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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 2020

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 2020, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 HK\$’000	2019 HK\$’000
REVENUE	5	238,148	229,849
Cost of services provided		<u>(114,104)</u>	<u>(116,621)</u>
Gross profit		124,044	113,228
Other income	6	30,959	16,476
Administrative expenses		(37,576)	(46,149)
Finance costs	7	(6,242)	(8,735)
Share of profits and losses of:			
Associate		(304)	(379)
Joint ventures		12,585	(2,086)
PROFIT BEFORE TAX	8	123,466	72,355
Income tax	9	(31,724)	(26,900)
PROFIT FOR THE YEAR		91,742	45,455
Attributable to:			
Owners of the Company		83,916	38,787
Non-controlling interests		7,826	6,668
		91,742	45,455
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic and diluted	11	6.87	3.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>91,742</u>	<u>45,455</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of an associate	1,057	(310)
Share of other comprehensive income/(loss) of joint ventures	30,314	(8,803)
Exchange differences related to foreign operations	<u>32,973</u>	<u>(10,507)</u>
	<u>64,344</u>	<u>(19,620)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>156,086</u></u>	<u><u>25,835</u></u>
Attributable to:		
Owners of the Company	145,448	19,979
Non-controlling interests	<u>10,638</u>	<u>5,856</u>
	<u><u>156,086</u></u>	<u><u>25,835</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		469,867	474,184
Right-of-use assets		48,776	37,308
Goodwill		1,210	1,210
Investment in an associate		17,983	17,219
Investments in joint ventures		525,089	486,695
Prepayments		336	2,563
Deferred tax assets		6,784	7,251
		<hr/>	<hr/>
Total non-current assets		1,070,045	1,026,430
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		3,175	3,147
Accounts and bills receivables	<i>12</i>	31,593	32,504
Prepayments, deposits and other receivables		40,907	34,652
Cash and cash equivalents		288,400	243,198
		<hr/>	<hr/>
Total current assets		364,075	313,501
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other payables, accruals and contract liabilities		19,856	23,903
Interest-bearing bank and other borrowings	<i>13</i>	85,922	54,652
Tax payable		7,685	7,072
		<hr/>	<hr/>
Total current liabilities		113,463	85,627
		<hr/>	<hr/>
NET CURRENT ASSETS		250,612	227,874
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,320,657	1,254,304
		<hr/>	<hr/>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>13</i>	100,455	148,441
Contract liabilities		23,667	26,461
Deferred tax liabilities		4,615	3,394
		<hr/>	<hr/>
Total non-current liabilities		128,737	178,296
		<hr/>	<hr/>
NET ASSETS		1,191,920	1,076,008
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	122,063	122,063
Reserves		1,020,020	908,825
		<hr/>	<hr/>
		1,142,083	1,030,888
		<hr/>	<hr/>
Non-controlling interests		49,837	45,120
		<hr/>	<hr/>
TOTAL EQUITY		1,191,920	1,076,008
		<hr/> <hr/>	<hr/> <hr/>

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 *Conceptual Framework for Financial Reporting 2018* the following revised HKFRSs for the first time for the current year’s financial statements.

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

Except for the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) 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.
- (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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (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 basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 with revenue in aggregate amounting to 10% or more of the Group's revenue, is set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	205,043	144,770
Customer B	–	38,430
Customer C	–	11,100
Customer D	–	4,443
	205,043	198,743

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

5. REVENUE

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers	<u>238,148</u>	<u>229,849</u>

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

Disaggregated revenue information from revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Business activities		
Terminal storage services	133,438	133,386
Handling services	<u>104,710</u>	<u>96,463</u>
Total revenue from contracts with customers	<u>238,148</u>	<u>229,849</u>

6. OTHER INCOME

An analysis of other income is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	4,058	4,167
Gross rental income	854	838
Loan interest income from a joint venture	9,790	10,115
Government grants	1,169	52
Foreign exchange gains, net	12,628	–
Others	<u>2,460</u>	<u>1,304</u>
	<u>30,959</u>	<u>16,476</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	5,960	8,503
Interest on lease liabilities	<u>282</u>	<u>232</u>
	<u>6,242</u>	<u>8,735</u>

8. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	50,750	51,451
Depreciation of right-of-use assets	6,314	3,673
Lease payments not included in the measurement of lease liabilities	8,278	11,142
Auditor's remuneration	1,480	1,480
Directors' remuneration	4,601	4,541
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	25,436	25,050
Pension scheme contributions*	2,652	4,328
	<u>28,088</u>	<u>29,378</u>
Gross rental income	(854)	(838)
Less: Outgoings	43	42
	<u>(811)</u>	<u>(796)</u>
Loss on disposal of items of property, plant and equipment	644	3,084
Foreign exchange losses/(gains), net	<u>(12,628)</u>	<u>2,496</u>

* As at 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

9. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	98	48
Overprovision in prior years	(48)	(24)
Current – Elsewhere		
Charge for the year	26,590	21,644
Underprovision in prior years	250	144
Deferred	<u>4,834</u>	<u>5,088</u>
Total tax charge for the year	<u><u>31,724</u></u>	<u><u>26,900</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend – HK1.8 cents (2019: HK1.5 cents) per ordinary share	21,971	18,309
Proposed final dividend – HK3.0 cents (2019: HK1.0 cent) per ordinary share	<u>36,619</u>	<u>12,206</u>
	<u><u>58,590</u></u>	<u><u>30,515</u></u>

The proposed final dividend for the year ended 31 December 2020 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>83,916</u>	<u>38,787</u>
	Number of shares	
	2020	2019
Shares		
Number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	<u>1,220,628,000</u>	<u>1,220,628,000</u>

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2020 and 2019.

12. ACCOUNTS AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	26,859	30,918
Bills receivable	<u>4,734</u>	<u>1,586</u>
	<u>31,593</u>	<u>32,504</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 30 days	25,816	28,833
31 to 60 days	9	738
61 to 90 days	–	832
Over 90 days	<u>1,034</u>	<u>515</u>
	<u>26,859</u>	<u>30,918</u>

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	2020 HK\$'000	2019 HK\$'000
Current				
Lease liabilities	3.73% – 4.75%	2021	14,172	2,652
Bank loan – unsecured	Hong Kong Interbank Offer Rate (“HIBOR”), plus 1.4%	2021 (2019: 2020)	49,250	49,000
Bank loan – unsecured	HIBOR, plus 1.9%	2021 (2019: 2020)	22,500	3,000
Total current			85,922	54,652
Non-current				
Lease liabilities	4.75% (2019: 3.73%)	2022	830	1,941
Bank loan – unsecured	HIBOR, plus 1.4%	2022 (2019: 2021)	99,625	124,000
Bank loan – unsecured	HIBOR, plus 1.9%	Nil (2019: 2021)	–	22,500
Total non-current			100,455	148,441
Total			186,377	203,093
Analysed into:				
Bank loans repayable:				
Within one year			71,750	52,000
In the second year			99,625	146,500
			171,375	198,500
Other borrowings repayable:				
Within one year			14,172	2,652
In the second year			830	1,941
			15,002	4,593
			186,377	203,093

Notes:

- (a) As at 31 December 2020, except for the lease liabilities of HK\$13,061,000 (2019: HK\$783,000) which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.
- (b) As at 31 December 2020 and 2019, no bank guarantees were provided by the Company and its subsidiaries.

14. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.10 each	<u><u>400,000</u></u>	<u><u>400,000</u></u>
Issued and fully paid:		
1,220,628,000 ordinary shares of HK\$0.10 each	<u><u>122,063</u></u>	<u><u>122,063</u></u>

BUSINESS REVIEW

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

During the year ended 31 December 2020, the throughput volume of liquid petrochemical products at the Group's Nanjing, Ningbo, and Weifang terminals reached 1,515,000 metric tonnes, 397,000 metric tonnes, and 5,282,000 metric tonnes, respectively (2019: 1,529,000 metric tonnes, 379,000 metric tonnes, and 4,877,000 metric tonnes, respectively), with a combined throughput volume of 7,194,000 metric tonnes (2019: 6,785,000 metric tonnes).

The following table provides an overview of the Terminals as at 31 December 2020:

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

* Jetty of Ningbo terminal has been closed during the year ended 31 December 2019. The business and throughput of Ningbo terminal is conducted and recorded via public jetties.

** 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 Group's main source of revenue and profits come from its flagship terminal, located in the Nanjing Jiangbei New Materials High-tech Park (formerly known as Nanjing Chemical Industry Park). In 2020, the Group's largest customer, Celanese Corporation (NYSE: CE), a world leading producer of acetyl products, also located in the same high-tech park, contributed HK\$205.0 million (2019: HK\$198.7 million) to the Group's revenue, equivalent to 86.1% (2019: 86.5%) of total revenue during the year. Dragon Crown's Nanjing business operations continue to contribute stable revenue derived from established, long-term customer relationships. Additionally, during the year, the Nanjing terminal entered a new 10-year service contract with Celanese (Nanjing) Chemical Company Limited ("**Celanese Nanjing**"), a subsidiary of Celanese Corporation and a world class producer of acetic acid, vinyl acetate monomer, acetic anhydride, and other chemical products, for the continuous provision of bulk terminal, storage, and other related services for various liquid chemical products to Celanese Nanjing in Nanjing for an extension of approximately 10 years, creating a new and stable revenue stream to the Group.

Beyond Nanjing, the Group regards its Weifang Liquid Terminal as a significant business development milestone. Since the commencement of Weifang Liquid Terminal's Phase I and II Projects, Weifang Port saw its first profitable year in 2020. Owing to its geographic and logistical advantages, Weifang Port serves as a major logistics hub for national and foreign vessels in the Bohai Economic Basin and Northeast Asia. The port provides an entrance for high deadweight tonnage vessels, and offers high-quality services to the oil refineries and chemical production plants located within 300km radius.

The operations at Weifang Liquid Terminal Phase III are expected to commence during the second half of 2021. The Group will closely monitor the completion progress of Phase III and ensure it remains on schedule.

Weifang Liquid Terminal is an important cornerstone for Dragon Crown's longer-term growth. Dragon Crown expects the terminal's operation scale and profitability to further increase after the completion of Phase III. The Group also believes Weifang Liquid Terminal will be a continuous source of profit, while also helping to consolidate the Group's leading position within China's liquid petrochemical industry.

Due to the prolonged COVID-19 pandemic and a series of market uncertainties including China-U.S. tensions, the plunge in oil prices, and other geopolitical risks, China's GDP grew 2.3% only in 2020, which was the country's slowest annual growth in decades excluding 1976. Despite all these, Dragon Crown was able to minimize the negative impact of the global economic downturn, due largely to the Group's strong foundation established over years by a visionary management team. Looking ahead, Dragon Crown is positioned to capitalize on new opportunities to expand its business while continuing to invest in its Weifang Liquid Terminal.

As at 31 December 2020, Dragon Crown is in a strong financial position, with total assets of HK\$1,434.1 million (2019: HK\$1,339.9 million) and total equity of HK\$1,191.9 million (2019: HK\$1,076.0 million). As at 31 December 2020, the Group has HK\$288.4 million (2019: HK\$243.2 million) cash on hand and in a net cash position. This healthy financial position will help to ensure the Group's long-term sustainability.

BUSINESS OUTLOOK

Global economic recovery remains fragile and will be subject to many uncertainties, including the effectiveness of the pandemic containment and vaccine roll-out, China-U.S. trade frictions under the new U.S. administration, new fiscal and monetary stimulus from different countries, and unstable oil prices. Despite these uncertainties, Dragon Crown is positive about its industry and business prospects.

Beyond the pipeline opportunities from the Weifang Liquid Terminal, the Group is continuing to develop its core business while also exploring new markets. To further grow its market share in domestic and international markets, Dragon Crown is reinforcing its business development in China's coastal regions, particularly along the Yangtze River Delta and Bohai Bay regions.

Dragon Crown is gradually becoming more capable of capturing market demand from Northeast China and Northeast Asia, upon the commencement of operation of the Weifang Liquid Terminal Phase III which will become the Group's largest terminal with total storage capacity of over 660,000 cubic meter. Several potential customers are currently in negotiations with the Group about renting tank capacity. When operational, the terminal will enable the Group to develop the Northeast China and Northeast Asia regions, and take a leading position in the new markets.

With advanced and safety operations managed by a visionary management team, Dragon Crown is regarded as one of the best storage and integrated terminal service providers in China and Asia. The Group is committed to delivering strong performance and value to shareholders in the years ahead and beyond.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue increased by 3.6% from HK\$229.8 million in 2019 to HK\$238.1 million. The increase was mainly due to the increase in revenue in respect of methanol and acetic acid.

Gross profit

For the year ended 31 December 2020, gross profit increased by 9.6% from HK\$113.2 million in 2019 to HK\$124.0 million. The increase was mainly due to the increase in revenue as mentioned above. The gross profit ratio increased by 2.8%, from 49.3% in 2019 to 52.1% for the year.

Other income

Other income increased to HK\$31.0 million from HK\$16.5 million in 2019, which was mainly due to net foreign exchange gains recorded for the year ended 31 December 2020 of HK\$12.6 million.

Administrative expenses

Administrative expenses decreased by 18.6% from HK\$46.1 million in 2019 to HK\$37.6 million. The decrease was mainly due to the net foreign exchange losses recorded for the year ended 31 December 2019 of HK\$2.5 million and various administrative costs reduction under COVID-19 pandemic during the year ended 31 December 2020.

Finance costs

Finance costs for the year decreased to HK\$6.2 million from HK\$8.7 million in 2019, mainly attributable to the decrease in interest rates and the repayment of certain bank loans by the Group 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\$0.3 million for the year (2019: 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 2019.

The results of the joint venture in Weifang turned around from loss to profit during the year due to the higher revenue and lower operating costs.

Accordingly, the Group recorded share of profits of its joint ventures of HK\$12.6 million for the year ended 31 December 2020, as compared to share of losses of its joint ventures of HK\$2.1 million in 2019.

Tax expense

The tax expense for the year increased to HK\$31.7 million from HK\$26.9 million in 2019. The increase was due to the increase 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 injected RMB225.0 million in capital into WSDL in proportion to its shareholding interest in WSDL up to 31 December 2020.

The Group also provided shareholder’s loans to WSDL. As at 31 December 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 fees and other related expenses, from listing of the Company's shares in 2011.

These net proceeds were applied up to 31 December 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	–
	<u>281.1</u>	<u>276.1</u>	<u>5.0</u>

The Group held the unutilised net proceeds in short-term deposits or time deposits with banks in Hong Kong as at 31 December 2020.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 31 December 2020, the Group's total bank loans amounted to HK\$171.4 million (2019: HK\$198.5 million), all of which are Hong Kong dollar bank loans. The Group's cash and cash equivalents amounted to HK\$288.4 million (2019: HK\$243.2 million). The Group maintained net cash position at 31 December 2020 and 2019. The gearing structure was as follows:

	2020	2019
	HK\$'000	HK\$'000
Net cash	117,025	44,698
Equity attributable to owners of the Company	1,142,083	1,030,888
Gearing ratio	N/A	N/A

As at 31 December 2020, the Group's current assets and current liabilities amounted to HK\$364.1 million (2019: HK\$313.5 million) and HK\$113.5 million (2019: HK\$85.6 million), respectively. As at 31 December 2020, the Group's current ratio was 3.2 (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:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Repayable:		
Within one year	71,750	52,000
In the second year	99,625	146,500
	171,375	198,500

Note: All bank loans as at 31 December 2020 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 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group had a total of 339 full time employees (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 People's Republic of China.

DIVIDEND

The Board has recommended the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 7 June 2021. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting which is scheduled on Friday, 28 May 2021 (the “**AGM**”). The final dividend is expected to be paid on Monday, 28 June 2021.

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 2020.

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 2020.

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 2020 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, 28 May 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, 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, 24 May 2021.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 4 June 2021 to Monday, 7 June 2021, 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, 3 June 2021.

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 2020 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, 25 March 2021

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.