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 2019

The board (the "**Board**") of directors (the "**Directors**") of Dragon Crown Group Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Dragon Crown**") for the six months ended 30 June 2019, together with the comparative figures. The interim results are unaudited but have been reviewed by the Company's Audit Committee and external auditor, Ernst & Young, Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	4	**116,575**	141,811
Cost of services provided		**(52,878)**	(56,316)
Gross profit		**63,697**	85,495
Other income	4	**7,878**	14,423
Administrative expenses		**(20,729)**	(26,451)
Finance costs	5	**(4,025)**	(3,233)
Share of profits and losses of:			
Associate		**(260)**	(229)
Joint ventures		**(2,503)**	(1,781)
PROFIT BEFORE TAX	6	**44,058**	68,224
Income tax	7	**(16,228)**	(20,908)
PROFIT FOR THE PERIOD		**27,830**	47,316

	Note	2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		**23,880**	41,800
Non-controlling interests		**3,950**	5,516
		27,830	47,316
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic and diluted	*8*	**1.96**	3.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**27,830**	47,316
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	**(2)**	(243)
Share of other comprehensive loss of joint ventures	**(476)**	(6,721)
Exchange differences related to foreign operations	**(702)**	(6,913)
	(1,180)	(13,877)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**26,650**	33,439
Attributable to:		
Owners of the Company	**22,775**	28,483
Non-controlling interests	**3,875**	4,956
	26,650	33,439

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**503,187**	526,215
Prepaid land lease payments		**–**	33,347
Right-of-use assets		**38,520**	–
Goodwill		**1,210**	1,210
Investment in an associate		**17,648**	17,910
Investments in joint ventures		**500,157**	473,710
Prepayments		**6,010**	4,180
Deferred tax assets		**7,815**	8,256
Total non-current assets		**1,074,547**	1,064,828
CURRENT ASSETS			
Inventories		**3,046**	3,011
Accounts and bills receivables	11	**48,903**	50,017
Prepayments, deposits and other receivables		**26,546**	28,720
Cash and cash equivalents		**238,918**	194,872
Total current assets		**317,413**	276,620
CURRENT LIABILITIES			
Other payables, accruals and contract liabilities	12	**23,354**	16,473
Interest-bearing bank and other borrowings	13	**53,835**	27,000
Tax payable		**12,376**	9,046
Total current liabilities		**89,565**	52,519
NET CURRENT ASSETS		**227,848**	224,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,302,395**	1,288,929

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**175,384**	148,500
Contract liabilities	*12*	**29,826**	32,089
Deferred tax liabilities		**2,053**	4,432
Total non-current liabilities		**207,263**	185,021
NET ASSETS		**1,095,132**	1,103,908
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**122,063**	122,063
Reserves		**929,993**	931,631
		1,052,056	1,053,694
Non-controlling interests		**43,076**	50,214
TOTAL EQUITY		**1,095,132**	1,103,908

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 2019 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 2018, except for the adoption of new and 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 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current period's financial information. The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

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

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

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for buildings and structures. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned in the statement of financial position. This includes the lease assets of HK$34,305,000 that were reclassified from prepaid land lease payments.

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

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

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

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

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

	HK$'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	**18,335**
Weighted average incremental borrowing rate as at 1 January 2019	3.73%
Discounted operating lease commitments as at 1 January 2019	18,007
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(12,395)
Lease liabilities as at 1 January 2019	**5,612**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follow:

	Right-of-use assets			
	Land	**Buildings and structures**	**Total**	**Lease liabilities**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
As at 1 January 2019	**34,305**	**5,612**	**39,917**	**(5,612)**
Depreciation expense	(457)	(935)	(1,392)	–
Interest expense	–	–	–	(97)
Payments	–	–	–	990
Exchange realignment	(5)	–	(5)	–
As at 30 June 2019	**33,843**	**4,677**	**38,520**	**(4,719)**

The Group recognised rental expenses from short-term leases of HK$5,687,000 for the six months ended 30 June 2019.

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 amounted to 10% or more of the Group's revenue, is set out below:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**46,957**	59,989
Customer B	**38,957**	40,154
Customer C	**12,348**	11,875
Customer D	**1,781**	2,904
	100,043	114,922

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Provision of the terminal storage and handling services of liquid chemicals	**116,575**	141,811

(i) Disaggregated revenue information

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Business activities		
Terminal storage services	**69,260**	82,027
Handling services	**47,315**	59,784
Total revenue from contracts with customers	**116,575**	141,811

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

(ii) Performance obligation

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

An analysis of other income is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,694**	1,340
Gross rental income	**431**	617
Loan interest income from a joint venture	**5,156**	6,111
Fair value gain on financial asset at fair value through profit or loss	**–**	5,233
Others	**597**	1,122
	7,878	14,423

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,928**	3,233
Interest on lease liabilities	**97**	–
	4,025	3,233

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	**26,301**	27,963
Depreciation on right-of-use assets	**1,392**	–
Amortisation of prepaid land lease payments	**–**	487

7. 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 2019 (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**12,830**	27,748
Under-provision/(over-provision) in previous periods	**82**	(16)
Deferred	**3,316**	(6,824)
Total tax charge for the period	**16,228**	20,908

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**23,880**	41,800

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

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2019 and 2018.

9. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend paid during the period:		
Final in respect of financial year ended 31 December 2018 – HK2.0 cents per ordinary share (2018: Final in respect of financial year ended 31 December 2017 – HK1.5 cents per ordinary share)	**24,413**	18,309
Proposed interim dividend:		
HK1.5 cents per ordinary share (2018: HK2.0 cents per ordinary share)	**18,309**	24,413

Subsequent to the period ended 30 June 2019, on 19 August 2019, the board of directors declared an interim dividend of HK1.5 cents per ordinary share, and therefore the interim dividend has not been included as a liability in the condensed consolidated statement of financial position as at 30 June 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At beginning of period/year, net of accumulated depreciation	**526,215**	607,646
Additions	**3,169**	4,389
Disposals	**(72)**	(2,107)
Depreciation charged for the period/year	**(26,301)**	(53,832)
Exchange realignment	**176**	(29,881)
At end of period/year, net of accumulated depreciation	**503,187**	526,215

11. ACCOUNTS AND BILLS RECEIVABLES

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable	**47,465**	48,159
Bills receivable	**1,438**	1,858
	48,903	50,017

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

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**24,515**	32,817
31 to 60 days	**16,189**	12,121
61 to 90 days	**5,880**	3,219
Over 90 days	**881**	2
	47,465	48,159

12. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other payables	**14,152**	3,404
Accruals	**4,361**	8,564
Contract liabilities in relation to deferred income	**34,667**	36,594
	53,180	48,562
Less: Current portion	**(23,354)**	(16,473)
Non-current portion	**29,826**	32,089

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	**30 June 2019** ***HK$'000*** **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Current				
Unsecured	Hong Kong Interbank Offer Rate ("**HIBOR**"), plus 1.4%	2020 (2018: 2019)	**49,000**	24,000
Unsecured	HIBOR, plus 1.9%	2020 (2018: 2019)	**3,000**	3,000
Lease liabilities	3.73%	2020	**1,835**	–
Total current			**53,835**	27,000
Non-current				
Unsecured	HIBOR, plus 1.4%	2021 (2018: 2020 to 2021)	**148,500**	123,000
Unsecured	HIBOR, plus 1.9%	2021 (2018: 2020 to 2021)	**24,000**	25,500
Lease liabilities	3.73%	2021	**2,884**	–
Total non-current			**175,384**	148,500
Total			**229,219**	175,500

Notes:

(a) All borrowings are denominated in Hong Kong dollars.

(b) The carrying amounts of bank loans approximated their fair values at the end of the reporting period.

14. SHARE CAPITAL

	30 June 2019 ***HK$'000*** **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Authorised:		
4,000,000,000 (31 December 2018: 4,000,000,000) ordinary shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
1,220,628,000 (31 December 2018: 1,220,628,000) ordinary shares of HK$0.10 each	**122,063**	122,063

15. COMMITMENTS

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted, but not provided for:		
Buildings and structures	**5,843**	8,187

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 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted, but not provided for:		
Buildings and structures	**264,363**	297,422

16. 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	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Terminal service expenses:			
Nanjing Chemical Industry Park Public Services Company Limited	*(i)*	**3,102**	3,040
Rental and auxiliary expenses:			
Nanjing Jiangbei New Area Construction Investment Group Co., Ltd ("**NJCI**")	*(ii)*	**6,034**	5,882
Dragon Crown Investments Limited ("**DC Investments**")	*(iii)*	**990**	840
Interest income:			
Weifang Sime Darby Liquid Terminal Co. Ltd. ("**WSDL**")	*(iv)*	**5,156**	6,111

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 NJCI, 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 2019, the Group recognised the lease liabilities of HK$4,719,000.

(iv) The shareholder loans of RMB123,000,000 (31 December 2018: RMB93,000,000) and RMB25,060,000 (31 December 2018: RMB25,060,000) to WSDL were interest-bearing at 6.0% (31 December 2018: 6.0%) and 6.4% (31 December 2018: 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 2019. As at 30 June 2019, the total operating lease commitment in relation to pipe racks and auxiliary services falling due within one year was approximately HK$5,543,000 (31 December 2018: HK$12,395,000).

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**3,802**	3,547
Post-employment benefits	**76**	76
Total compensation paid to key management personnel	**3,878**	3,623

(d) Outstanding balances with related parties

(i) As at 30 June 2019, included in other payables was a dividend payable of HK$11,013,000 (31 December 2018: 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 2019, included in deposits and other receivables was a receivable from WSDL, a joint venture of the Company, of HK$23,004,000 (31 December 2018: HK$18,773,000), which was unsecured, interest-free and repayable on demand.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 19 August 2019.

BUSINESS REVIEW

The Board is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2019 (the "**Period**").

For the Period, Dragon Crown recorded revenue of HK$116.6 million (2018: HK$141.8 million), representing a drop of 17.8% (However, if the actual amount is expressed in Renminbi, the revenue of the Group decreased by 12.5%). The decrease was mainly due to the decrease in revenue in respect of ethylene, methanol and acetic acid. Gross profit for the Period was HK$63.7 million (2018: HK$85.5 million). The gross profit ratio for the Period was 54.6% (2018: 60.3%). Profit during the Period attributable to owners of the Company was HK$23.9 million (2018: HK$41.8 million). The decrease in profit was mainly due to the decrease in revenue mentioned above and the absence of one-off fair value gain on financial asset at fair value through profit or loss. Earnings per share stood at HK1.96 cents (2018: HK3.42 cents).

The Board has declared an interim dividend of HK1.5 cents per share for the Period (2018: HK2.0 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 2019, cash and cash equivalents reached HK$238.9 million (as at 31 December 2018: HK$194.9 million) and maintained a net cash position (as at 31 December 2018: net cash position).

During the Period, the throughput volume of liquid petrochemical products handled by Dragon Crown's Nanjing, Ningbo and Weifang terminals stood at 640,000 metric tonnes, 180,000 metric tonnes and 2,527,000 metric tonnes, respectively (2018: 895,000 metric tonnes, 180,000 metric tonnes and 1,623,000 metric tonnes, respectively). Total throughput volume was 3,347,000 metric tonnes for the Period (2018: 2,698,000 metric tonnes).

The following table provides an overview of the Group's terminals and facilities as at 30 June 2019:

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.

The main source of the Group's revenue is derived from its flagship terminal, situated in the Nanjing Jiangbei New Materials High-tech Park. The Group's major customer, Celanese Corporation (NYSE: CE), a world leading producer of acetyl products, is also situated in the same high-tech park, contributed HK$100.0 million (2018: HK$114.9 million) in revenue to the Group, which is equivalent to 85.8% (2018: 81.0%) 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 integrated tank farm terminal service providers that specialized in liquid petrochemical products, operating a total of three tank farm terminals that are located in Nanjing, Ningbo and Weifang. Strategically situated in two of the major petrochemical industry hubs of China, the Group has set up jetties and tank farms along the coastal area to seize the rising demand from the petroleum and chemical industries. Dragon Crown offers a high quality and comprehensive range of liquid petrochemical tank farm terminal and storage services to customers through its own jetties, tank farms and dedicated pipelines.

Under the impact of the Sino-US trade war, China recorded GDP growth of 6.3% for the first half of 2019 and 6.2% for the second quarter of 2019 comparing with the same period last year, of which the latter was the slowest since 1992. In the past 6 months, international tension surged as the US imposed sanctions on Iran, Russia failed to reach consent in oil production reduction negotiation with Saudi Arabia and Sino-US trade war negotiation stranded. Increasing international political uncertainty has also affected international oil price significantly. Fortunately, the solid foundation of Dragon Crown established by our visionary management team over the years has successfully minimized the impact of international conflicts to negligible level. In facing uncertain economic environment, the Group continued to seize the opportunity to expand our business through investment in Weifang Liquid Terminal development projects, which signified the opening of a gateway to North-eastern Asian economic powerhouses for the Group.

Weifang Port was opened to foreign trade in August 2018, meaning Weifang Liquid Terminal has since then been able to allow the entrance of foreign vessels and hence handling more international cargoes and attract more international customers. As 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, with Phase III Project under construction and expected to commence operation in next year, Weifang Liquid Terminal will be ready to become an important growth driver for the Group.

BUSINESS OUTLOOK

As international relations remain to be uncertain and China's economic growth slows down, the second half of 2019 will be challenging. However, as various large-scale integrated oil refinery projects in China are implemented and different private refining corporates in Shandong have commenced operation, it is expected that the demand for oil and chemicals terminal and storage services will increase, providing more business opportunities for the Group.

Despite the challenging economic environment, the Group is optimistic about the prospects for the liquid petrochemical logistics industry. Through our investment in Weifang Liquid Terminal, the Group has achieved obvious logistic advantage in Shandong Province. As the operation scale and development of the terminal will be upgraded to another level when Phase III Project commences operation, it will help Dragon Crown to enter and capture the growing opportunities in China's liquid petrochemical industry and become an important growth driver for the Group.

The Group has sailed through different economic changes in the past years. With our world-class expertise and excellent facilities and services, support from our loyal customers and our management's vision in business operation, we are confident that we will be able to consolidate our leading position in the industry and continue to introduce new cost-effective solutions that enable our customers to reduce costs, increase flexibility and raise efficiencies as a whole. Looking ahead, the Group will be dedicated to improving the profitability of terminals and delivering greater value to its shareholders with its best efforts.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the Period, the revenue of the Group decreased by 17.8% from HK$141.8 million in the same period of 2018 to HK$116.6 million (However, if the actual amount is expressed in Renminbi, the revenue of the Group decreased by 12.5%). The decrease was mainly due to the decrease in revenue in respect of ethylene, methanol and acetic acid.

Gross profit

For the Period, the gross profit of the Group decreased by 25.5% from HK$85.5 million in the same period of 2018 to HK$63.7 million. The decrease was mainly due to the decrease in revenue as mentioned above. The gross profit ratio decreased by 5.7%, from 60.3% in the same period of 2018 to 54.6% for the Period.

Other income

For the Period, other income decreased to HK$7.9 million from HK$14.4 million in the same period of 2018, which mainly due to the absence of one-off fair value gain on financial asset at fair value through profit or loss.

Administrative expenses

For the Period, administrative expenses decreased by 21.6% from HK$26.5 million in the same period of 2018 to HK$20.7 million. The decrease was mainly due to the decrease in loss on foreign exchange difference.

Finance costs

Finance costs for the Period increased to HK$4.0 million from HK$3.2 million in the same period of 2018. It was mainly attributable to the increase of interest rate and the Group has drawn down certain new bank loans during the Period.

Share of profits and losses of joint ventures

The share of profits of the joint ventures in Ningbo decreased for the Period due to the increase in operating costs as a result of the increase in external storage tanks rental fee.

There was no significant change in the share of loss of a joint venture in Weifang compared with the same period in 2018.

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

Tax expense

The tax expense for the Period decreased to HK$16.2 million from HK$20.9 million in the same period of 2018. The decrease was due to the decrease 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 2019.

The Group had provided shareholder's loans to WSDL. As at 30 June 2019, WSDL was indebted to the Group in an aggregate amount of RMB148.1 million.

USE OF NET PROCEEDS FROM LISTING

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

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

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

The Group held the unutilised net proceeds in short-term deposits or time deposits with banks in Hong Kong as at 30 June 2019.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 30 June 2019, the Group's total bank loans amounted to HK$224.5 million (as at 31 December 2018: HK$175.5 million), all are Hong Kong dollar bank loans. The Group's cash and cash equivalents amounted to HK$238.9 million (as at 31 December 2018: HK$194.9 million). The Group maintained net cash position at 30 June 2019 and 31 December 2018. The gearing structure of the Group was as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Net cash	**14,418**	19,372
Equity attributable to owners of the Company	**1,052,056**	1,053,694
Gearing ratio	**N/A**	N/A

As at 30 June 2019, the Group's current assets and current liabilities amounted to HK$317.4 million (as at 31 December 2018: HK$276.6 million) and HK$89.6 million (as at 31 December 2018: HK$52.5 million), respectively. As at 30 June 2019, the Group's current ratio was 3.5 (as at 31 December 2018: 5.3).

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

DEBT MATURITY PROFILE

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Repayable:		
Within one year	**52,000**	27,000
In the second year	**52,000**	52,000
In the third to fifth years, inclusive	**120,500**	96,500
	224,500	175,500

Note: All bank loans as at 30 June 2019 are denominated in Hong Kong dollars.

FOREIGN CURRENCY AND INTEREST RATE RISKS

The Group's cash and bank balances were primarily denominated in Renminbi and Hong Kong dollars. Its operating cash inflows and outflows were primarily denominated in Renminbi and Hong Kong dollars. During the 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.

COMMITMENTS AND CONTINGENT LIABILITIES

Details of commitments as at 30 June 2019 are set out in note 15 to the financial information. As at 30 June 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30 June 2019, the Group had a total of 342 full time employees (as at 31 December 2018: 363). The Group provides competitive remuneration package to retain its employees including salaries, discretionary bonus, medical insurance, other allowance and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the 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, Mr. HOU Xiaoming (appointed on 1 July 2019) and Mr. ZHU Wujun (resigned on 1 July 2019), 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 19 August 2019, the Audit Committee has reviewed the interim condensed consolidated 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 interim condensed consolidated 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.

AUDITOR

The Group's interim condensed consolidated financial information for the Period have been reviewed by external auditor, Ernst & Young, Certified Public Accountants.

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 19 August 2019, the Board has declared an interim dividend of HK1.5 cents per share for the six months period ended 30 June 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 6 September 2019. The interim dividend is expected to be paid on Friday, 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 5 September 2019 to Friday, 6 September 2019, 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 Wednesday, 4 September 2019.

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 2019 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, 19 August 2019

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.