounts of other payables settled amounted to RMB1,635,000.

3. Risks of Financial Instruments

The Group is exposed to various risks of financial instruments during daily activities, mainly including credit risks, liquidity risks and market risks (including interest rate risk). Major financial instruments of the Group include cash and bank balances, held-for-trading financial assets , bills receivable and accounts receivable, other receivables, long-term receivables, other non-current assets, other payables, non-current liabilities due within one year, long-term borrowings and lease liabilities. The following will show the risks relating to these financial instruments and the risk management strategies the Group adopted to reduce the relevant risks:

Credit risks

The Group trades only with recognized and creditworthy third parties. The Group usually requires prepayment from new customers. In addition, balances of accounts receivables are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

Since the counterparties of cash and bank balances, held-for-trading financial assets and bank acceptance bills receivable are placed in the well-established banks with high credit ratings, these financial instruments are exposed to lower credit risk.

The credit risk of the Group's other financial assets, which comprise accounts receivable and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less allowance for bad debt.

Since the Group mainly provides services to recognized and creditworthy third parties, there was no requirement for collateral. The Group had a significant concentration of credit risk. As at 30 September 2021, 31 December 2020 and 31 December 2019, 97% and 100%, 90% and 100%, 79% and 100% of the Group's accounts receivable were due from the largest and five largest customers in terms of balance. The Group did not hold any collateral or credit enhancements for the balance of accounts receivable.

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the individual financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

(1) Significant financial difficulty of the issuer or the debtor;

(2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;

(3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

(4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;

(6) The purchase or origination of a financial asset at a significant discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECLs measurement

Based upon whether credit risk has significantly increased or impaired, the Group measures impairment provision for different assets upon the ECLs during 12 months or entire lifetime. The key measuring parameters of ECLs include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

(1) PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment throughout the future 12 months or entire remaining lifetime. The Group's PD is adjusted based on ECLs model, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;

(2) LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated throughout the future 12 months or entire remaining lifetime;

(3) EAD is the amount that the Group should be reimbursed at the time of the default throughout the future 12 months or entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities.

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. Such tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The table below summarizes the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

	30 September 2021				
	Within 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Non-current liabilities due within one year	18,503,321	22,897,477	83,780,971	–	125,181,769
Other payables	36,111,632	–	–	–	36,111,632
Lease liabilities	–	–	–	71,428	71,428
	54,614,953	22,897,477	83,780,971	71,428	161,364,829

	31 December 2020				
	Within 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Non-current liabilities due within one year	143,765	287,529	62,093,994	–	62,525,288
Other payables	8,620,490	–	–	–	8,620,490
Long-term borrowings	–	–	–	84,370,576	84,370,576
	8,764,255	287,529	62,093,994	84,370,576	155,516,354

	31 December 2019				
	Within 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Non-current liabilities due within one year	533,901	1,088,083	51,710,870	–	53,332,854
Other payables	14,339,299	–	–	–	14,339,299
Long-term borrowings	–	–	–	135,629,927	135,629,927
	14,873,200	1,088,083	51,710,870	135,629,927	203,302,080

Market risk

Interest rate risk

The interest rate risk of the Group is mainly related to net liabilities bearing interest at floating rates. The majority of interest on bank borrowings is calculated by reference to the Hong Kong Interbank Offered Rate. The Group mitigates its exposure by enhancing its monitoring of interest rate changes and regularly reviewing its banking facilities and borrowings. The Group does not use any interest rate swaps to hedge its interest rate risk. The table below is a sensitivity analysis of interest rate risk, which reflects the impact on net profit (through the impact on floating-rate borrowings) and other comprehensive income after tax, when there are reasonable and potential changes in interest rates, under the presumption that all other variables remain unchanged.

Period from January to September 2021

	Increase/(decrease) in basis point	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	0.5%	(1,250,289)	–	(1,250,289)
RMB	(0.5%)	1,250,289	–	1,250,289

2020

	Increase/(decrease) in basis point	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	0.5%	(1,552,333)	–	(1,552,333)
RMB	(0.5%)	1,552,333	–	1,552,333

2019

	Increase/(decrease) in basis point	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	0.5%	(995,471)	–	(995,471)
RMB	(0.5%)	995,471	–	995,471

4. Capital Management

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximize shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. During the period from January to September 2021, the years of 2020 and 2019, there was no change in the Group's capital management objectives, policies or procedures.

The Company monitors its capital structure on the basis of its leverage ratio (i.e. interest-bearing liabilities less cash and bank balances to equity attributable to the shareholders of the Company). The leverage ratio of the Group as of the balance sheet date is as follows:

	Period from January to September 2021	**2020**	**2019**
Non-current liabilities due within one year	121,376,180	60,485,071	46,673,905
Long-term borrowings	–	83,887,673	130,967,281
Lease liabilities	71,146	–	–
Less: cash and bank balances	199,713,609	242,843,041	217,412,613
Net cash	(78,266,283)	(98,470,297)	(39,771,427)
Total equity attributable to the shareholders of the Company	952,179,496	962,305,365	921,778,197
Leverage ratio	Not applicable	Not applicable	Not applicable

VIII. DISCLOSURE OF FAIR VALUE

1. Assets measured at fair value

30 September 2021

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Held-for-trading financial assets	–	60,000,000	–	60,000,000

2. Assets and Liabilities Measured at Fair Value

30 September 2021

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	143,060,000	–	143,060,000
Other non-current assets	–	36,633,946	–	36,633,946

31 December 2020

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	143,060,000	–	143,060,000
Long-term borrowings	–	83,887,673	–	83,887,673

31 December 2019

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	143,060,000	–	143,060,000
Long-term borrowings	–	130,967,281	–	130,967,281

3. Estimation of Fair Value

Fair value of financial instruments

Following is a comparison between lease liabilities and book values and fair values of various categories of financial instruments of the Group other than the financial instruments with a minor difference between book value and fair value:

	Book value			Fair value		
	30 September 2021	**31 December 2020**	**31 December 2019**	**30 September 2021**	**31 December 2020**	**31 December 2019**
Financial Assets						
Long-term receivables	143,060,000	143,060,000	143,060,000	143,060,000	143,060,000	143,060,000
Other non-current assets	36,633,946	–	–	36,633,946	–	–
	179,693,946	143,060,000	143,060,000	179,693,946	143,060,000	143,060,000
Financial liabilities						
Long-term borrowings	–	83,887,673	130,967,281	–	83,880,464	130,796,978

The management has assessed the cash and bank balances, bills receivable, accounts receivable, other receivables, other non-current liabilities, other payables, non-current liabilities due within one year, etc. In each case, the fair value and book value are similar due to short remaining period.

The fair values of financial assets and liabilities are determined as per the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The long-term receivables, other non-current assets and long-term borrowings are determined on the basis of discounted future cash flow using the market rate of return of other financial instruments with similar contractual terms, credit risk and residual term as the discount rate to ensure that the amount is determined fairly. As at 30 September 2021, 31 December 2020 and 31 December 2019, the non-performance risk associated with long-term and short-term borrowings was assessed as insignificant.

Held-for-trading financial assets are wealth management products held by the Group and their fair value is determined using cost plus expected return.

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Shareholder of the Company

	Place of incorporation	Business nature	Registered Capital *(USD)*	Equity proportion in the Company *(%)*	Voting rights proportion in the Company *(%)*
Lirun Limited	British Virgin Islands	Investment	50,000	61.57	61.57

73.19% voting right shares of the Company are hold by NG Wai Man, Lirun Limited and Sure Port Investments Limited, and 9.59% voting right shares of the Company are hold by NG Dan Ching. NG Wai Man holds 100% voting right shares of Lirun Limited and Sure Port Investments Limited, and thus is the actual controller of the Company.

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VI. 1. Interests in subsidiaries.

3. Joint Ventures and an Associate

For the details of joint ventures and an associate, please refer to Note VI. 2. Interests in Joint Ventures and an Associate.

4. Other Related Parties

Company Name	Relationship between other related parties and the Company
Nanjing Jiangbei New Area Construction Investment Group Co., Ltd. (南京江北新區建設投資集團有限公司)	Minority shareholders of the Group's subsidiaries
Nanjing Chemical Industry Park Public Services Company Limited (南京化學工業園公用事業有限責任公司)	Subsidiaries of minority shareholders
Dragon Crown Investments Limited(龍翔化工國際有限公司)	Enterprises controlled by the directors of the Company
Weifang Sime Darby Liguid Terminal Co., Ltd. (濰坊森達美液化品碼頭有限公司)	A joint venture
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd. (寧波寧翔液化儲運碼頭有限公司)	A joint venture
Ningbo Xinxiang Liquid Chemical Store Co., Ltd. (寧波新翔液體化工倉儲有限公司)	A joint venture

5. **Major Transactions between the Group and Related Parties**

(1) Purchase and sale of goods, provision and receipt of services from related parties

Purchase of goods and receipt of services from related parties

	Note	Nature of Transactions	Pricing method and decision-making procedure of related transaction	Period from January to September 2021	2020	2019
Nanjing Chemical Industry Park Public Services Company Limited(南京化學工業園公用事業有限責任公司)	*Note 1*	Terminal service	Negotiated price	3,841,545	4,609,268	4,826,612

Note 1: Terminal service expenses were charged in accordance with the terms mutually agreed between the Group and the related company.

(2) Leases with related party

As lessees

	Notes	Types of leased assets	Period from January to September 2021 Lease expenses	2020 Lease expenses	2019 Lease expenses
Nanjing Jiangbei New Area Construction Investment Group Co., Ltd.(南京江北新區建設投資集團有限公司)	*Note 1*	Pipe racks	7,828,259	10,437,679	10,437,679
Dragon Crown Investments Limited(龍翔化工國際有限公司)	*Note 2*	Buildings	1,237,294	1,760,939	1,744,647
			9,065,553	12,198,618	12,182,326

Note 1: The Group, as the lessee, entered into several lease agreements with Nanjing Jiangbei New Area Construction Investment Group Co., Ltd. for the use of pipe racks.

Note 2: The Group, as the lessee, entered into a three-year office lease agreement ending on 31 December 2021 with Dragon Crown Investments Limited at a monthly rental of HKD165,000. On 14 December 2021, the Group entered into a lease agreement with Dragon Crown Investments Limited to extend the lease term to 30 June 2022.

(3) Other related parties transactions

Remuneration for key management personnel

	Period from January to September 2021	2020	2019
Remuneration for key management personnel	4,527,717	6,406,954	6,274,118
Including: Short-term salaries	4,482,725	6,342,920	6,211,998
Post-employment benefits	44,992	64,034	62,120

(4) Loans and borrowings of the related parties

Lendings

During the period from January to September 2021

	Note	Lending amount	Inception date	Expiration date
Weifang Sime Darby Liguid Terminal Co., Ltd. (濰坊森達美液化品碼頭有限公司)	*Note 1*	40,000,000	15 July 2016	31 December 2028
		21,060,000	15 July 2016	31 December 2028
		27,000,000	15 July 2017	31 December 2028
		25,000,000	15 July 2017	31 December 2028
		30,000,000	19 December 2018	31 December 2028

31 December 2020 and 31 December 2019

	Note	Lending amount	Inception date	Expiration date
Weifang Sime Darby Liguid Terminal Co., Ltd. (濰坊森達美液化品碼頭有限公司)	*Note 1*	40,000,000	15 July 2016	14 July 2021
		21,060,000	15 July 2016	14 July 2021
		27,000,000	15 July 2017	14 July 2022
		25,000,000	15 July 2017	14 July 2022
		30,000,000	19 December 2018	18 December 2023

Interest income

	Note	Period from January to September 2021	2020	2019
Weifang Sime Darby Liguid Terminal Co., Ltd. (濰坊森達美液化品碼頭有限公司)	*Note 1*	6,494,864	8,706,608	8,912,524

Note 1: As at 30 September 2021, 31 December 2020 and 30 December 2019, the bearing-interest loans of RMB122,000,000 and RMB21,060,000 provided by the Group to Weifang Sime Darby Liguid Terminal Co., Ltd., a joint venture, were carried at 6% and 6.4% per annum, respectively. Such shareholders' loans are unsecured with a term of five years under the original agreement. The Group and Weifang Sime Darby Liguid Terminal Co., Ltd. entered into a supplemental agreement on 9 July 2021 to extend the entire borrowings to 31 December 2028.

6. Amounts due from related parties

(1) Other receivables

	30 September 2021	**31 December 2020**	**31 December 2019**
Dragon Crown Investments Limited	273,269	277,871	295,012
Weifang Sime Darby Liguid Terminal Co., Ltd.(濰坊森達美液化品碼頭有限公司)	–	31,212,021	23,943,066
Ningbo Ningxiang Liquid Chemicals Terminal Co., Ltd.(寧波寧翔液化儲運碼頭有限公司)	3,144,635	–	–
Ningbo Xinxiang Liquid Chemical Store Co., Ltd.(寧波新翔液體化工倉儲有限公司)	932,826	–	–
	4,350,730	31,489,892	24,238,078

(2) Other non-current assets

	30 September 2021	**31 December 2020**	**31 December 2019**
Weifang Sime Darby Liguid Terminal Co., Ltd.(濰坊森達美液化品碼頭有限公司)	36,633,946	–	–

7. Amounts due to related parties

(1) Other payables

	30 September 2021	**31 December 2020**	**31 December 2019**
Nanjing Jiangbei New Area Construction Investment Group Co., Ltd.(南京江北新區建設投資集團有限公司)	6,690,224	–	–

X. COMMITMENTS AND CONTINGENT MATTERS

1. Significant commitments

The Group has contracted, but not provided for capital commitments as follows:

	30 September 2021	31 December 2020	31 December 2019
Contracted, but not provided for capital commitments	7,519,635	3,557,648	4,636,963

Save as the above, the Group's entitlement to contracted, but not provided for capital commitments of joint ventures under the equity method is as follows:

	30 September 2021	31 December 2020	31 December 2019
Contracted, but not provided for capital commitments	234,313,227	234,313,227	234,354,970

Contracted but not provided for capital commitments as at 31 December 2019, 31 December 2020 and 30 September 2021 represent the unsatisfied performance obligations for the construction contracts and decoration contracts entered into in respect of the buildings and structures in progress.

2. Contingent matters

As at the balance sheet date, the Group did not have any discloseable contingent matters.

XI. SUBSEQUENT EVENTS

As at 14 December 2021, Overseas Hong Kong Investment Limited, a wholly-owned subsidiary of the Group, entered into a loan agreement with Weifang Sime Darby Liguid Terminal Co., Ltd., a joint venture of the Group, pursuant to which it agreed that Overseas Hong Kong Investment Limited will provide Weifang Sime Darby Liguid Terminal Co., Ltd. with a loan in the principal amount of USD9,420,000 to repay the principal and interest of certain bank facility. The loan shall bear interest at 6.0% per annum and the interest shall be payable quarterly. The principal shall be repaid in a lump sum when the loan is due, and the loan term shall be from 15 December 2021 to 14 December 2026. If Weifang Sime Darby Liguid Terminal Co., Ltd. is unable to repay the loan due, the loan agreement may be extended for five years after being signed and confirmed in written form.

XII. OTHER SIGNIFICANT MATTERS

1. Segment reporting

Operating segment

The Group currently derives its operating profit mainly from the domestic subsidiaries of the Company. The Group does not operate any other business that has significant impact on the operating results. According to the Group's internal organization, management requirements and internal reporting system, there is currently no division of business segments, nor is it managed and assessed in accordance with the operating segment model. As the Group’s revenue is mainly derived from within the PRC and its assets are mainly located within the PRC, and the resources of each subsidiary are managed and deployed by the management of the Company in a unified manner, there is no cross-sectoral situation but a certain degree of homogeneity in the Group’s business and products, and in light of the consistency of the management team, the Group does not need to disclose segment data separately.

Other information

Product and labour information

Revenue from external transactions

	Period from January to September 2021	**2020**	**2019**
Terminal storage services	88,150,888	118,674,936	117,530,847
Handling services	70,263,998	93,823,189	85,971,798
Others	1,292,450	1,854,873	1,607,096
	159,707,336	214,352,998	205,109,741

Geographic information

Revenue from external transactions

	Period from January to September 2021	2020	2019
Mainland China	159,707,336	214,352,998	205,109,741

Revenue from external transactions is attributable to the customers' geographical locations.

All of the Group's non-current assets are located in Mainland China.

Information on major customers

For the period from January to September 2021, operating revenue (amounting to 10% or more of the Group's revenue) of RMB140,669,270 was derived from a single customer (including all entities known to be controlled by the customer).

In 2020, operating revenue (amounting to 10% or more of the Group's revenue) of RMB182,958,471 was derived from a single customer (including all entities known to be controlled by the customer).

In 2019, operating revenue (amounting to 10% or more of the Group's revenue) of RMB175,961,387 was derived from a single customer (including all entities known to be controlled by the customer).

2. Lease

(1) As a lessor

The Group leases the buildings and structures, including the laboratory for a term of 5 years, and the sample storage room and the laboratory on the 3rd floor for a term of 4 years, under an operating lease. According to the lease agreement, the rent is subject to annual adjustment in accordance with the CPI of the year. The Group's revenue arising from the leasing of buildings and structures for the period from January to September 2021 and the years of 2020 and 2019 amounted to RMB517,730, RMB759,321 and RMB738,370 respectively.

Operating lease

Profit or loss related to operating lease are set out below:

	Period from January to September 2021	**2020**	**2019**
Rental income	517,730	759,321	738,370

The minimum lease payments receivable under the uncancellable lease of the lease agreements entered into with the lessee are as follows:

	Period from January to September 2021	**2020**	**2019**
Within one year (inclusive)	445,424	763,584	763,584
After one year but within two years (inclusive)	–	254,528	763,584
After two years but within three years (inclusive)	–	–	254,528
Net lease investment	445,424	1,018,112	1,781,696

(2) As a lessee

	Period from January to September 2021
Interest expenses on lease liabilities	44,094
Short-term lease payments charged to profit or loss using simplified approach	8,536,299
Total cash outflows related to leases	9,186,733

Future potential cash outflows not recognized as lease liabilities

Committed but not commenced leases

Estimated cash outflows of leases in future years that the Group has committed but not commenced are as follows:

	From January to September 2021
Within one year (inclusive)	2,845,433

Significant operating lease

The minimum lease payments payable under the uncancellable lease of the lease agreements entered into by the Group as a lease with the lessor are as follows:

	2020	**2019**
Within one year (inclusive)	12,266,480	13,228,753
After one year but within two years (inclusive)	714,280	12,369,322
After two years but within three years (inclusive)	–	714,280
	12,980,760	26,312,355

Other lease information

For right-of-use assets, see Note V.12; for lease liabilities, see Note V.23, V.25.

XIII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Long-term receivables

	30 September 2021	**31 December 2020**	**31 December 2019**
Amounts due from subsidiaries	612,672,401	655,753,081	674,631,816

The Company's long-term receivables comprise current amounts of subsidiaries within the Group and dividends. The management of the Company considers that these receivables are part of the Group's net investment in subsidiaries and are not expected to be repaid within twelve months after the end of each reporting period and therefore are classified as long-term receivables as at 30 September 2021 and 31 December 2020 and 31 December 2019. No provision for impairment is required for the long-term receivables.

XIV. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on 10 January 2022.

1. Non-recurring profit or loss

	Period from January to September 2021	2020	2019
Government grants recognised in profit or loss for the current period	524,293	1,780,159	312,119
Gains or losses from fair value changes arising from holding held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities and investment gain arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment other than effective hedging business related to the normal business operations of the Company	239,811	214,613	–
Non-recurring profits and losses attributable to joint ventures and an associate under the equity method	2,364,818	395,164	81,149
Capital utilization fee received from non-financial enterprises and included in profit and loss of the current period	6,494,864	8,706,608	8,912,524
Other non-operating income and expenses other than above items	(119,918)	(636,970)	(2,728,219)
	9,503,868	10,459,574	6,577,573
Impact on income tax	161,047	302,824	(607,943)
	9,342,821	10,156,750	7,185,516
Impact on non-controlling interests (after tax)	48,266	69,448	(184,480)
	9,294,555	10,087,302	7,369,996

The Group recognized non-recurring profit or loss items in accordance with the Explanatory Announcement No. 1 on Information Disclosure by Public Issuers – Non-recurring Profit or Loss Items (CSRC Announcement No. 200843).

2. Return on net assets and earnings per share

Return on weighted average net assets and basic and diluted earnings per share of the Company according to the requirements stipulated in the "Regulation for the preparation of information disclosure for listed securities companies (2010) No.9 – Calculation and disclosure of return on net assets and earnings per share" (2010 revised) issued by the CSRC as follows:

Period from January to September 2021

	Return on weighted average net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	4.17	0.03	0.03
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses	3.14	0.03	0.03

2020

	Return on weighted average net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	7.98	0.06	0.06
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses	6.89	0.05	0.05

2019

	Return on weighted average net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.74	0.03	0.03
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses	2.93	0.02	0.02

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

Since the Company has no dilutive potential ordinary shares, diluted earnings per share is identical to basic earnings per share.