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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Dragon Crown Group Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**" or "**Dragon Crown**") for the six months ended 30 June 2020, together with the comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**122,461**	116,575
Cost of services provided		**(54,573)**	(52,878)
Gross profit		**67,888**	63,697
Other income	*5*	**8,866**	7,878
Administrative expenses		**(21,072)**	(20,729)
Finance costs	*6*	**(3,888)**	(4,025)
Share of profits and losses of:			
Associate		**(219)**	(260)
Joint ventures		**9,421**	(2,503)
PROFIT BEFORE TAX	*7*	**60,996**	44,058
Income tax	*8*	**(17,026)**	(16,228)
PROFIT FOR THE PERIOD		**43,970**	27,830

		Six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		**39,460**	23,880
Non-controlling interests		**4,510**	3,950
		43,970	27,830
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic and diluted	*9*	**3.23**	1.96

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**43,970**	27,830
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	**(346)**	(2)
Share of other comprehensive loss of joint ventures	**(9,675)**	(476)
Exchange differences related to foreign operations	**(11,047)**	(702)
	(21,068)	(1,180)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**22,902**	26,650
Attributable to:		
Owners of the Company	**19,398**	22,775
Non-controlling interests	**3,504**	3,875
	22,902	26,650

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020** **HK$'000** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**441,072**	474,184
Right-of-use assets		**34,833**	37,308
Goodwill		**1,210**	1,210
Investment in an associate		**16,650**	17,219
Investments in joint ventures		**486,432**	486,695
Prepayments		**6,539**	2,563
Deferred tax assets		**6,684**	7,251
Total non-current assets		**993,420**	1,026,430
CURRENT ASSETS			
Inventories		**3,180**	3,147
Accounts and bills receivables	*12*	**52,235**	32,504
Prepayments, deposits and other receivables		**32,892**	34,652
Cash and cash equivalents		**258,022**	243,198
Total current assets		**346,329**	313,501
CURRENT LIABILITIES			
Other payables, accruals and contract liabilities	*13*	**19,919**	23,903
Interest-bearing bank and other borrowings	*14*	**54,465**	54,652
Tax payable		**11,623**	7,072
Total current liabilities		**86,007**	85,627
NET CURRENT ASSETS		**260,322**	227,874
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,253,742**	1,254,304

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**146,229**	148,441
Contract liabilities	*13*	**23,891**	26,461
Deferred tax liabilities		**2,915**	3,394
Total non-current liabilities		**173,035**	178,296
NET ASSETS		**1,080,707**	1,076,008
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**122,063**	122,063
Reserves		**916,017**	908,825
		1,038,080	1,030,888
Non-controlling interests		**42,627**	45,120
TOTAL EQUITY		**1,080,707**	1,076,008

NOTES:

1. GENERAL INFORMATION OF THE GROUP

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 handling of liquid petrochemicals.

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

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2019, except for the adoption of revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which also include Hong Kong Accounting Standards ("**HKASs**") and interpretations, in current period for the first time as disclosed in note 2.2. The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKFRS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the Group's condensed consolidated interim financial information.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the bases of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated interim financial information.

3. 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:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**105,011**	46,957
Customer B	**–**	38,957
Customer C	**–**	12,348
Customer D	**–**	1,781
	105,011	100,043

The above entities merged and absorbed into one entity in 2019.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**122,461**	116,575

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

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Business activities		
Terminal storage services	**66,252**	69,260
Handling services	**56,209**	47,315
Total revenue from contracts with customers	**122,461**	116,575

5. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,910**	1,694
Gross rental income	**575**	431
Loan interest income from a joint venture	**4,762**	5,156
Government grants	**81**	–
Others	**1,538**	597
	8,866	7,878

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,810**	3,928
Interest on lease liabilities	**78**	97
	3,888	4,025

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	**24,910**	26,301
Depreciation on right-of-use assets	**1,812**	1,392
Impairment of accounts receivable	**329**	–

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 (2019: Nil). 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.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**14,032**	12,830
Under-provision in previous periods	**245**	82
Deferred	**2,749**	3,316
Total tax charge for the period	**17,026**	16,228

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**39,460**	23,880

	Number of shares	
	2020	2019
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 periods ended 30 June 2020 and 2019.

10. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend paid during the period:		
Final in respect of financial year ended 31 December 2019 – HK1.0 cent per ordinary share (2019: Final in respect of financial year ended 31 December 2018 – HK2.0 cents per ordinary share)	**12,206**	24,413
Proposed interim dividend:		
HK1.8 cents per ordinary share (2019: HK1.5 cents per ordinary share)	**21,971**	18,309

Subsequent to the period ended 30 June 2020, on 17 August 2020, the board of directors declared an interim dividend of HK1.8 cents per ordinary share, and therefore the interim dividend has not been included as a liability in the condensed consolidated interim statement of financial position as at 30 June 2020.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
At beginning of period/year, net of accumulated depreciation	**474,184**	526,215
Additions	**1,272**	11,440
Disposals	**(4)**	(3,335)
Depreciation charged for the period/year	**(24,910)**	(51,451)
Exchange realignment	**(9,470)**	(8,685)
At end of period/year, net of accumulated depreciation	**441,072**	474,184

12. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Accounts receivable	**52,125**	30,918
Impairment	**(329)**	–
	51,796	30,918
Bills receivable	**439**	1,586
	52,235	32,504

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 and net of impairment, is as follows:

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Current to 30 days	**43,074**	28,833
31 to 60 days	**1,295**	738
61 to 90 days	**1,294**	832
Over 90 days	**6,133**	515
	51,796	30,918

13. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other payables	**9,184**	5,280
Accruals	**6,313**	13,973
Contract liabilities in relation to deferred income	**28,313**	31,111
	43,810	50,364
Less: Current portion	**(19,919)**	(23,903)
Non-current portion	**23,891**	26,461

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	**Maturity**	**30 June 2020** ***HK$'000*** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Current				
Lease liabilities	3.73% – 4.75%	2020 to 2021 (2019: 2020)	**2,215**	2,652
Bank loan – unsecured	Hong Kong Interbank Offer Rate ("**HIBOR**"), plus 1.4%	2020 to 2021 (2019: 2020)	**49,250**	49,000
Bank loan – unsecured	HIBOR, plus 1.9%	2020 to 2021 (2019: 2020)	**3,000**	3,000
Total current			**54,465**	54,652
Non-current				
Lease liabilities	3.73%	2021 (2019: 2021)	**979**	1,941
Bank loan – unsecured	HIBOR, plus 1.4%	2021 to 2022 (2019: 2021)	**124,250**	124,000
Bank loan – unsecured	HIBOR, plus 1.9%	2021 (2019: 2021)	**21,000**	22,500
Total non-current			**146,229**	148,441
Total			**200,694**	203,093

Notes:

(a) As at 30 June 2020, except for the lease liabilities of HK$310,000 (31 December 2019: HK$782,000) are denominated in Renmibi, all borrowings are denominated in Hong Kong dollars.

(b) As at 30 June 2020 and 31 December 2019, no bank guarantees were provided by the Company and its subsidiaries.

15. SHARE CAPITAL

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
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

16. COMMITMENTS

The Group had the following capital expenditure commitments at the end of the reporting period:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings and structures	**7,369**	5,187

In addition, the Group's share of a joint venture's own capital commitments, which are not included in the above, is as follows:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings and structures	**256,878**	262,149

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
	Notes	**2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Terminal service expenses:			
Nanjing Chemical Industry Park Public Services Company Limited	*(i)*	**3,018**	3,102
Rental and auxiliary expenses:			
Nanjing Jiangbei New Area Construction Investment Group Co., Ltd ("**NJCI**")	*(ii)*	**5,761**	6,034
Dragon Crown Investments Limited ("**DC Investments**")	*(iii)*	**990**	990
Interest income:			
Weifang Sime Darby Liquid Terminal Co., Ltd. ("**WSDL**")	*(iv)*	**4,762**	5,156

Notes:

(i) Terminal service expenses were charged in accordance with the terms mutually agreed between the Group and the related company which was a non-controlling shareholder of Nanjing Dragon Crown Liquid Chemical Terminal Company Limited ("**NJDC**"), a subsidiary of the Company.

(ii) Rental and auxiliary expenses were charged in accordance with the terms mutually agreed between the Group and a non-controlling shareholder of NJDC for the use of pipe racks.

(iii) The Group, as the lessee, entered into a three-year office lease agreement ending on 31 December 2021 with DC Investments at monthly rental of HK$165,000. DC Investments is a company in which Mr. Ng Wai Man and Mr. Chong Yat Chin, directors of the Company, have 98% and 2% interests, respectively. As at 30 June 2020, the Group recognised the lease liabilities of HK$2,884,000 (31 December 2019: HK$3,810,000).

(iv) The shareholder loans of RMB122,000,000 (31 December 2019: RMB122,000,000) and RMB21,060,000 (31 December 2019: RMB21,060,000) to WSDL were interest-bearing at 6.0% (31 December 2019: 6.0%) and 6.4% (31 December 2019: 6.4%) per annum, respectively, unsecured and repayable in five years.

The related party transactions in respect of items (i), (ii), (iii) and (iv) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Commitment with a related party

The Group entered into certain agreements with NJCI for use of pipe racks and auxiliary services for periods up to and ending on 31 December 2020. As at 30 June 2020, the total operating lease commitment in relation to pipe racks and auxiliary services falling due within one year was approximately HK$6,009,000 (31 December 2019: Nil).

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**3,490**	3,802
Post-employment benefits	**41**	76
Total compensation paid to key management personnel	**3,531**	3,878

(d) Outstanding balances with related parties

(i) As at 30 June 2020, included in other payables was a dividend payable of HK$6,037,000 (31 December 2019: Nil) due to NJCI, a non-controlling interest of the Group. The amount is unsecured, interest-free and repayable on demand.

(ii) As at 30 June 2020, included in deposits and other receivables was a receivable from WSDL, a joint venture of the Company, of HK$30,211,000 (31 December 2019: HK$26,783,000), which was unsecured, interest-free and repayable on demand.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 17 August 2020.

BUSINESS REVIEW

The Board is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2020 (the "**Period**").

For the Period, Dragon Crown recorded revenue of HK$122.5 million (2019: HK$116.6 million), showing an increase of 5.0%. (If the actual amount is expressed in Renminbi, the revenue of the Group increased by 10.0%.) The increase was mainly attributable to the increase in revenue in respect of methanol and acetic acid. Gross profit for the Period was HK$67.9 million (2019: HK$63.7 million), representing an increase of 6.6%. The gross profit ratio for the Period was 55.4% (2019: 54.6%). Profit during the Period attributable to owners of the Company was HK$39.5 million (2019: HK$23.9 million). The increase in profit was mainly due to the increase in revenue in respect of methanol and acetic acid and the share of results of the joint venture in Weifang which turned around from loss to profit. Earnings per share increased to HK3.23 cents (2019: HK1.96 cents).

The Board has declared an interim dividend of HK1.8 cents per share for the Period (2019: HK1.5 cents). It is noteworthy that since Dragon Crown's IPO in 2011, the Group has strived to pay regular dividends to our shareholders for the recognition of their long-term support, as well as their continued confidence in our business endeavors. It also demonstrates that the Group has been maintaining a healthy financial position. As at 30 June 2020, cash and cash equivalents amounted to HK$258.0 million (31 December 2019: HK$243.2 million) and maintained a net cash position (31 December 2019: net cash position).

During the Period, the throughput volume of liquid petrochemical products stored and handled by Dragon Crown's Nanjing, Ningbo and Weifang tank farm terminals stood at 752,000 metric tonnes, 192,000 metric tonnes and 2,523,000 metric tonnes, respectively (2019: 640,000 metric tonnes, 180,000 metric tonnes and 2,527,000 metric tonnes, respectively). Total throughput volume was 3,467,000 metric tonnes for the Period (2019: 3,347,000 metric tonnes).

The main source of the Group's revenue is derived from its flagship tank farm terminal, located in the Nanjing Jiangbei New Materials Hightech Park. A world leading acetyl products producer Celanese Corporation (NYSE: CE), the Group's major customer, is also located in the same park, contributed HK$105.0 million (2019: HK$100.0 million) in revenue to the Group, which is equivalent to 85.8% (2019: 85.8%) of the total revenue during the Period. The business operation in Nanjing continues to contribute stable revenue as we have established long term relationship with our customers.

Dragon Crown is one of China's leading storage and integrated terminal service providers that specialized in the storage and handling of liquid petrochemical products, operating tank farm terminals that are located in Nanjing, Ningbo and Weifang. Strategically located 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. Through the Group's self-owned jetties, tank farms and dedicated pipelines, Dragon Crown offers a high quality and comprehensive range of liquid petrochemical tank storage and farm terminal services to customers.

The following table provides an overview of the Group's Terminals as at 30 June 2020:

Terminals and facilities	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.

Under the impact of coronavirus disease 2019 (COVID-19) outbreak resulting in a near two-months long shutdown of various business activities, as well as the prolonged geopolitical uncertainties such as the escalating tensions between China and the U.S., and the failure of the oil production reduction negotiation between Russia and Saudi Arabia resulting in a subsequent plunge in oil prices, the global economy has been plagued. China's recorded GDP was shrank 6.8% year-on-year in the first quarter of 2020, which is the first GDP contraction since records began in 1992. However, leveraging the Group's solid foundation that established by our visionary management team over the years, the Group has successfully minimized the impact of the global economic downturn. The Group will continue to seize the opportunity to expand its business through investment in Weifang Liquid Terminal as well as other projects.

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. Through the outstanding geographical and logistic advantage of Weifang Port to oil refineries and chemical production plants that situated within its 300km radius, Weifang Liquid Terminal, being able to contain the vessels with higher Dead Weight Tonnage, can effectively control the costs of customers. 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 completion 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 essential longterm profit contributor of the Group and expects the operation scale and profitability of Weifang Liquid Terminal will be enhanced after the operations of Phase III is commenced.

BUSINESS OUTLOOK

Despite the economic uncertainty driven by the escalating geopolitical conflicts and the unknown duration and impact of the COVID-19, the Group is prudently optimistic about the prospects of the industry and layout of the business. Looking forward, with the opening of Weifang Port to foreign vessels and the various large-scale integrated oil refiner projects in China are implemented and operated, the Group is granted the opportunity to explore new market through business expansion while ensuring the development of its core business. To further expand Dragon Crown's market from home and abroad, the Group is planning to enhance its business development in the coastal regions of China, particularly along the Yangtze River Delta and Bohai Bay regions.

As Weifang Liquid Terminal Phase I and II commenced operation, and together with the completion of Weifang Liquid Terminal Phase III which will further enhance its scale in the future, the Group will be more capable to fulfill the market demand in North-eastern China and North-eastern Asia, and become the largest terminal of the Group, with total storage capacity of over 660,000 m^3. Furthermore, certain Group's potential customers are negotiating for renting the tank capacity in Phase III. The Group believes that Weifang Liquid Terminal it will help the Group to capture the great regional business and maintain its learding role in the new the new market.

The Group has sailed through many economic ups and downs over the years. With our world-class expertise, advanced operations and excellent facilities and services support from the strong customers base and the visionary management team, Dragon Crown believes that it is set to consolidate its superior position as a storage and integrated terminal service provider in China under such a difficult time. In spite of 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 Period, the revenue of the Group increased by 5.0% from HK$116.6 million in the same period of 2019 to HK$122.5 million. The increase was mainly attributable to the increase in revenue in respect of methanol and acetic acid.

Gross profit

For the Period, the gross profit of the Group increased by 6.6% from HK$63.7 million in the same period of 2019 to HK$67.9 million. The increase was mainly due to the increase in revenue as mentioned above. The gross profit ratio increased slightly from 54.6% in the same period of 2019 to 55.4% for the Period.

Other income

For the Period, other income increased to HK$8.9 million from HK$7.9 million in the same period of 2019, which mainly due to the increase in miscellaneous service income.

Administrative expenses

For the Period, administrative expenses increased by 1.7% from HK$20.7 million in the same period of 2019 to HK$21.1 million. The increase was mainly due to the increase in loss on foreign exchange difference.

Finance costs

There was no significant change in the finance costs for the Period which slightly decreased to HK$3.9 million from HK$4.0 million in the same period of 2019.

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 2019.

Since the share of the joint venture in Weifang turned around from loss to profit, and the share of profits of the joint venture in Ningbo remained, the Group recorded a share of profits of its joint ventures of HK$9.4 million (2019: loss of HK$2.5 million) for the Period.

Tax expense

The tax expense for the Period increased to HK$17.0 million from HK$16.2 million in the same period of 2019. The increase was due to the increase in profit for the Period.

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 total RMB225.0 million into WSDL in proportion to its shareholding interest in WSDL up to 30 June 2020.

The Group had provided shareholder's loans to WSDL. As at 30 June 2020, 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 the listing of the Company's shares in 2011.

These net proceeds were applied up to 30 June 2020 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 30 June 2020.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 30 June 2020, the Group's total bank loans amounted to HK$197.5 million (as at 31 December 2019: HK$198.5 million), all are Hong Kong dollar bank loans. The Group's cash and cash equivalents amounted to HK$258.0 million (as at 31 December 2019: HK$243.2 million). The Group maintained net cash position at 30 June 2020 and 31 December 2019. The gearing structure was as follows:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
Net cash	**60,522**	44,698
Equity attributable to owners of the Company	**1,038,080**	1,030,888
Gearing ratio	**N/A**	N/A

As at 30 June 2020, the Group's current assets and current liabilities amounted to HK$346.3 million (as at 31 December 2019: HK$313.5 million) and HK$86.0 million (as at 31 December 2019: HK$85.6 million), respectively. As at 30 June 2020, the Group's current ratio was 4.0 (as at 31 December 2019: 3.7).

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:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
Repayable:		
Within one year	**52,250**	52,000
In the second year	**145,250**	146,500
	197,500	198,500

Note: All bank loans as at 30 June 2020 are denominated in Hong Kong dollars.

CHARGES ON ASSETS

As at 30 June 2020, the Group did not have any charges on its assets.

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 Period, 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 Hong Kong Interbank Offer Rate 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.

SIGNIFICANT INVESTMENT HELD

Except for the investments held in associates, joint ventures and subsidiaries, the Group did not hold other significant investment during the Period.

COMMITMENTS AND CONTINGENT LIABILITIES

Details of commitments as at 30 June 2020 are set out in note 16 to the condensed consolidated interim financial information. As at 30 June 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30 June 2020, the Group had a total of 329 full time employees (as at 31 December 2019: 339). 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 PRC.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group made no acquisitions or disposals of subsidiaries, associates and joint ventures.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company regularly reviews its corporate governance practices to ensure compliance with the Corporate Governance Code (the "**CG Code**").

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

In the opinion of the Directors, throughout the Period, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 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.

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 Period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. LAU Sik Yuen (Chairman), Mr. FENG Jianping and Mr. HOU Xiaoming, including one independent non-executive director with the appropriate professional qualifications. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. At the meeting convened on 17 August 2020, the Audit Committee has reviewed the condensed consolidated interim financial information for the Period, the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial report matters in relation to the condensed consolidated interim financial information for the Period. The Audit Committee is of the view that the internal control and risk management system in place are effective and adequate for the Group as a whole.

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 of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on no less exacting terms than the Model Code 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 during the Period.

INTERIM DIVIDEND

On 17 August 2020, the Board has declared an interim dividend of HK1.8 cents per share for the six months period ended 30 June 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 9 September 2020. The interim dividend is expected to be paid on Wednesday, 30 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 8 September 2020 to Wednesday, 9 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, 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, 7 September 2020.

PUBLICATION OF INTERIM RESULTS AND REPORT

The interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the website of the Company at http://www.dragoncrown.com.

The interim report of the Company for the six months ended 30 June 2020 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

I wish to express my sincere gratitude to our management and staff members for their dedication and hard work during the Period. I would also like to extend thanks to all our business partners, customers and shareholders for their support. I believe that they will continue to render support to the Group for our continuous growth and success in the future.

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

Hong Kong, 17 August 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.