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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, together with the comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
REVENUE	<i>4</i>	130,956	122,461
Cost of services provided		<u>(56,613)</u>	<u>(54,573)</u>
Gross profit		74,343	67,888
Other income	<i>5</i>	12,277	8,866
Administrative expenses		(20,200)	(21,072)
Finance costs	<i>6</i>	(2,013)	(3,888)
Share of profits and losses of:			
Associate		(236)	(219)
Joint ventures		<u>(1,364)</u>	<u>9,421</u>
PROFIT BEFORE TAX	<i>7</i>	62,807	60,996
Income tax	<i>8</i>	<u>(18,120)</u>	<u>(17,026)</u>
PROFIT FOR THE PERIOD		<u>44,687</u>	<u>43,970</u>

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		39,936	39,460
Non-controlling interests		4,751	4,510
		<u>44,687</u>	<u>43,970</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic and diluted	<i>9</i>	<u>3.27</u>	<u>3.23</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
PROFIT FOR THE PERIOD	44,687	43,970
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	226	(346)
Share of other comprehensive income/(loss) of joint ventures	6,479	(9,675)
Exchange differences related to foreign operations	<u>6,779</u>	<u>(11,047)</u>
	<u>13,484</u>	<u>(21,068)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>58,171</u>	<u>22,902</u>
Attributable to:		
Owners of the Company	52,775	19,398
Non-controlling interests	<u>5,396</u>	<u>3,504</u>
	<u>58,171</u>	<u>22,902</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	453,121	469,867
Right-of-use assets		41,781	48,776
Goodwill		1,210	1,210
Investment in an associate		17,976	17,983
Investments in joint ventures		530,213	525,089
Prepayments		–	336
Deferred tax assets		6,405	6,784
		1,050,706	1,070,045
CURRENT ASSETS			
Inventories		3,028	3,175
Accounts and bills receivables	<i>12</i>	27,467	31,593
Prepayments, deposits and other receivables		46,082	40,907
Cash and cash equivalents		291,689	288,400
		368,266	364,075
CURRENT LIABILITIES			
Other payables, accruals and contract liabilities	<i>13</i>	16,542	19,856
Interest-bearing bank and other borrowings	<i>14</i>	152,995	85,922
Tax payable		6,752	7,685
		176,289	113,463
NET CURRENT ASSETS		191,977	250,612
TOTAL ASSETS LESS CURRENT LIABILITIES		1,242,683	1,320,657

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>14</i>	340	100,455
Contract liabilities	<i>13</i>	21,916	23,667
Deferred tax liabilities		6,955	4,615
		<hr/>	<hr/>
Total non-current liabilities		29,211	128,737
		<hr/>	<hr/>
NET ASSETS		1,213,472	1,191,920
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	122,063	122,063
Reserves		1,036,176	1,020,020
		<hr/>	<hr/>
		1,158,239	1,142,083
		<hr/>	<hr/>
Non-controlling interests		55,233	49,837
		<hr/>	<hr/>
TOTAL EQUITY		1,213,472	1,191,920
		<hr/> <hr/>	<hr/> <hr/>

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 2021 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 2020, 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 2020.

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 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant 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 amounting to 10% or more of the Group’s revenue, is set out below:

	Six months ended 30 June	
	2021	2020
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Customer A	115,514	105,011

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	130,956	122,461

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Business activities		
Terminal storage services	72,001	66,252
Handling services	58,955	56,209
Total revenue from contracts with customers	130,956	122,461

5. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	2,440	1,910
Gross rental income	621	575
Loan interest income from a joint venture	5,164	4,762
Government grants	–	81
Foreign exchange gains, net	2,988	–
Others	1,064	1,538
	12,277	8,866

6. FINANCE COSTS

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest on bank loans	1,731	3,810
Interest on lease liabilities	282	78
	<u>2,013</u>	<u>3,888</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Depreciation on property, plant and equipment	26,630	24,910
Depreciation on right-of-use assets	7,562	1,812
Impairment of accounts receivable	–	329
Foreign exchange losses/(gains), net	(2,988)	3,306
	<u>(2,988)</u>	<u>3,306</u>

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 2021 (2020: 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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current – Mainland China		
Charge for the period	15,375	14,032
Under-provision in previous periods	6	245
Deferred	<u>2,739</u>	<u>2,749</u>
Total tax charge for the period	<u>18,120</u>	<u>17,026</u>

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>39,936</u>	<u>39,460</u>
	Number of shares	
	2021	2020
Shares		
Weighted average 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 periods ended 30 June 2021 and 2020.

10. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend paid during the period:		
Final in respect of financial year ended 31 December 2020 – HK3.0 cent per ordinary share (2020: Final in respect of financial year ended 31 December 2019 – HK1.0 cent per ordinary share)	<u>36,619</u>	<u>12,206</u>
Proposed interim dividend:		
HK1.8 cents per ordinary share (2020: HK1.8 cents per ordinary share)	<u>21,971</u>	<u>21,971</u>

Subsequent to the period ended 30 June 2021, on 26 August 2021, 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 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
At beginning of period/year, net of accumulated depreciation	469,867	474,184
Additions	4,269	19,184
Disposals	(166)	(734)
Depreciation charged for the period/year	(26,630)	(50,750)
Exchange realignment	5,781	27,983
	<u>453,121</u>	<u>469,867</u>

12. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Accounts receivable	24,758	26,859
Bills receivable	2,709	4,734
	<u>27,467</u>	<u>31,593</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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current to 30 days	24,691	25,816
31 to 60 days	10	9
61 to 90 days	-	-
Over 90 days	57	1,034
	<u>24,758</u>	<u>26,859</u>

13. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Other payables	3,629	4,305
Accruals	8,480	10,540
Contract liabilities in relation to deferred income	<u>26,349</u>	<u>28,678</u>
	38,458	43,523
Less: Current portion	<u>(16,542)</u>	<u>(19,856)</u>
Non-current portion	<u>21,916</u>	<u>23,667</u>

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current				
Lease liabilities	3.73% – 4.75%	2021 to 2022 (2020: 2021)	7,745	14,172
Bank loan – unsecured	HIBOR, plus 1.4%	2021 to 2022 (2020: 2021)	124,250	49,250
Bank loan – unsecured	HIBOR, plus 1.9%	2021	<u>21,000</u>	<u>22,500</u>
Total current			<u>152,995</u>	<u>85,922</u>
Non-current				
Lease liabilities	4.75%	2022	340	830
Bank loan – unsecured	HIBOR, plus 1.4%	Nil (2020: 2022)	<u>–</u>	<u>99,625</u>
Total non-current			<u>340</u>	<u>100,455</u>
Total			<u>153,335</u>	<u>186,377</u>

Notes:

- (a) As at 30 June 2021, except for the lease liabilities of HK\$7,106,000 (31 December 2020: HK\$13,061,000) which are denominated in Renmibi, all borrowings are denominated in Hong Kong dollars.
- (b) As at 30 June 2021 and 31 December 2020, no bank guarantees were provided by the Company and its subsidiaries.

15. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Authorised:		
4,000,000,000 ordinary shares of HK\$0.10 each	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:		
1,220,628,000 ordinary shares of HK\$0.10 each	<u>122,063</u>	<u>122,063</u>

16. COMMITMENTS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Buildings and structures	<u>6,457</u>	<u>4,225</u>

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Buildings and structures	<u>281,738</u>	<u>278,270</u>

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	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Terminal service expenses:			
Nanjing Chemical Industry Park			
Public Services Company Limited	(i)	2,852	3,018
Rental and auxiliary expenses:			
Nanjing Jiangbei New Area Construction Investment			
Group Co., Ltd (“NJCI”)	(ii)	6,259	5,761
Dragon Crown Investments Limited (“DC Investments”)	(iii)	990	990
Interest income:			
Weifang Sime Darby Liquid Terminal Co., Ltd. (“WSDL”)	(iv)	5,164	4,762

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) The Group, as the lessee, entered into several lease agreements with NJCI, which is a non-controlling shareholder of NJDC, for the use of pipe racks. As at 30 June 2021, the Group recognised the lease liabilities of HK\$5,777,000 (31 December 2020: HK\$11,277,000).
- (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 2021, the Group recognised the lease liabilities of HK\$979,000 (31 December 2020: HK\$1,941,000).
- (iv) The shareholder loans of RMB122,000,000 (31 December 2020: RMB122,000,000) and RMB21,060,000 (31 December 2020: RMB21,060,000) to WSDL were interest-bearing at 6.0% (31 December 2020: 6.0%) and 6.4% (31 December 2020: 6.4%) per annum, respectively, unsecured and repayable in five years. On 9 July 2021, the respective repayment date of the shareholder loans have extended to 31 December 2028. Details please refer to the announcement dated 9 July 2021.

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) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	4,181	3,490
Post-employment benefits	100	41
	<hr/>	<hr/>
Total compensation paid to key management personnel	4,281	3,531
	<hr/> <hr/>	<hr/> <hr/>

(c) Outstanding balances with related parties

As at 30 June 2021, included in deposits and other receivables was a receivable from WSDL, a joint venture of the Company, of HK\$41,852,000 (31 December 2020: HK\$37,067,000), 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 26 August 2021.

BUSINESS REVIEW

The Board is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2021 (the “**Period**”).

For the Period, Dragon Crown recorded revenue of HK\$131.0 million (2020: HK\$122.5 million), showing an increase of 6.9%. The increase in revenue was mainly attributable to the appreciation of Renminbi during the Period. Gross profit for the Period was HK\$74.3 million (2020: HK\$67.9 million), representing an increase of 9.5%. The gross profit ratio for the Period was 56.8% (2020: 55.4%). Profit for the Period attributable to owners of the Company was HK\$39.9 million (2020: HK\$39.5 million). The slight increase in profit was mainly due to the appreciation of Renminbi during the Period, partially offset by the share of losses of the joint ventures. Earnings per share increased to HK3.27 cents (2020: HK3.23 cents).

The Board has declared an interim dividend of HK1.8 cents per share for the Period (2020: HK1.8 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 2021, cash and cash equivalents amounted to HK\$291.7 million (31 December 2020: HK\$288.4 million) and maintained a net cash position (31 December 2020: 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 923,000 metric tonnes, 191,000 metric tonnes and 2,464,000 metric tonnes, respectively (2020: 752,000 metric tonnes, 192,000 metric tonnes and 2,523,000 metric tonnes, respectively). Total throughput volume was 3,578,000 metric tonnes for the Period (2020: 3,467,000 metric tonnes).

The Group has continuously enhanced its services quality and strengthened the relationship with its key customers. The Group’s revenue is primarily derived from its flagship terminal, located in the Nanjing Jiangbei New Materials High-tech 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\$115.5 million (2020: HK\$105.0 million) to the Group’s revenue, which is equivalent to 88.2% (2020: 85.8%) of the total revenue during the Period. In addition, in 2020, the Group entered a new 10-year service contract with a subsidiary of Celanese Corporation for the continuous provision of bulk storage, terminal and other related services for various liquid chemical products in Nanjing for an extension of approximately 10 years. It is believed that the operation in Nanjing has built a solid foundation for its stable revenue with its long term relationship established with key 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 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 storage and handling services to customers.

The following table provides an overview of the Group's Terminals as at 30 June 2021:

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.

Surrounded by the uncertainties of oil prices hitting three-year high, escalating tensions between China and the U.S, and the far-reaching and unprecedented impacts brought by COVID-19, the more complex international environment was characterized during the Period, which posed challenges to the price fluctuation of oil and led to economic deadlock globally. However, taking advantages of China's rapid economic recovery after the worst of the COVID-19 hit and the steady demand for storage of liquid petrochemical products, the Group has successfully turned challenges into opportunities. The Group will continue to leverage the solid foundation to minimize the impact of complicated environment and seize opportunities to maintain steady growth of businesses.

In the pursuit of further breakthroughs in storage capacity, the Group is committed to accelerating the expansion of its Weifang Liquid Terminal. Strategically located in Bohai Economic Basin with access to North-east Asia and the core region of Shandong, Weifang Liquid Terminal acts as a regional leader of logistic hub and enjoys geographical and logistic advantages, providing effective storage and handling services of liquid petrochemical products for local refineries. While Phases I and II of the Weifang Liquid Terminal have commenced operation, the Group is continuously refining and optimizing the completion progress of Phase III in accordance with the Group's business needs to boost its comprehensive capabilities and enhance its influence in the region. The Group was pressing ahead at full steam with the construction of a world-class leading terminal to keep abreast of the changes in the trade environment and continuously monitoring the investment opportunities.

Although COVID-19 has brought upon unprecedented challenges to the world, the Group remained cautiously optimistic about the industry prospects and business development. Given the development trend of storage and integrated terminal service industry, the Group has adopted highly strict preventive and protective measures to optimize operations. Together with the expansion strategy of Weifang Liquid Terminal, the Group will continue to be benefitted in the new era of development and maintain steady growth of businesses.

BUSINESS OUTLOOK

Looking into the second half of 2021, COVID-19 shall remain the most significant uncertainty for the global economy. Nonetheless, with the gradual rollout of vaccines and easing of lockdowns, the effect of the pandemic on global economic and social activities will be reduced and the world's economy is expected to recover gradually. Demand for oil and other liquid petrochemical products in the downstream sector is expected to grow as the global economic activity rebounds, which will have positive impact on the petroleum liquid feedstock market. The Group is positive about the industry and business prospects in the wake of gradually improving global economy, and firmly believes the Group will benefit from the implementation of the economic stimulus measures and the higher expected growth of the China economy. The Group will continue to pay close attention to the prospect of its business and explore new market business expansion while ensuring the development of its core business.

Dragon Crown has been strengthening its business development in China's coastal regions, particularly along the Yangtze River Delta and Bohai Bay regions. With the development of the Group, expanding the storage capacity will be one of the key drivers to the Group's profitability. As Weifang Liquid Terminal Phases I and II commenced operation, Phase III is expected to further enhance the Group's scale in the future. The opening of Phase III is granting the opportunity to the Group to capture regional business and satisfy the market demand in North-eastern China and North-eastern Asia, further enlarging existing customers' base. Looking forward, the Group will refine and optimize the completion progress of Weifang Liquid Terminal Phase III and consider to commence in the right time. Taking advantages of the Weifang Liquid Terminal, the Group believes the operation scale and profitability will be beneficial to maintain the leading position in the new market.

Amidst COVID-19, the Group has successfully turned the risks into the opportunity with a strong customer base and the visionary management team. Looking forward, the Group will strive to provide high quality and comprehensive liquid petrochemical storage and handling services to customers under such a difficult time and seize every opportunity to diversify business layout to related areas, so as to consolidate the current position as a storage and integrated terminal service provider in China. With the concerted efforts of its management together with all employees, the Group believes that it will create a more splendid future and strive for maximizing the return and long-term value for its shareholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the Period, the revenue of the Group increased by 6.9% from HK\$122.5 million in the same period of 2020 to HK\$131.0 million. The increase was mainly attributable to the appreciation of Renminbi during the Period.

Gross profit

For the Period, the gross profit of the Group increased by 9.5% from HK\$67.9 million in the same period of 2020 to HK\$74.3 million. The increase was mainly due to the increase in revenue as mentioned above. The gross profit ratio increased slightly from 55.4% in the same period of 2020 to 56.8% for the Period.

Other income

For the Period, other income increased to HK\$12.3 million from HK\$8.9 million in the same period of 2020, which mainly due to the net foreign exchange gains recorded for the Period of HK\$3.0 million.

Administrative expenses

For the Period, administrative expenses decreased by 4.1% from HK\$21.1 million in the same period of 2020 to HK\$20.2 million. The decrease was mainly due to the combined effects of the net foreign exchange losses recorded of HK\$3.3 million and various administrative costs reduction under COVID-19 pandemic during the same period of last year.

Finance costs

The finance costs for the Period which decreased to HK\$2.0 million from HK\$3.9 million in the same period of 2020. It was mainly attributable to the decrease of interest rate and repayment of bank loans.

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 2020.

Since the share of the joint venture in Weifang turned around from profit to loss mainly due to a lower business volume, while the share of profits of the joint venture in Ningbo remained stable, the Group recorded a share of losses of its joint ventures of HK\$1.4 million (2020: profit of HK\$9.4 million) for the Period.

Tax expense

The tax expense for the Period increased to HK\$18.1 million from HK\$17.0 million in the same period of 2020. 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 2021.

The Group had provided shareholder’s loans to WSDL. As at 30 June 2021, WSDL was indebted to the Group in an aggregate amount of RMB143.1 million. Subsequent to the Period and on 9 July 2021, the Group had agreed to extend the repayment of the shareholder’s loans advanced to WSDL to 31 December 2028.

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 2021 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 30 June 2021.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 30 June 2021, the Group’s total bank loans amounted to HK\$145.3 million (as at 31 December 2020: HK\$171.4 million), all are Hong Kong dollar bank loans. The Group’s cash and cash equivalents amounted to HK\$291.7 million (as at 31 December 2020: HK\$288.4 million). The Group maintained net cash position at 30 June 2021 and 31 December 2020. The gearing structure was as follows:

	30 June 2021	31 December 2020
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Net cash	146,439	117,025
Equity attributable to owners of the Company	1,158,239	1,142,083
Gearing ratio	N/A	N/A

As at 30 June 2021, the Group’s current assets and current liabilities amounted to HK\$368.3 million (as at 31 December 2020: HK\$364.1 million) and HK\$176.3 million (as at 31 December 2020: HK\$113.5 million), respectively. As at 30 June 2021, the Group’s current ratio was 2.1 (as at 31 December 2020: 3.2).

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Repayable:		
Within one year	145,250	71,750
In the second year	—	99,625
	<u>145,250</u>	<u>171,375</u>

Note: All bank loans as at 30 June 2021 are denominated in Hong Kong dollars.

CHARGES ON ASSETS

As at 30 June 2021, 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 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.

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 2021 are set out in note 16 to the condensed consolidated interim financial information. As at 30 June 2021, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30 June 2021, the Group had a total of 322 full time employees (as at 31 December 2020: 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 26 August 2021, 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 26 August 2021, the Board has declared an interim dividend of HK1.8 cents per share for the six months period ended 30 June 2021 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 21 September 2021. The interim dividend is expected to be paid on Tuesday, 12 October 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 20 September 2021 to Tuesday, 21 September 2021, 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 Friday, 17 September 2021.

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 2021 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, 26 August 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.