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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Dragon Crown Group Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group" or "Dragon Crown") for the year ended 31 December 2019, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	2019	2018
		HK$'000	*HK$'000*
REVENUE	5	**229,849**	262,491
Cost of services provided		**(116,621)**	(118,619)
Gross profit		**113,228**	143,872
Other income	6	**16,476**	20,023
Gain on disposal of financial asset at fair value through profit or loss		**–**	5,502
Administrative expenses		**(46,149)**	(50,896)
Finance costs	7	**(8,735)**	(7,184)
Share of profits and losses of:			
Associate		**(379)**	(369)
Joint ventures		**(2,086)**	1,449
PROFIT BEFORE TAX	8	**72,355**	112,397
Income tax	9	**(26,900)**	(36,247)
PROFIT FOR THE YEAR		**45,455**	76,150
Attributable to:			
Owners of the Company		**38,787**	66,930
Non-controlling interests		**6,668**	9,220
		45,455	76,150
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic and diluted	11	**3.18**	5.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**45,455**	76,150
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(310)**	(995)
Share of other comprehensive loss of joint ventures	**(8,803)**	(27,252)
Exchange differences related to foreign operations	**(10,507)**	(32,471)
	(19,620)	(60,718)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**25,835**	15,432
Attributable to:		
Owners of the Company	**19,979**	8,726
Non-controlling interests	**5,856**	6,706
	25,835	15,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**474,184**	526,215
Prepaid land lease payments		**–**	33,347
Right-of-use assets		**37,308**	–
Goodwill		**1,210**	1,210
Investment in an associate		**17,219**	17,910
Investments in joint ventures		**486,695**	473,710
Prepayments		**2,563**	4,180
Deferred tax assets		**7,251**	8,256
Total non-current assets		**1,026,430**	1,064,828
CURRENT ASSETS			
Inventories		**3,147**	3,011
Accounts and bills receivables	*12*	**32,504**	50,017
Prepayments, deposits and other receivables		**34,652**	28,720
Cash and cash equivalents		**243,198**	194,872
Total current assets		**313,501**	276,620
CURRENT LIABILITIES			
Other payables, accruals and contract liabilities		**23,903**	16,473
Interest-bearing bank and other borrowings	*13*	**54,652**	27,000
Tax payable		**7,072**	9,046
Total current liabilities		**85,627**	52,519
NET CURRENT ASSETS		**227,874**	224,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,254,304**	1,288,929

	Notes	2019	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**148,441**	148,500
Contract liabilities		**26,461**	32,089
Deferred tax liabilities		**3,394**	4,432
Total non-current liabilities		**178,296**	185,021
NET ASSETS		**1,076,008**	1,103,908
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**122,063**	122,063
Reserves		**908,825**	931,631
		1,030,888	1,053,694
Non-controlling interests		**45,120**	50,214
TOTAL EQUITY		**1,076,008**	1,103,908

NOTES:

1. 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 address of its principal place of business in Hong Kong is Unit No.3, 18th Floor, Convention Plaza, Office Tower, No.1 Harbour Road, Hong Kong. The Group is principally engaged in terminal storage and the handling of liquid petrochemicals.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for buildings and structures. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets of HK$34,305,000 that were reclassified from prepaid land lease payments.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) *HK$'000*
Assets	
Increase in right-of-use assets	39,917
Decrease in prepaid land lease payments	(33,347)
Decrease in prepayments, other receivables and other assets	(958)
Increase in total assets	5,612
Liabilities	
Increase in interest-bearing bank and other borrowings and increase in total liabilities	5,612
Reserves	
Change in retained profits	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	18,335
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(12,395)
	5,940
Weighted average incremental borrowing rate as at 1 January 2019	3.73%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	5,612

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Revenue from a major customer, whose entities shown below are within the same group and in aggregate amounting to 10% or more of the Group's revenue, is set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**144,770**	111,096
Customer B	**38,430**	77,547
Customer C	**11,100**	22,867
Customer D	**4,443**	5,934
	198,743	217,444

5. REVENUE

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Provision of the terminal storage and handling services of liquid chemicals	**229,849**	262,491

All the revenue from contracts with customers are derived from Mainland China and recognised over time.

6. OTHER INCOME

An analysis of other income is as follows:

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**4,167**	2,905
Gross rental income	**838**	885
Loan interest income from a joint venture	**10,115**	10,971
Government grants*	**52**	4,372
Others	**1,304**	890
	16,476	20,023

* There are no unfulfilled conditions or contingencies related to these grants.

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**8,503**	7,184
Interest on lease liabilities	**232**	–
	8,735	7,184

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**51,451**	53,832
Depreciation of right-of-use assets	**3,673**	–
Amortisation of prepaid land lease payments	**–**	939
Minimum lease payments under operating leases on office premises and pipe racks	**–**	13,362
Lease payments not included in the measurement of lease liabilities	**11,142**	–
Auditor's remuneration	**1,480**	1,465
Directors' remuneration	**4,541**	4,263
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	**25,050**	23,853
Pension scheme contributions*	**4,328**	4,467
	29,378	28,320
Gross rental income	**(838)**	(885)
Less: Outgoings	**42**	44
	(796)	(841)
Loss on disposal of items of property, plant and equipment	**3,084**	2,087
Foreign exchange losses, net	**2,496**	7,876

* As at 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

9. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Current-Hong Kong		
Charge for the year	**48**	38
Overprovision in prior years	**(24)**	(30)
Current-Elsewhere		
Charge for the year	**21,644**	40,499
Underprovision/(overprovision) in prior years	**144**	(15)
Deferred	**5,088**	(4,245)
Total tax charge for the year	**26,900**	36,247

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

10. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend – HK1.5 cents (2018: HK2.0 cents) per ordinary share	**18,309**	24,413
Proposed final dividend – HK1.0 cent (2018: HK2.0 cents) per ordinary share	**12,206**	24,413
	30,515	48,826

The proposed final dividend for the year ended 31 December 2019 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**38,787**	66,930

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	**1,220,628,000**	1,220,628,000

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2019 and 2018.

12. ACCOUNTS AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable	**30,918**	48,159
Bills receivable	**1,586**	1,858
	32,504	50,017

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, extending to up to 60 days for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group did not hold any collateral or other credit enhancement over its accounts receivable balance. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current to 30 days	**28,833**	32,817
31 to 60 days	**738**	12,121
61 to 90 days	**832**	3,219
Over 90 days	**515**	2
	30,918	48,159

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	**2019** ***HK$'000***	2018 *HK$'000*
Current				
Lease liabilities	3.73% - 4.75%	2020	**2,652**	–
Bank loan – unsecured	Hong Kong Interbank Offer Rate ("HIBOR"), plus 1.4%	2020 (2018: 2019)	**49,000**	24,000
Bank loan – unsecured	HIBOR, plus 1.9%	2020 (2018: 2019)	**3,000**	3,000
Total current			**54,652**	27,000
Non-current				
Lease liabilities	3.73%	2021	**1,941**	–
Bank loan – unsecured	HIBOR, plus 1.4%	2021 (2018: 2020 to 2021)	**124,000**	123,000
Bank loan – unsecured	HIBOR, plus 1.9%	2021 (2018: 2020 to 2021)	**22,500**	25,500
Total non-current			**148,441**	148,500
Total			**203,093**	175,500
Analysed into:				
Bank loans repayable:				
Within one year			**52,000**	27,000
In the second year			**146,500**	52,000
In the third to fifth years, inclusive			**–**	96,500
			198,500	175,500
Other borrowings repayable:				
Within one year			**2,652**	–
In the second year			**1,941**	–
			4,593	–
			203,093	175,500

Notes:

(a) As at 31 December 2019, except for the lease liabilities of HK$782,000 (2018: Nil) are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

(b) As at 31 December 2019 and 2018, no bank guarantees were provided by the Company and its subsidiaries.

14. SHARE CAPITAL

	2019 ***HK$'000***	2018 *HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
1,220,628,000 ordinary shares of HK$0.10 each	**122,063**	122,063

BUSINESS REVIEW

Dragon Crown is one of China's leading storage and integrated terminal service providers that specialized in the handling and storage of liquid petrochemical products, operating a total of three terminals that are located in Nanjing, Ningbo and Weifang. Strategically situated in two of the major petrochemical industry hubs of China, the Group has set up jetties and tank farms (together, the "Terminals") along the coastal area to seize the rising demand from the petroleum and chemical industries. Dragon Crown offers a high quality and comprehensive range of liquid petrochemical terminal and storage services to customers through its own jetties, storage tanks and dedicated pipelines.

During the year ended 31 December 2019, the throughput volume of liquid petrochemical products handled by the Group's Nanjing, Ningbo and Weifang terminals reached 1,529,000 metric tonnes, 379,000 metric tonnes and 4,877,000 metric tonnes, respectively (2018: 1,542,000 metric tonnes, 339,000 metric tonnes and 5,730,000 metric tonnes, respectively), with a combined throughput volume of 6,785,000 metric tonnes (2018: 7,611,000 metric tonnes).

The following table provides an overview of the Group's Terminals as at 31 December 2019:

Terminals	**Nanjing**	**Ningbo**	**Weifang**	**Total**
Number of tanks	32	12	63	107
Storage capacity (m^3)	210,000	29,000	497,000	736,000
Number of berths	3	1	2	6
Berthing capacity (dwt)	45,000*	3,000	60,000**	
Jetty designed throughput capacity (metric tonnes)	4,000,000	100,000	4,000,000	8,100,000

* Comprises three berths with capacity of 20,000 dwt, 20,000 dwt and 5,000 dwt, respectively.

** Comprises two berths with capacity of 30,000 dwt each.

The main source of the Group's revenue and profit is derived from its flagship terminal, situated in the Nanjing Jiangbei New Materials High-tech Park. The Group's major customer, Celanese Corporation (NYSE: CE), a world leading producer of acetyl products, is also situated in the same high-tech park, contributed HK$198.7 million (2018: HK$217.4 million) in revenue to the Group, which is equivalent to 86.5% (2018: 82.8%) of the total revenue during the year. The business operation in Nanjing continues to contribute stable revenue as we have established long term relationship with our customers.

The opening of Weifang Port to foreign vessels signified a new chapter for the Bohai Economic Basin as well as North-east Asia as it acts as a logistic hub in the region. With the obvious geographical and logistic advantage of Weifang Port to oil refineries and chemical production plants located within its 300km radius, Weifang Liquid Terminal allows the entrance of vessels with higher Dead Weight Tonnage so as to effectively control customers' costs. The Phase I and II Project of the Bulk Liquid Terminal at the West Operation Zone, Central Port Area of Weifang Port have already commenced operation. In order to cohere with the business development of the Group and better utilize the Group's resources, the Group will appropriately adjust the construction progress of the Phase III Project according to the industry environment and the Group's business need. The Group regards Weifang Liquid Terminal as an important cornerstone for the long term development of the Group and expects the operation scale and profitability of Weifang Liquid Terminal will be enhanced after the completion of the construction of Phase III, In addition, the completion and operation of the surrounding railways in 2019 will definitely enhance the flexibility and reliability of the terminal, as well as more convenience for customers in the future.

The Group regards Weifang Liquid Terminal as a significant milestone for our business development. The operation and development of Weifang Liquid Terminal will be beneficial to the profit of the Group in the future and will consolidate the superior position of Dragon Crown in China's liquid petrochemical industry.

Dragon Crown is in a strong financial position as at 31 December 2019, with total assets of HK$1,339.9 million (2018: HK$1,341.4 million) and total equity of HK$1,076.0 million (2018: HK$1,103.9 million). As at 31 December 2019, the Group has cash on hand of HK$243.2 million (2018: HK$194.9 million) and in a net cash position. Such a healthy financial backup ensures the Group's sustainability.

BUSINESS OUTLOOK

Although the development of the US-Sino trade war and the outbreak of coronavirus disease (COVID-19) are becoming more uncertain, the Group is prudently optimistic about the prospects of the industry and layout of the business. Looking ahead, with the opening of Weifang Port to foreign vessels, the Group is granted the opportunity to explore new market through business expansion while ensuring the development of its core business. The Group plans to continue enhancing its business development in the coastal regions of China, particularly along the Yangtze River Delta and Bohai Bay regions, so as to further expand Dragon Crown's domestic and even international market.

As Weifang Liquid Terminal Phase I and II commenced operation, and the development of Phase III will further enhance the scale of the terminal in the future, the Group will be more capable to capture the market demand in North-eastern China and North-eastern Asia. The Group believes in the great business potential in the region and is confident that the Group can maintain its leading role in the new market with the help of Weifang Liquid Terminal. Together with the construction of Weifang Liquid Terminal Phase III, it will become the largest terminal of the Group, with total storage capacity of over 660,000m^3. Several potential customers are in negotiation for renting the tank capacity in Phase III already. In addition, the construction of different railways and transportation network around Weifang Liquid Terminal will further strengthen our advantage in developing a remarkable role in the industry.

With advanced operations and a highly experienced management team at the helm, Dragon Crown is set to consolidate its superior position as a storage and integrated terminal service provider in China. Despite all the upcoming challenges, the Group will remain committed to achieving better financial results and delivering greater value to its shareholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2019, the revenue of the Group decreased by 12.4% from HK$262.5 million in 2018 to HK$229.8 million. The decrease was mainly due to the decrease in revenue in respect of ethylene, methanol and acetic acid.

Gross profit

For the year ended 31 December 2019, the gross profit of the Group decreased by 21.3% from HK$143.9 million in 2018 to HK$113.2 million. The decrease was mainly due to the decrease in revenue as mentioned above. The gross profit ratio decreased by 5.5%, from 54.8% in 2018 to 49.3% for the year.

Other income

Other income decreased to HK$16.5 million from HK$20.0 million in 2018, which was mainly due to the absence of one-off government grants recorded in 2018.

Administrative expenses

Administrative expenses decreased by 9.3% from HK$50.9 million in 2018 to HK$46.1 million. The decrease was mainly due to the decrease in loss on foreign exchange difference.

Finance costs

Finance costs for the year increased to HK$8.7 million from HK$7.2 million in 2018. It was mainly attributable to the increase of interest rate and the Group has drawn down certain new bank loans during the year.

Share of profit and loss of an associate

The associate in Tianjin was going through the liquidation process since 2016 and the loss of HK$0.4 million for the year (2018: HK$0.4 million) was due to the administrative expenses in relation to the liquidation.

Share of profits and losses of joint ventures

There was no significant change in the share of profits of the joint ventures in Ningbo compared with that of 2018.

The share of loss of the joint venture in Weifang increased for the year due to the increase in operating costs such as depreciation and energy costs.

Since the share of loss of the joint venture in Weifang outweighed the share of profits of the joint ventures in Ningbo, the Group recorded share of losses of its joint ventures for the year.

Tax expense

The tax expense for the year decreased to HK$26.9 million from HK$36.2 million in 2018. The decrease was due to the decrease in profit for the year.

Investment in Weifang Sime Darby Liquid Terminal Co., Ltd. ("WSDL")

The acquisition of 50% equity interest in WSDL at a consideration of RMB60.9 million was completed on 23 May 2016 and WSDL becomes a joint venture of the Group since then. Afterwards, the Group had injected capital of a total amount of RMB225.0 million into WSDL in proportion to its shareholding interest in WSDL up to 31 December 2019.

The Group had provided shareholder's loans to WSDL. As at 31 December 2019, WSDL was indebted to the Group in an aggregate amount of RMB143.1 million.

USE OF NET PROCEEDS FROM LISTING

The Group has received approximately HK$281.1 million net proceeds, after deducting underwriting fee and other related expenses, from listing of the Company's shares in 2011.

These net proceeds were applied up to 31 December 2019 in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 30 May 2011 and the Company's announcements dated 6 February 2013 headed "Change of use of proceeds", dated 20 December 2017 headed "Change in use of proceeds from the global offering" and dated 22 December 2017 headed "Clarification announcement", as follows:

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Construction of second cryogenic ethylene tank	133.1	133.1	–
Construction of our third jetty	46.6	46.6	–
Investing into existing projects	15.0	15.0	–
Investing into future business development opportunities	5.0	–	5.0
Construction of nine general purpose storage tanks	33.3	33.3	–
General working capital	48.1	48.1	–
	281.1	276.1	5.0

The Group held the unutilised net proceeds in short-term deposits or time deposits with banks in Hong Kong as at 31 December 2019.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 31 December 2019, the Group's total bank loans amounted to HK$198.5 million (2018: HK$175.5 million), all of which are Hong Kong dollar bank loans. The Group's cash and cash equivalents amounted to HK$243.2 million (2018: HK$194.9 million). The Group maintained net cash position at 31 December 2019 and 2018. The gearing structure was as follows:

	2019	2018
	HK$'000	*HK$'000*
Net cash	**44,698**	19,372
Equity attributable to owners of the Company	**1,030,888**	1,053,694
Gearing ratio	**N/A**	N/A

As at 31 December 2019, the Group's current assets and current liabilities amounted to HK$313.5 million (2018: HK$276.6 million) and HK$85.6 million (2018: HK$52.5 million), respectively. As at 31 December 2019, the Group's current ratio was 3.7 (2018: 5.3).

The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

DEBT MATURITY PROFILE

The maturity profile of the Group's bank loans is set out below:

	2019	2018
	HK$'000	*HK$'000*
Repayable:		
Within one year	**52,000**	27,000
In the second year	**146,500**	52,000
In the third to fifth years, inclusive	**–**	96,500
	198,500	175,500

Note: All bank loans as at 31 December 2019 are denominated in Hong Kong dollars.

FOREIGN CURRENCY AND INTEREST RATE RISKS

The Group's cash and bank balances were primarily denominated in Renminbi and Hong Kong dollars. Its operating cash inflows and outflows were primarily denominated in Renminbi and Hong Kong dollars. During the year, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

All bank borrowings of the Group were denominated in Hong Kong dollars, the interest rates of these bank borrowings are calculated in HIBOR plus a particular percentage. The Group will closely monitor the interest rate movements and regularly review its banking facilities so as to mitigate the expected interest rate risk.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had a total of 339 full time employees (2018: 363). The Group provides competitive remuneration package to retain its employees including salaries, discretionary bonus, medical insurance, other allowance and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the People's Republic of China.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 1 June 2020. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting which is scheduled on Friday, 22 May 2020 (the "AGM"). The final dividend is expected to be paid on Monday, 22 June 2020.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In the opinion of the directors, throughout the year, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer of the Company are held by Mr. NG Wai Man who is the founder of the Company and has extensive experience in the industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person is beneficial to the business prospects and management and provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board considers that the current structure of vesting the roles of both Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made on all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2019.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's independent auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's independent auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong

Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's independent auditor on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on Friday, 22 May 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 May 2020.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 29 May 2020 to Monday, 1 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on Thursday, 28 May 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.dragoncrown.com.

The 2019 annual report will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
DRAGON CROWN GROUP HOLDINGS LIMITED
Ng Wai Man
Chairman & Chief Executive Officer

Hong Kong, 27 March 2020

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