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 2016

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 2016, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
REVENUE	*5*	**249,898**	269,104
Cost of services provided		**(115,402)**	(123,993)
Gross profit		**134,496**	145,111
Other income	*6*	**8,105**	11,893
Administrative expenses		**(49,522)**	(47,051)
Finance costs	*7*	**(2,980)**	(1,661)
Share of profits and losses of:			
Associate		**3,636**	(3,037)
Joint ventures		**4,902**	5,850
PROFIT BEFORE TAX	*8*	**98,637**	111,105
Tax	*9*	**(18,557)**	(23,010)
PROFIT FOR THE YEAR		**80,080**	88,095
Attributable to:			
Owners of the Company		**70,598**	77,118
Non-controlling interests		**9,482**	10,977
		80,080	88,095
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
Basic	*11*	**6.26**	6.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**80,080**	88,095
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of changes in exchange differences of an associate	**(1,177)**	(785)
Share of changes in exchange differences of joint ventures	**(11,066)**	(947)
Exchange differences on translation of foreign operations	**(54,629)**	(39,218)
	(66,872)	(40,950)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,208**	47,145
Attributable to:		
Owners of the Company	**8,068**	38,582
Non-controlling interests	**5,140**	8,563
	13,208	47,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**604,390**	687,049
Prepaid land lease payments		**34,478**	37,786
Goodwill		**1,210**	1,210
Investment in an associate		**18,016**	15,567
Investments in joint ventures		**351,162**	26,204
Available-for-sale investment		**41,200**	–
Prepayments		**5,627**	4,220
Total non-current assets		**1,056,083**	772,036
CURRENT ASSETS			
Inventories		**2,291**	2,873
Accounts and bills receivables	*12*	**31,052**	42,940
Prepayments, deposits and other receivables		**7,756**	10,787
Cash and cash equivalents		**208,121**	211,225
Total current assets		**249,220**	267,825
CURRENT LIABILITIES			
Other payables and accruals		**14,744**	24,501
Interest-bearing bank loans	*13*	**–**	28,333
Tax payable		**4,286**	5,564
Total current liabilities		**19,030**	58,398
NET CURRENT ASSETS		**230,190**	209,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,286,273**	981,463

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*13*	**227,583**	14,167
Deferred tax liabilities		**4,507**	4,868
Total non-current liabilities		**232,090**	19,035
NET ASSETS		**1,054,183**	962,428
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**122,063**	110,966
Reserves		**882,241**	799,588
		1,004,304	910,554
Non-controlling interests		**49,879**	51,874
TOTAL EQUITY		**1,054,183**	962,428

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 handling of liquid chemicals.

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 ("HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of Amendments to HKAS 1, Amendments to HKAS 16 and HKAS 38 and certain amendments included in *Annual Improvements to 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of certain amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on 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 chemicals business in Mainland China.

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**96,621**	102,530
Customer B	**81,810**	87,206
Customer C	**22,072**	23,100
Customer D	**20,219**	20,706
	220,722	233,542

5. REVENUE

Revenue represents the net invoiced value of services rendered for terminal storage and the handling of liquid chemicals during the year, after business tax and value-added tax.

6. OTHER INCOME

An analysis of other income is as follows:

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**3,172**	4,945
Compensation income	**–**	5,309
Gross rental income	**870**	885
Loan interest income from a joint venture	**3,047**	–
Others	**1,016**	754
	8,105	11,893

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**2,980**	1,661

8. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Depreciation	**51,780**	53,620
Amortisation of prepaid land lease payments	**924**	976
Minimum lease payments under operating leases of office premises and pipe racks	**14,273**	15,254
Auditor's remuneration	**1,380**	1,150
Directors' remuneration	**6,923**	6,708
Staff costs (excluding directors' remuneration):		
Wages, salaries and other benefits	**22,698**	22,780
Pension scheme contributions*	**4,395**	4,624
	27,093	27,404
Gross rental income	**(870)**	(885)
Less: Outgoings	**43**	44
	(827)	(841)
Loss on disposal of items of property, plant and equipment	**1,112**	154
Foreign exchange differences, net	**4,194**	4,675

* As at 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).

9. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**40**	33
Overprovision in prior years	**(25)**	(25)
Current – Elsewhere		
Charge for the year	**15,069**	16,600
Underprovision in prior years	**69**	11
Deferred	**3,404**	6,391
Total tax charge for the year	**18,557**	23,010

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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.

Under the new PRC Corporate Income Tax Law and its Implementation Rules (effective from 1 January 2008), the PRC Corporate Income Tax rates for domestic and foreign-invested enterprises are unified at 25%. The other major tax concessions applicable to the Group's Mainland China subsidiary are detailed below.

Pursuant to the tax document Guoshui Han 2007 No. 2 "Approval on Corporate Income Tax" issued by the national tax authority of Nanjing City, Jiangsu Province, the PRC, Nanjing Dragon Crown Liquid Chemical Terminal Company Limited, a subsidiary of the Group, is entitled to preferential tax treatment with full tax exemption from PRC Corporate Income Tax ("CIT") for the first five profitable years, commencing from 1 January 2007, and thereafter is entitled to a 50% deduction in the CIT rate for the subsequent five years. The Group's assessable income was subject to CIT at a rate of 12.5% for the year ended 31 December 2016 (2015: 12.5%).

10. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend – HK2.0 cents (2015: HK2.0 cents) per ordinary share	**22,193**	22,193
Proposed final dividend – HK2.3 cents (2015: HK2.3 cents) per ordinary share	**28,074**	25,522
	50,267	47,715

On 29 August 2016, the board of directors declared an interim dividend of HK2.0 cents per ordinary share.

The proposed final dividend for the year ended 31 December 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividend for the year ended 31 December 2015 was approved at the annual general meeting on 18 May 2016.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**70,598**	77,118

	Number of shares	
Shares		
Weighted average number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	**1,128,459,519**	1,109,662,000

No diluted earnings per share is presented as there were no potentially dilutive ordinary shares in issue for the years ended 31 December 2016 and 2015.

12. ACCOUNTS AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Accounts receivable	**30,558**	38,271
Bills receivable	**494**	4,669
	31,052	42,940

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:

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**26,125**	32,949
31 to 60 days	**3,911**	1,337
61 to 90 days	**102**	2,982
Over 90 days	**420**	1,003
	30,558	38,271

13. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	**Maturity**	**2016**	2015
			HK$'000	*HK$'000*
Current				
Secured	Hong Kong Interbank Offer Rate ("HIBOR"), plus 2%	Nil (2015: 2016)	**–**	28,333
Non-current				
Secured	HIBOR, plus 2%	Nil (2015: 2017)	**–**	14,167
Unsecured	HIBOR, plus 1.4%	2018 to 2019 (2015: Nil)	**197,583**	–
Unsecured	HIBOR, plus 1.9%	2018 to 2021 (2015: Nil)	**30,000**	–
			227,583	14,167
			227,583	42,500

	2016	2015
Analysed into:		
Bank loans repayable:		
Within one year	**–**	28,333
In the second year	**50,896**	14,167
In the third to fifth years, inclusive	**176,687**	–
	227,583	42,500

Notes:

(a) The Group's bank loans were secured by:

(i) corporate guarantees granted by the Company;

(ii) fixed charges over certain buildings and structures with a net carrying amount of HK$177,592,000 as at 31 December 2015; and

(iii) fixed charges over certain leasehold lands with a net carrying amount of HK$11,603,000 as at 31 December 2015.

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

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

14. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2015: 4,000,000,000) ordinary shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
1,220,628,000 (2015: 1,109,662,000) ordinary shares of HK$0.10 each	**122,063**	110,966

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share Capital**
		HK$'000
At 1 January 2015, 31 December 2015 and 1 January 2016	1,109,662,000	110,966
Issue of shares *(Note)*	110,966,000	11,097
At 31 December 2016	1,220,628,000	122,063

Note:

On 28 September 2016, the Company entered into an agreement with Ping An of China Securities (Hong Kong) Company Limited ("Placing Agreement"). Pursuant to the Placing Agreement, the Company issued 110,966,000 shares at HK$1.25 per share on 31 October 2016. The aggregate gross and net proceeds were approximately HK$138,708,000 and HK$133,496,000, respectively. The share issuance expenses of approximately HK$5,212,000 were debited to the share premium account.

Further details of the above issuance of shares are disclosed in the Company's announcement dated 28 September 2016.

BUSINESS REVIEW

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

During the year ended 31 December 2016, the throughput volume of liquid chemical products handled by the Group's Nanjing, Ningbo and Tianjin terminals reached 1,493,200 metric tonnes, 337,000 metric tonnes and nil metric tonnes, respectively (2015: 1,410,500 metric tonnes, 288,000 metric tonnes and 49,400 metric tonnes, respectively), with a combined throughput volume of 1,830,200 metric tonnes (2015: 1,747,900 metric tonnes).

The following table provides an overview of the existing terminals and facilities as at 31 December 2016:

Existing Terminals and facilities	**Nanjing**	**Ningbo**	**Total**
Number of tanks	32	12	44
Storage capacity (m^3)	210,000	29,000	239,000
Number of berths	3	1	4
Berthing capacity (dwt)	45,000*	3,000	
Jetty designed throughput capacity (metric tonnes)	4,000,000	100,000	4,100,000

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

The main source of the Group's revenue and profit is derived from its flagship terminal, situated in the Nanjing Chemical Industry Park, accounting for 91.1% (2015: 97.2%) of the total profit during the year. The Group's major customer, Celanese Corporation (NYSE: CE), a world leading producer of acetyl products, also situated in the same industrial park, contributed HK$220.7 million (2015: HK$233.5 million) in revenue to the Group, which is equivalent to 88.3% (2015: 86.8%) of the total revenue during the year.

Affecting by the Tianjin government authority's regional administrative order, our business operation in Tianjin has not been resumed since then. In view of the comparatively small scale of investment and business size, together with the uncertainty of the local government's perception, whether granting permission to continue this kind of business or to abandon, we have decided to close down the operation. Major assets of the company have been disposed of and the company is now undergoing the wind-up process. We considered that the cessation of Tianjin business would not have any material impact to the Group.

The latest moderate policies of the central government in regards to allowing private refineries to import and refine crude oil elevated and strengthened the Group's confidence in an expansion of capacity, so as to maintain the leading position in the industry. In view of this, the Group has entered into the equity purchase agreement in relation to the acquisition of 50% equity interest in Weifang Sime Darby Liquid Terminal Co., Ltd. ("WSDL") in January 2016. The construction of the first phase of the Weifang Liquid Terminal will be completed and come into operation in the second quarter of 2017. Moreover, the second phase of the Weifang Liquid Terminal has commenced its construction during the year and is expected to be completed at the end of 2017. There are already a number of oil and chemical storage partnerships being launched with customers during the year. Up to now, almost 90% of tank capacity for the first phase has been contracted with customers and more than 50% of tank capacity for the second phase has already been signed for either agreements or memoranda. The Group believes the acquisition will definitely benefit to the profit of the Group in the coming years.

The Group also entered into the Placing Agreement ("Placing") in September 2016. The aggregate gross and net proceeds from the Placing were approximately HK$138.7 million and approximately HK$133.5 million, respectively. The Placing aimed to raise additional funding for the business operations of the Group, to strengthen the Group's financial position and to provide working capital for the Group to meet any financial obligations and/or investment opportunities, if necessary.

Dragon Crown is in a strong financial position, with total assets of HK$1,305.3 million (2015: HK$1,039.9 million) and total equity of HK$1,054.2 million (2015: HK$962.4 million). The Group has cash on hand of HK$208.1 million (2015: HK$211.2 million) and a gearing ratio of 1.9% (2015: N/A).

BUSINESS OUTLOOK

In spite of the market concerns over faltering economic growth and an uncertain external economic environment, the Group remains optimistic about the blueprint of the industry and layout of the business. Looking ahead, with the strong support of the national policies, the Group believes to realize the full potential of the exciting opportunities for the future development. The Group plans to continue enhancing its core business in the coastal regions of China, particularly along the Yangtze River Delta and Bohai Bay regions, so as to further expand Dragon Crown's domestic market.

Through the acquisition of WSDL, the Group expects to benefit from the good development prospects given that the Weifang Liquid Terminal meets the most stringent safety requirements and is a state-of-the-art terminal project located at a gateway to North-eastern Asian economic powerhouses. It dedicated to developing the bulk oil and chemical storage and distribution business which may increase the processing capacity of the Weifang Port after its expansion. With the obvious geographical and logistic advantage of Weifang Port to oil refineries and chemical production plants located within its 300km radius, Weifang Liquid Terminal also allows the entrance of vessels with higher Dead Weight Tonnage so as to effectively control customers costs. In addition, the completion and operation of the surrounding railway in 2019 will definitely enhance the flexibility and reliability of the terminal, as well as more convenience for customers in the future. Meanwhile, the facilitation of Shandong government in terms of policy, the Group expects that the construction of the first phase of the Weifang Liquid Terminal will be completed and come into operation in the second quarter of 2017.

With advanced operations and a highly experienced management team at the helm, Dragon Crown is set to consolidate its leading position as an integrated terminal service provider in China. As it continues to grow, the Group will remain committed to achieving more positive financial results and delivering greater value to its shareholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2016, the revenue of the Group was decreased by 7.1% from HK$269.1 million in 2015 to HK$249.9 million. (However, if expressed the actual amount in Renminbi, the revenue of the Group was decreased slightly by 2.0% only, from RMB218.1 million in 2015 to RMB213.8 million.) The decrease was mainly due to the depreciation of Renminbi and the decrease in energy fee revenue in respect of ethylene during the year. Since June 2016, the Group has started purchasing steam generating by local power plant directly instead of using our own boilers to generate steam. Such change of method lowered the cost of energy consumed and thus reduced the energy fee recharging to customers.

Gross profit

For the year ended 31 December 2016, the gross profit of the Group was decreased by 7.3% from HK$145.1 million in 2015 to HK$134.5 million. The decrease was mainly due to the decrease in revenue as mentioned above. As the decrease in energy fee revenue was compensated by the savings in diesel fuel cost consumed by the boilers, the gross profit ratio was comparable with that of last year, which only decreased slightly by 0.1% to 53.8%.

Other income

Other income decreased to HK$8.1 million from HK$11.9 million in 2015, which was mainly due to the net effects of increase of loan interest income from a joint venture in current year but lack of the one-off compensation income received as compared to last year.

Administrative expenses

Administrative expenses increased by 5.3% from HK$47.1 million in 2015 to HK$49.5 million. The increase was mainly attributable to the handling charge for the subscription of the unlisted equity investment and increase in professional fees.

Finance costs

Finance costs for the year increased to HK$3.0 million from HK$1.7 million in 2015 because the Group has drawn down certain new bank loans during the year.

Share of profit and loss of associate

The operation of the associate in Tianjin has been suspended since the serious explosion incident of dangerous goods warehouse in Tianjin Port happened in August 2015. Due to the high uncertainty of when the local government authority would allow the resumption of business operation, the board of directors of the associate has decided to dissolve the company and is now going through the liquidation process.

During the year, the associate has impaired all its assets to net realizable value. At the same time, the associate has received a significant compensation money from the local government in respect of the serious interruption to the associate's business operation in previous years as a result of the government's regulatory restriction of the logistic channel. Hence, the associate turned around from loss in 2015 to profit for the year.

Share of profit and loss of joint ventures

The profitability of the operations of the joint ventures in Ningbo dropped for the year due to the enhanced enforcement on the safety measurement as imposed by the government authority. Therefore, the operating costs increased which mainly attributable to the increase in external storage tanks rental.

On the other hand, the acquisition of 50% equity interest in WSDL has been completed by the end of May 2016. WSDL became a joint venture of the Group since then and has contributed some profits to the Group accordingly.

Tax expense

The tax expense for the year decreased to HK$18.6 million from HK$23.0 million in 2015. The decrease was mainly due to the decrease in assessable profit for the year. In addition, withholding tax expense for the year also reduced since the dividends declared from our PRC Group companies dropped.

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 the year ended 31 December 2016 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 (the "Prospectus") and the announcement dated 6 February 2013 headed "Change of use of proceeds", 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	–
Construction of our dedicated railway system	40.0	–	40.0
Construction of nine general purpose storage tanks	33.3	33.3	–
General working capital	28.1	28.1	–
	281.1	241.1	40.0

The Group held the unutilised net proceeds in short-term deposits or time deposits with banks in Hong Kong and Nanjing as at 31 December 2016.

FUND RAISING

On 28 September 2016, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has conditionally agreed to allot and issue, and the placing agent has conditionally agreed to use its best endeavours to procure the placing of, a maximum of 110,966,200 placing shares to a placee at a placing price of HK$1.25 per placing share.

Mr. Ng Wai Man (the Chairman, the Executive Director and the controlling shareholder of the Company) has entered into compensation agreement with the placee. Details of the transaction are set out in the Company's announcement dated 28 September 2016.

The placing was completed on 31 October 2016 and a total of 110,966,000 placing shares have been successfully placed. The net proceeds amounted to approximately HK$133.5 million. The Group intends to utilise as to approximately HK$70.0 million of the net proceeds for investing into existing projects and future business development opportunities, approximately HK$30.0 million for the repayment of bank borrowings and interests and the remaining balance of approximately HK$33.5 million as general working capital of the Group.

Up to 31 December 2016, the net proceeds were applied as follows:

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Investing into existing projects and future business development opportunities	70.0	33.8	36.2
Repayment of bank borrowings and interests	30.0	29.1	0.9
General working capital	33.5	17.5	16.0
	133.5	80.4	53.1

The Group held the unutilised net proceeds in short-term deposits or time deposits with banks in Hong Kong as at 31 December 2016.

CAPITAL STRUCTURE, LIQUIDITY AND GEARING

As at 31 December 2016, the Group's total bank loans amounted to HK$227.6 million (2015: HK$42.5 million), all are Hong Kong dollar bank loans. The Group's cash and cash equivalents amounted to HK$208.1 million (2015: HK$211.2 million). The Group's gearing ratio (net bank loans to equity attributable to owners of the Company) was 1.9% at 31 December 2016 (2015: N/A). The gearing structure was as follows:

	2016	2015
	HK$'000	*HK$'000*
Net bank loans (total bank loans minus cash and cash equivalents)	**19,462**	(168,725)
Equity attributable to owners of the Company	**1,004,304**	910,554
Gearing ratio	**1.9%**	N/A

As at 31 December 2016, the Group's current assets and current liabilities amounted to HK$249.2 million (2015: HK$267.8 million) and HK$19.0 million (2015: HK$58.4 million), respectively. As at 31 December 2016, the Group's current ratio increased to 13.1 (2015: 4.6).

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:

	2016	2015
	HK$'000	*HK$'000*
Repayable:		
Within one year	–	28,333
In the second year	**50,896**	14,167
In the third to fifth years, inclusive	**176,687**	–
	227,583	42,500

Note: All bank loans at 31 December 2016 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 Hong Kong Interbank Offer Rate ("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 2016, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2016, the Group had a total of 283 full time employees (2015: 228). 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.

INVESTMENT IN WSDL

On 28 January 2016, Overseas Hong Kong Investment Limited ("OHKIL"), an indirect wholly-owned subsidiary of the Company, entered into the equity purchase agreement with Sime Darby Overseas (HK) Limited ("SDOHK") and Weifang Sime Darby Port Co. Ltd. ("WSDP") for the acquisition of 50% equity interest in WSDL, for a consideration of RMB60.85 million. WSDL is principally engaged in the construction, management and operation of Weifang Liquid Terminal at Weifang Port. For details of acquisition, please refer to the Company's announcement dated 28 January 2016.

On the same date, OHKIL and SDOHK have also entered into a Shareholders' Agreement for the management and administration of the affairs of WSDL and Weifang Liquid Terminal. Both parties will contribute RMB110.00 million to the registered capital of WSDL in equal shares within 30 days after the issuance of the new business license of WSDL. OHKIL further agreed to provide shareholder's loan to WSDL within 60 days after the issuance of the new business license of WSDL in an amount of RMB100.00 million. For details, please refer to the Company's announcement dated 28 January 2016.

The acquisition was completed on 23 May 2016 and WSDL becomes a joint venture of the Group since then. On June 2016, the Group had injected capital of RMB55.00 million to WSDL and on July 2016, the Group had provided shareholder's loan of RMB100.00 million to WSDL in accordance with the Shareholders' Agreement.

Furthermore, on 23 June 2016, OHKIL, SDOHK and WSDL entered into a capital injection agreement pursuant to which OHKIL and SDOHK shall each further inject capital in the amount of RMB100.00 million into WSDL. For details of the capital injection agreement, please refer to the Company's announcement dated 23 June 2016. Up to 31 December 2016, the Group had injected capital of RMB77.00 million in aggregate to WSDL in respect of this capital injection agreement.

DIVIDEND

The Board has recommended the payment of a final dividend of HK2.3 cents per share for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 26 May 2017. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting which is scheduled on Tuesday, 16 May 2017 (the "AGM"). The final dividend is expected to be paid on Friday, 16 June 2017.

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 has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions as set out in the CG Code during the year.

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 2016.

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 year ended 31 December 2016.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2016 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements. The work performed by Ernst & Young 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 Ernst & Young on this preliminary results announcement.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on Tuesday, 16 May 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 11 May 2017 to Tuesday, 16 May 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 10 May 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, 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 Wednesday, 24 May 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2016 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

Hong Kong, 22 March 2017

As at the date of this announcement, the executive directors are Mr. NG Wai Man, Mr. TING Yian Ann, Mr. CHONG Yat Chin and Ms. CHAN Wan Ming and the independent non-executive directors are Mr. LUO Shijie, Mr. ZHU Wujun and Mr. LAU Sik Yuen.