Crown International Corporation Limited
皇冠環球集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 727)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of Crown International Corporation Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 March 2020 ("**Current Year**") with comparative figures for the financial year ended 31 March 2019 ("**Last Year**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

		Year ended 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**14,914**	5,371
Other gains/(losses), net	*3*	**31**	(450)
Other income		**156**	180
Fair value gains on investment properties, net		**41,198**	45,462
Staff costs		**(13,763)**	(14,698)
Depreciation on property, plant and equipment		**(8,558)**	(1,111)
Other operating expenses		**(11,080)**	(23,176)
Operating profit		**22,898**	11,578
Finance income		**185**	4,075
Finance costs		**(1,115)**	(888)
Finance (costs)/income, net		**(930)**	3,187

	Notes	Year ended 31 March **2020** ***HK$'000***	2019 *HK$'000*
Profit before income tax	*4*	**21,968**	14,765
Income tax expense	*5*	**(13,168)**	(10,974)
Profit for the year		**8,800**	3,791
Other comprehensive loss:			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(135,086)**	(138,239)
Item that will not be reclassified to profit or loss:			
Change in fair value of financial asset at fair value through other comprehensive income		**(935)**	–
Total other comprehensive loss for the year		**(136,021)**	(138,239)
Total comprehensive loss for the year		**(127,221)**	(134,448)
Profit/(loss) attributable to:			
Owners of the Company		**9,379**	3,791
Non-controlling interests		**(579)**	–
		8,800	3,791
Total comprehensive loss attributable to:			
Owners of the Company		**(126,675)**	(134,448)
Non-controlling interests		**(546)**	–
		(127,221)	(134,448)
Basic and diluted earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	*6*	**0.27 HK cent**	0.11 HK cent
Dividends	*7*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		At 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**203,990**	171,580
Investment properties	*8*	**1,911,983**	2,002,606
Financial asset at fair value through other comprehensive income		**1,765**	–
Other receivables, prepayments and deposits	*9*	**699**	1,467
Deferred income tax assets		**760**	814
		2,119,197	2,176,467
Current assets			
Trade receivables	*10*	**9,626**	–
Other receivables, prepayments and deposits	*9*	**266,283**	168,241
Properties under development for sale	*11*	**866,976**	758,763
Restricted bank balances		**12,191**	26,750
Cash and cash equivalents		**1,501**	140,323
		1,156,577	1,094,077
Total assets		**3,275,774**	3,270,544
Liabilities			
Current liabilities			
Other payables and accruals	*12*	**356,683**	221,523
Borrowings		**560,273**	–
Lease liabilities		**8,246**	–
Income tax payable		**4,895**	2,249
		930,097	223,772
Net current assets		**226,480**	870,305
Total assets less current liabilities		**2,345,677**	3,046,772

		At 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Other payables and accruals	*12*	**5,623**	6,608
Borrowings		**38,230**	598,046
Lease liabilities		**2,776**	–
Deferred income tax liabilities		**396,987**	414,297
		443,616	1,018,951
Net assets		**1,902,061**	2,027,821
Equity			
Capital and reserves			
Share capital		**1,979,067**	1,979,067
Other reserves		**(77,921)**	48,754
Equity attributable to owners of the Company		**1,901,146**	2,027,821
Non-controlling interests		**915**	–
Total equity		**1,902,061**	2,027,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of preparation

The principal activities of the Group are (i) property investment, (ii) property development, (iii) hotel operations, (iv) provision of financial consultancy service and (v) provision of comprehensive healthcare planning and management services.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 902, 9th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"). The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The financial information relating to the years ended 31 March 2019 and 2020 included in this preliminary announcement of annual results 2019/20 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2020 in due course.

The Company's auditors have reported on the financial statements of the Group for both years. The auditor's reports were unqualified, did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance, but include a reference to the going concern matter to which the auditor drew attention by way of emphasis without qualifying its reports for the year ended 31 March 2020.

Going concern assumption

In preparing the consolidated financial statements of the Group, the Directors have given consideration to the operations of the Group can continue as going concerns notwithstanding that the following matters which may cast significant doubt about the Group's ability to generate sufficient cash flows to meet its liquidity needs:

(i) the operations of the Group has deteriorated due to the Novel Coronavirus ("**COVID-19**") pandemic as one of the main operations of the Group is sales of properties in the People's Republic of China (the "**PRC**"). As some lockdown measures had been implemented in the PRC during the COVID-19 pandemic, the sales activities of the Group was completely suspended from late January 2020 to end of March 2020. Even though the lockdown measures were released when the pandemic situation improved, economic conditions have not immediately returned to the level before COVID-19. As a result, sales of the Group has been affected significantly.

(ii) an instalment of interest payment of the Group's entrusted loan with an aggregate amount of HK$6,049,000 (equivalent to approximately Renminbi ("**RMB**") 5,539,000) which was due and payable on 20 March 2020 remained overdue as at 31 March 2020 and up to the date of approval of the annual result announcement date. As a result, the bank has the right to serve a notice to request the immediate repayment of the entire principal amount of the entrusted loan together with interest and penalty. The entire entrusted loan with principal amount of approximately HK$546,000,000 (equivalent to RMB500,000,000), together with interest and penalty payables as at 31 March 2020 is treated as immediately due and payable and classified as current liabilities. However, as at 31 March 2020, the cash and cash equivalents of the Group amounted to HK$1,501,000 only.

The consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors have prepared cash flow projections covering a period of not less than twelve months. The Directors are of the view that the Group will have sufficient working capital to finance their operations in the next twelve months from 31 March 2020, after taking into consideration of the following:

(i) the Group is actively negotiating with the banker to remedy the late payment issue and to restructure the payment terms for the remaining amount of the entrusted loans. As a result of the outbreak of COVID-19, the PRC government was encouraging banks to help enterprises to resolve their liquidity problem. The Directors consider the Group will be able to reach an agreement with the banker to defer the loan repayment schedule for 6 months;

(ii) the Group is actively negotiating with a third party to obtain new funding in the amount of USD200 million by issuing bonds for the future development of the Group. Although the progress of the bond issue was affected by the outbreak of COVID-19 in particular the on-site due diligence work, the Directors consider the Group will be able to reach an agreement with the third party once the due diligence work is completed;

(iii) as at 31 March 2020, the Group had certain investment properties located in the PRC with net carrying amount of approximately HK$1,911,983,000 (equivalent to approximately RMB1,750,900,000), that are available for the Group to use as securities for possible future bank borrowings. The Group is actively negotiating with banks to obtain new borrowings. Considering the Group's ability in providing sufficient pledges of properties, the Directors are in the view that the Group will be able to secure new borrowings, when necessary; and

(iv) the estimated proceeds from the pre-sale of properties under development in respect of the projects in Weihai.

The Directors, after making due enquiries and consider the basis of management's projections described above, believe that, taking into account the above mentioned actions and planned measures and their progress, the Group will have sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next twelve months from 31 March 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on the going concern basis.

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Effect of adopting new standard and amendments to existing standards

The following new standard and amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes and HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

HKFRS 16 "Leases" ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), 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. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Right-of-use assets presented in property, plant and equipment	13,390
Lease liabilities (non-current)	6,954
Lease liabilities (current)	6,436

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	14,174
Less: future interest expenses	(784)
Total lease liabilities as of 1 April 2019	13,390

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 5.64%.

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., 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.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on the consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The comparative information presented in the year of 2018/19 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied the practical expedients at the date of initial application of HFKRS 16, and relied on the previous assessment for onerous contract provisions as at 1 April 2019 as an alternative to performing an impairment review.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

(b) New / revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's accounting policies and consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(i) Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

(ii) Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

(iii) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

(iv) Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2 Revenue and segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker, namely the executive directors, for their decisions about resources allocation to the Group's business component and for their review of the performance of that component. The business components in the internal financial information reported to the executive directors are principally engaged in property investment, property development, hotel operations, provision of financial consultancy service and provision of comprehensive healthcare planning and management services.

(a) Analysis of revenue by category

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Rental income	**14,588**	5,371
Comprehensive healthcare planning and management services income recognised over time	**326**	–
	14,914	5,371

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$102,805,000 (2019: HK$29,590,000). The amount represented revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and provision of comprehensive healthcare planning and management services. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The group will recognise the expected revenue in future when or as the service is rendered or, in the case of the properties under development for sales, when the properties ownership are assigned to the customers which is expected to occur over the next 12 to 24 months (2019: next 12 to 36 months).

(b) Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit which is subject to risks and returns that are different from those of other business segments. Summarised details of the business segments are as follows:

i) the property investment segment engages in investment of properties in cities of Yingkou, Jinggangshan and Zhongshan of the PRC, the Group aims to use these properties for properties rental or capital appreciation purposes;

ii) the property development segment engages in property development and sales of properties in Weihai city ("**Weihai**");

iii) the hotel operations segment engages in hotel rental and food and beverage business in Weihai;

iv) the financial consultancy service segment engages in the provision of financial consultancy service to assist customers to obtain financing;

v) the comprehensive healthcare planning and management services segment engages in the provision of comprehensive healthcare planning and management services to the healthcare operators; and

vi) the unallocated segment comprises operations other than those specified in (i), (ii), (iii), (iv) and (v) above and includes that of the corporate office.

The hotel operations in Weihai is yet to commence operation as at 31 March 2020 as it is currently under construction. The property development operation is currently under pre-sale stage and the relevant properties are under construction.

Capital expenditure comprise additions to investment properties and property, plant and equipment. Segment assets consist primarily of investment properties, properties under development for sale, property, plant and equipment and receivables. Segment liabilities comprise deferred income tax liabilities, operating liabilities and borrowings. Unallocated assets and liabilities mainly represent assets and liabilities used by the corporate office, which cannot be allocated on a reasonable basis to any segment, which include items such as cash and cash equivalent.

The Directors assess the performance of the operating segments based on a measure of segment results, which represent, operating profit less central administrative costs. The segment results, depreciation, fair value gains on investment properties and capital expenditure based on reportable segments for the years ended 31 March 2020 and 2019 are as follows:

	Property investment *HK$'000*	Property development *HK$'000*	Hotel operations *HK$'000*	Financial consultancy service *HK$'000*	Comprehensive healthcare planning and management services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 March 2020							
Segment revenue:							
Revenue from external customers	**14,588**	**–**	**–**	**–**	**326**	**–**	**14,914**
Segment results	**51,737**	**(3,189)**	**(700)**	**(5,010)**	**(1,118)**	**(18,822)**	**22,898**
Finance income							**185**
Finance costs							**(1,115)**
Profit before income tax							**21,968**
Income tax expense							**(13,168)**
Profit for the year							**8,800**
Other segment information							
Depreciation on property, plant and equipment	**(254)**	**(222)**	**(49)**	**(2,038)**	**(354)**	**(5,641)**	**(8,558)**
Fair value gains on investment properties, net	**41,198**	**–**	**–**	**–**	**–**	**–**	**41,198**
Additions to							
– Property, plant and equipment	**–**	**988**	**33,080**	**5,074**	**2,381**	**615**	**42,138**
– Investment properties	**1,462**	**–**	**–**	**–**	**–**	**–**	**1,462**

	Property investment *HK$'000*	Property development *HK$'000*	Hotel operations *HK$'000*	Financial consultancy service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 March 2019						
Segment revenue:						
Revenue from external customers	5,371	–	–	–	–	5,371
Segment results	47,302	(8,845)	(1,941)	(3)	(24,935)	11,578
Finance income						4,075
Finance costs						(888)
Profit before income tax						14,765
Income tax expense						(10,974)
Profit for the year						3,791
Other segment information						
Depreciation on property, plant and equipment	(315)	(102)	(22)	–	(672)	(1,111)
Fair value gains on investment properties, net	45,462	–	–	–	–	45,462
Additions to						
– Property, plant and equipment	598	66	37,300	–	–	37,964
– Investment properties	1,166	–	–	–	–	1,166

3 customers (year ended 31 March 2019: 3) contributed more than 10% revenue of the Group.

	Year ended 31 March	
	2020	2019
	Property investment segment	Property investment segment
	HK$'000	*HK$'000*
Customer A	**9,401**	–
Customer B	**1,950**	2,018
Customer C	**1,881**	1,948
Customer D	**N/A**	1,405
Total	**13,232**	5,371

The segment assets and liabilities based on reportable segments as at 31 March 2020 and 2019 are as follows:

	Property investment	Property development	Hotel operations	Financial consultancy service	Comprehensive healthcare planning and management services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2020							
Segment assets	**1,925,661**	**1,074,783**	**235,928**	**4,188**	**2,116**	**31,597**	**3,274,273**
Cash and cash equivalents	**49**	**81**	**–**	**671**	**438**	**262**	**1,501**
Total assets	**1,925,710**	**1,074,864**	**235,928**	**4,859**	**2,554**	**31,859**	**3,275,774**
Segment liabilities	**(428,857)**	**(714,992)**	**(156,950)**	**(3,644)**	**(2,984)**	**(66,286)**	**(1,373,713)**
Total liabilities	**(428,857)**	**(714,992)**	**(156,950)**	**(3,644)**	**(2,984)**	**(66,286)**	**(1,373,713)**

	Property investment *HK$'000*	Property development *HK$'000*	Hotel operations *HK$'000*	Financial consultancy service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
At 31 March 2019						
Segment assets	2,006,827	918,651	201,655	400	2,688	3,130,221
Cash and cash equivalents	12,357	120,139	–	477	7,350	140,323
Total assets	2,019,184	1,038,790	201,655	877	10,038	3,270,544
Segment liabilities	(445,558)	(638,105)	(140,072)	(187)	(18,801)	(1,242,723)
Total liabilities	(445,558)	(638,105)	(140,072)	(187)	(18,801)	(1,242,723)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for the years ended 31 March 2020 and 2019 and non-current assets other than financial instruments and deferred income tax assets as at 31 March 2020 and 2019 based on geographical area are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Revenue		
PRC	**14,914**	5,371
Non-current assets		
Hong Kong	**6,144**	401
PRC	**2,109,829**	2,173,785
	2,115,973	2,174,186

Revenue is categorised based on the jurisdiction in which the customers are located. Non-current assets are categorised based on where the assets are located.

3 Other gains/(losses), net

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Exchange losses, net	**–**	(32)
Loss on written off of property, plant and equipment	**–**	(506)
Loss on disposal of property, plant and equipment	**(6)**	–
Others	**37**	88
	31	(450)

4 Profit before income tax

Profit before income tax for the year is arrived at after charging:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**1,350**	1,350
Minimum lease payments for properties under operating leases	**–**	7,116

5 Income tax expense

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Current tax		
PRC		
– Current year	**2,790**	821
Under/(over) provision in prior years	**78**	(1,212)
	2,868	(391)
Deferred taxation	**10,300**	11,365
	13,168	10,974

6 Earnings per share

(a) Basic earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 March	
	2020	2019
Profit for the year attributable to owners of the Company, *HK$'000*	**9,379**	3,791
Weighted average number of ordinary shares in issue	**3,430,000,000**	3,430,000,000
Basic earnings per ordinary share, *HK cent*	**0.27**	0.11

(b) The calculation of diluted earnings per ordinary share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per ordinary share above, as the Company did not have any dilutive potential ordinary shares for the two years ended 31 March 2020 and 2019.

7 Dividend

The Directors do not recommend payment of final dividend for the year ended 31 March 2020 (year ended 31 March 2019: Nil).

8 Investment properties

	At 31 March	
	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**2,002,606**	2,091,000
Addition	**1,462**	1,166
Fair value gains, net	**41,198**	45,462
Exchange difference	**(133,283)**	(135,022)
At end of year	**1,911,983**	2,002,606

The Group's property interests are held to earn rental income or for capital appreciation are measured using the fair value model.

Amounts recognised in profit or loss for investment properties

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Rental income	**14,588**	5,371
Direct operating expenses from properties that generated rental income	**(1,498)**	(98)
Direct operating expenses from property that did not generate rental income	**–**	(59)

9 Other receivables, prepayments and deposits

	At 31 March	
	2020	2019
	HK$'000	*HK$'000*
Non-current		
Rental deposits	**699**	1,467
	699	1,467
Current		
Other receivables	**9,828**	9,200
Prepayments and deposits	**256,455**	159,041
	266,283	168,241
	266,982	169,708

10 Trade receivables

Trade receivables generally are paid in arrear at the beginning of each rental year.

	At 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**9,626**	–

There is no specific credit term granted to customers. The ageing analysis of net trade receivables, based on the invoice dates, as at end of the reporting period is as follows:

	At 31 March	
	2020	2019
	HK$'000	*HK$'000*
1 to 3 months	**9,626**	–

11 Properties under development for sale

	HK$'000
At 1 April 2018	568,801
Additions	226,051
Exchange difference	(36,089)
At 31 March 2019 and 1 April 2019	**758,763**
Additions	**162,190**
Exchange difference	**(53,977)**
At 31 March 2020	**866,976**

12 Other payables and accruals

	At 31 March	
	2020	2019
	HK$'000	*HK$'000*
Non-current		
Leasehold improvements payable	**5,623**	6,608
	5,623	6,608
Current		
Construction and development cost payables	**197,845**	150,328
Contract liabilities	**102,805**	29,590
Interest payable	**10,077**	1,494
Others	**45,956**	40,111
	356,683	221,523
	362,306	228,131

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

During the Current Year, the Group was principally engaged in the business of property investment, property development, hotel operations, financial consultancy service and comprehensive healthcare planning and management services in the PRC.

Property investment

The Group's current investments in investment properties consist of the following wholly-owned properties:

- The commercial building known as 卓越大厦 at Ba Yu Quan Qu, west of Kunlun Da Jie, Yingkou city, Liaoning province, the PRC (the "**Yingkou Property**");

- The hotel complex at 1 Lan Hua Ping Lu, Ci Ping Zhen, Jinggangshan city, Jiangxi province, the PRC (the "**Jinggangshan Property**"); and

- The residential and commercial complex known as 達興豪苑 at 69 Zhongshan San Lu, Dong Qu, Zhongshan city, Guangdong province, the PRC (the "**Zhongshan Property**").

Property development

The Group's current investment in property development comprises approximately 1,400 serviced apartment units in the project located at Golden Beach No. 1, Golden Beach Garden, south of Bei Huan Hai Lu and east of Ren Tai Garden, Gao Qu, Weihai city, Shandong province, the PRC (the "**Weihai Property**") currently under development and to be sold by the Group. The Weihai Property project is 100% owned by the Group.

Hotel operations

The Group's current investments in hotel operations consist of the hotel development in the Weihai Property.

The Group's hotel operations comprise approximately 200 hotel suites in the Weihai Property to be managed by a world-renowned hotel group as hotel manager under the management agreement between the Group and the said hotel group. The hotel is still under construction at the moment.

Financial consultancy service

Due to the economic slowdown in the PRC, the Group's business of providing financial consultancy services to property developers in the PRC for financing recorded no revenue during the Current Year.

Comprehensive healthcare planning and management services

The new business segment, comprehensive healthcare planning and management services was established during the Current Year. Currently, this new business segment includes mainly provision of comprehensive healthcare planning and management services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management.

A. The Group's Property Investment

(i) The Yingkou Property

The Yingkou Property is a 16-storey commercial building situated in Yingkou city, Liaoning province, the PRC. The gross floor area of the Yingkou Property is approximately 10,740 square metres, and is owned by 你的客棧(營口)酒店管理有限公司 ("U" Inns (Yingkou) Hotel Management Corporation Limited*) (the "**Yingkou Subsidiary**"), a subsidiary of the Company. The Yingkou Subsidiary entered into two separate lease agreements in relation to the Yingkou Property.

In September 2010, the Yingkou Subsidiary as lessor entered into a lease agreement with a bank as lessee in relation to the lease of the second to fourth floors, as well as part of the ground floor area, of the Yingkou Property. The lease was for ten years, with an annual rental of RMB1.68 million for the first five years and an annual rental of RMB1.764 million for the remaining five years.

* For identification purpose only

In November 2013, the Yingkou Subsidiary as lessor entered into a lease agreement with a local lessee in relation to the lease of the fifth to sixteenth floors, as well as part of the ground floor area, of the Yingkou Property. The lease was for nine years, with an initial annual rental of RMB1.2 million for the first three years of the lease. The annual rental shall increase by 6% after the expiration of each three year period after the commencement date of the lease.

The Yingkou Property is currently fully occupied due to the abovementioned two leases. The Group considers that the operations of the Yingkou Property has entered a stable stage. The Group does not expect any material change to the operation of the Yingkou Property for the duration of the current leases until 2021 and 2022 respectively.

(ii) The Jinggangshan Property

The Jinggangshan Property is a hotel complex situated in Jinggangshan city, Jiangxi province, the PRC. The hotel complex has a gross floor area of approximately 9,600 square metres.

In June 2017, the Group entered into a lease agreement over the Jinggangshan Property with a local lessee for a period of ten years (which commenced on 8 December 2017, after the expiry of a rent-free period of six months) until 7 December 2027. The annual rental for each of the first three years was RMB1.8 million and the annual rental for each of the next three years was RMB1.9 million. Subsequently the annual rental for each of the following three years was RMB2.0 million, while the annual rental for the last year was RMB2.1 million. Under the terms of the lease agreement, the local lessee shall operate hotel businesses in the hotel complex. The local lessee undertook to renovate and maintain the hotel complex, and to ensure that the post-renovation complementary facilities achieve 3-Star or above in accordance with relevant PRC standards. The lessee undertook to pay not less than RMB10 million in renovation expenditures, and the Group shall subsequently reimburse the renovation expenditures of up to RMB10 million over the term of the lease.

The renovation work arranged by the local lessee has been completed, and the hotel complex operated by the tenant has commenced its operations. Accordingly, the Group's business operations of the Jinggangshan Property have also entered a stable stage. The Group does not expect any material change to the operation of the Jinggangshan Property for the duration of the current lease until 2027.

The Group believes this business model will not only help the Group generate stable rental income to the Group, but also improve the cash flow of the Group by spreading the renovation expenses borne by the Group over the term of the lease.

(iii) The Zhongshan Property

The Zhongshan Property is a multi-purpose complex comprising retail floors on the lower levels and commercial and residential floors on the upper levels. In 2015, the Group acquired the Zhongshan Property for investment purposes. When the acquisition was completed, the Group was of the view that the commercial and residential floors of the Zhongshan Property were suitable for use as economy hotels and serviced apartments, while the retail floors were suitable for leasing to tenants operating retail and catering businesses.

Due to the consistently rising property market in Zhongshan city since 2015, the Zhongshan Property recorded a substantial accumulated increase in market value since its acquisition by the Group based on the revaluation on the Zhongshan Property undertaken by an independent property valuer engaged by the Group.

The Group's management observed that the price level of the residential properties in Zhongshan kept climbing at a moderate rate in the financial year of 2019/20. The Group's management believed that such increase was attributable to the following factors: (i) the State Council's "Government Work Report" in 2017 officially proposed to study and formulate the development plan for Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"), signifying the construction of the Greater Bay Area as a formal national strategy thereby; (ii) the opened Hong Kong-Zhuhai-Macao Bridge (the "**Bridge**"), the world's longest sea-crossing bridge-and-tunnel channel, which reduces commuting time between Hong Kong, Zhuhai and Macau to roughly one hour, and is open 24-hours for border crossing. The opening of the Bridge has greatly enhanced the synergies among the cities within the Greater Bay Area in terms of circulation of goods, interaction of services, personnel movement and the free flow of information; (iii) the recent development of the Shenzhen-Zhongshan bridge and the Zhongshan metro, which is expected to shorten the commuting time from Zhongshan to Shenzhen and Foshan respectively upon their completion; and (iv) the current average price per square metre of Zhuhai, which is adjacent to Zhongshan, remain much higher than that of Zhongshan.

In September 2019, the Group and a local lessee entered into a lease agreement. Pursuant to the lease agreement, the entire Zhongshan Property including the residential units, the retail floors and the car parking spaces were leased to the lessee for a term commencing from 1 January 2020 to 31 March 2034. The initial annual rent is RMB33.0 million for the first three years of the lease commencing from 1 January 2020. The annual rental shall increase by 3.5% after the expiration of each three year period from 1 January 2020. Any renovation plan proposed by the lessee must obtain prior approval from the Group and the cost of renovation will be borne by the lessee.

B. The Group's investment in Property Development

The Weihai Property

The Weihai Property consists of three high rise hotel buildings with a total gross floor area of approximately 195,000 square metres, which were all originally intended for hotel use. The Group's management observed that Weihai has become an increasingly popular destination for the retired population in recent years which, coupled with the rapid growth of the tourism sector, has resulted in a consistent influx of migrants and an increased demand for properties. The Group's management considered such development in Weihai will continue to benefit its hotel industry and the local property market. In light of the above, the Group's management resolved in the financial year of 2017/18 that approximately 130,000 square metres of the gross floor area of the Weihai Property shall be renovated and sold as serviced apartments.

威海國盛潤禾置業有限公司 ("**Weihai Runhe**"), an indirect wholly-owned subsidiary of the Company, obtained the Commodity Housing Pre-sale Permit in the third quarter of 2018, after which pre-sale of the serviced apartments of Weihai Property started.

As at the date of this announcement, the total pre-sales by Weihai Runhe amounted to approximately RMB190 million, and the total saleable area pre-sold is approximately 17,000 square meters. The relevant pre-sale amounts are expected to be recognised as revenue in the financial year of 2021/22, as the construction and renovation works of the serviced apartment units are currently expected to be completed in second half year of 2021.

Financing of development of the Weihai Property

It is expected that the preliminary initial costs (excluding the land costs which was paid by the Group through acquisition of the offshore holding company of the PRC company for development of the Weihai Property) for development of the Weihai Property will exceed RMB1.0 billion. Part of the Group's plan to finance the development of the Weihai Property is pre-sale of the serviced apartment units as disclosed above.

To finance the construction and renovation costs of the Weihai Property, prior to entering the Group, Weihai Runhe through China Everbright Bank, entered into an entrusted loan agreement with a subsidiary of China HKBridge Holdings Limited ("**China HKBridge Loan**"), under which Weihei Runhe obtained a loan facility in the aggregate principal amount of RMB150 million, bearing interest at 18% per annum and repayable on 24 July 2019.

In November 2018, Weihai Runhe entered into an entrusted debt investment agreement (the "**Asia Alliance Asset Loan**") with 亞聯盟資產管理有限公司, through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to approximately HK$772 million) for a term of 3 years, bearing interest at 6.6% per annum. The final drawdown amount was RMB500 million (equivalent to approximately HK$584.6 million) with the remaining undrawn facility amount lapsed. The Asia Alliance Asset Loan replaced the China HKBridge Loan. The Group's management believes that substantial interest expenses will be saved through the replacement of China HKBridge Loan which was of a higher interest rate, thus lowering the construction finance costs of the Weihai Property. Meanwhile, the Asia Alliance Asset Loan will provide the Group with sufficient liquidity, improving the chance for the Group to secure the Golden Beach No.1 – Phase II Projects.

The Management considered that the Weihai Property would be sufficiently financed through (i) the cash flow generated from pre-sale of the serviced apartments; (ii) loan facilities such as the facilities mentioned above; (iii) financing of the development costs by contractor for obtaining interest return from the Group; and (iv) other capital arrangements as may be entered into by the Group from time to time.

C. The Group's Hotel Operations

The Weihai Property

Among the three buildings of the Weihai Property, the highest one of which would partially be built into a hotel in the future. Affected by the outbreak of COVID-19, the construction progress was severely hindered. The estimated completion time will be delayed from original estimation in the fourth quarter of 2020 to the second half year of 2021. The main building of the Weihai Property is expected to stand approximately 149.8 metres in height, making it a landmark along the Golden Beach in Weihai. It is also expected to be the highest building in Weihai.

When the Group completed the acquisition of the Weihai Property in September 2017, it acquired, along with the Weihai Property, the benefit of a management agreement with a world-renowned hotel group as hotel manager. Under the said management agreement, the hotel manager will, among other things, provide certain consultancy, design and monitoring services in the course of the development of the hotel floors, and manage the operation of the hotel premises after completion of the development. The hotel is expected to achieve a 5-star international standard and target high-end business and leisure travelers.

The hotel complex is under construction at the moment. Upon completion of the construction and renovation works (expected to be in the second half year of 2021), the hotel is expected to provide about 200 luxury suites and rooms.

D. The Group's Financial Consultancy Service

Due to the sustained slowdown in the economy of the PRC, the provision of financial consultancy services business to the real estate developers in need of financing, which was the main service provided by the Group under this segment in the past, was also greatly affected in the Current Year and thus did not record any revenue for the Current Year. However, the Group believes that the PRC market potential is still huge and it may adjust its operating model in future to not only focus on providing financial consultancy services to real estate developers, but also build more financing platforms for other companies with a view to capturing market opportunities and increased income therefrom.

E. The Group's Comprehensive Healthcare Planning and Management Services

The new business segment, comprehensive healthcare planning and management services was established during the Current Year. The Group has succeeded in attracting professional teams with extensive experience in these sectors and has comprehensive project resources and customer network. This business segment has already contributed revenue to the Group during the Current Year. This business is aiming to operate with the goal of building the brand of "Grandlife Healthcare Group". Currently, this segment services mainly focus on provision of comprehensive healthcare planning and management services such as preliminary planning, research, establishment, staff training and post-establishment operation and management to healthcare business operators.

FINANCIAL REVIEW

Key Performance Indicators

	For the year ended 31 March/As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**14,914**	5,371
Profit attributable to owners of the Company	**9,379**	3,791
Earnings per share (HK cent)	**0.27**	0.11
Gross assets	**3,275,774**	3,270,544
Net assets attributable to owners of the Company	**1,901,146**	2,027,821
Cash and bank balances	**13,692**	167,073
Borrowings	**598,503**	598,046
Net borrowings/net assets attributable to owners of the Company	**30.8%**	21.3%

Revenue

Revenue amounted to approximately HK$14.9 million for the Current Year, representing an increase of approximately HK$9.5 million or approximately 177.7% as compared to that of approximately HK$5.4 million for the Last Year. The increase in revenue was that for the Current Year, other than the usual rental income of our two investment properties, the Jinggangshan Property and the Yingkou Property, there was also rental income from the Zhongshan Property. In addition, the new business segment of comprehensive healthcare planning and management services also contributed to the Group revenue of approximately HK$0.3 million for the Current Year.

Other operating expenses

Other operating expenses amounted to approximately HK$11.1 million for the Current Year, representing a decrease of approximately HK$12.1 million or approximately 52.2% as compared to that of approximately HK$23.2 million for the Last Year. The significant decrease in other operating expenses was mainly due to the fact that a very significant portion of the leasing expense in the past was now accounted for as depreciation of right-of-use assets in accordance with the adoption of HKFRS 16. Depreciation of right-of-use assets was included in depreciation on property, plant and equipment in the consolidated statement of comprehensive income by the Group, which was not included in other operating expenses. However, the leasing expense of HK$7.1 million was otherwise included in other operating expenses in the Last Year. In addition, the Group also strictly controlled expenses during the Current Year, which greatly reduced other operating expenses as a whole.

Finance costs

Finance costs amounted to approximately HK$1.1 million for the Current Year, which is similar to that of HK$0.9 million last year.

Profit attributable to owners of the Company

For the Current Year, the Group recorded a net profit attributable to owners of the Company of approximately HK$9.4 million (Last Year: approximately HK$3.8 million), an increase of approximately HK$5.6 million as compared to that of the Last Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the Current Year, the Group's sources of fund primarily included income generated from business operations and proceeds from issuance of bonds, which were used in our business operations and investment and development of projects.

The Group expects that income generated from business operations and borrowings will continue to be the main sources of funds in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns on projects and stringently control the cost and various expenses. Besides, the Group will continue to look for opportunities to cooperate with foreign and domestic investors, in order to provide other sources of funding for the expansion of projects and business development.

As at 31 March 2020, the Group had bank balances and cash of approximately HK$13.7 million as compared to the bank balances and cash of approximately HK$167.1 million as at 31 March 2019.

The Group had net current assets amounting to approximately HK$226.5 million as at 31 March 2020, against approximately HK$870.3 million as at 31 March 2019. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 1.2x as at 31 March 2020 as compared with approximately 4.9x as at 31 March 2019.

Gearing Ratio

As at 31 March 2020, the Group's net debt gearing ratio (i.e. net debt divided by equity attributable to owners of the Company) was approximately 30.8% (31 March 2019: 21.3%). Net debt comprises total borrowings less cash and cash equivalents and restricted bank balances.

BONDS ISSUED

On 9 April, 2019, the Company issued a 7% per annum bonds in a total principal amount of HK$40,500,000 maturing on the second anniversary of the issue date of the bonds at the placing price equal to 100% of the principal amount of the bonds. As at 31 March 2020, the total outstanding amount of the bonds issued was HK$55,500,000 (31 March 2019: HK$15,000,000).

CAPITAL EXPENDITURE

Capital expenditure of the Group for the Current Year included expenditure on fixed assets and investment properties of approximately HK$42.1 million (Last Year: approximately HK$38.0 million) and approximately HK$1.5 million (Last Year: approximately HK$1.2 million) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2020,

(a) the Group did not have any material contingent liabilities or guarantees (31 March 2019: Nil); and

(b) the Group has capital expenditure for hotel properties contracted for but not provided in the consolidated financial statements in the amount of approximately HK$121.1 million (31 March 2019: HK$179.3 million) in respect of the construction of the hotel properties.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2020 and 2019, the Group's interests in the Weihai Property, and the equity interests in a PRC subsidiary which control the Weihai Property were pledged to an independent third party as security for borrowings with outstanding amount of RMB500.0 million (equivalent to, 31 March 2020: approximately HK$546.0 million, 31 March 2019 approximately HK$585 million).

FOREIGN EXCHANGE EXPOSURE

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and is mainly responsible for corporate financing and administration, and engaged in investment holding. The business of the Company's subsidiaries primarily involves operations and investments in the PRC, with revenue and expenditure denominated in Renminbi. If necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. The main foreign exchange exposure is from Renminbi; however as both revenue and expenditure of the Group's business are dominated in Renminbi, the Directors believe that the Group does not have significant foreign exchange exposure.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no material acquisition and disposal of subsidiaries and associated companies by the Group for the Current Year.

Save as disclosed above, as at 31 March 2020, the Group did not hold any significant investments (31 March 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 55 employees (31 March 2019: 47 employees), including executive Directors. The remuneration and staff cost for the Current Year were approximately HK$13.8 million (Last Year: approximately HK$14.7 million). The Group's remuneration policy and packages for the executive Directors and senior management were determined by the remuneration, quality and nomination committee of the Company while those for other employees were reviewed and approved by the chief executive officer of the Company. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and executive Directors.

FUTURE PROSPECTS

The current principal business of the Group includes property investment, property development, hotel operations, provision of financial consultancy service and provision of comprehensive healthcare planning and management services in the PRC.

For the property investment, the three investment properties of the Group, namely 達興豪苑 in Zhongshan, 卓越大廈 in Yingkou and Jinggangshan hotel in Jiangxi, have all been leased, signing long-term lease agreements ranging from around 9 to 15 years, which has guaranteed its long-term rental income and a stable annual cash inflow for the Group, thereby allowing the Group to focus on developing other business with the bulk of its resources and energy.

For the property development, pre-sale of the apartment units of the Golden Beach Phase I located in Weihai, Shandong province, the key project of the Group, has commenced in the third quarter of 2018. The project was originally expected to be completed and delivered in the fourth quarter of 2020. However, affected by the outbreak of COVID-19, the construction progress is severely hindered and the latest estimated completion time will be delayed to the second half year of 2021. The Group will then be able to recognise sales revenue from the Golden Beach Phase I in the financial year of 2021/22. In addition, the Group is conducting in-depth research on the Golden Beach Phase II in Weihai, next to its Phase I, and may continue with development of the Phase II, expecting these two projects to create synergies.

For the hotel operations, the Golden Beach Phase I located in Weihai, Shandong province is still under construction. Also affected by the outbreak of COVID-19, the hotel is expected to be completed and start business in the second half year of 2021. The hotel portion of the Golden Beach Phase I, becoming a new landmark and the highest building of Weihai, Shandong province, will be managed by a world-renowned hotel management company, making it the first international five-star hotel of the city.

Suffering from the global weak economy, the financial consultancy service business is not able to maintain its revenue level. The Group is studying to adjust the development direction of its financial consultancy service to adapt to the current market situation.

The new business segment of comprehensive healthcare planning and management business was established during the Current Year. Currently, the comprehensive healthcare business planning and management services includes provision of services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management. The Group has succeeded in attracting professional teams with extensive experience in these sectors and has comprehensive project resources and customer network. It is expected this business segment would contribute to the revenue and earnings for the Group in future. Furthermore, the Group is also identifying potential property projects, in future, the Group may through various methods such as acquisition of property projects or cooperation with property owners to modify property projects into high-end healthcare projects or even develop healthcare projects through land development by ourselves and combined with the capital operation of insurance companies and financial institutions to jointly operate healthcare projects. To cope with this development, the Group intends to raise up to USD200 million through bond issuance to support the related capital expenditures. The concept of comprehensive healthcare will become an important goal of the Group's future development.

At the beginning of 2020, the outbreak of the COVID-19 affected the global economy. Various countries have implemented isolation measures, interrupting people's exchanges, stopping production, cutting off the supply chain, and preventing normal trade. To save the weak economy, central banks of various countries have launched unprecedented bailout measures. We believe that when the epidemic stabilises and demand rises, the global economy, including China, is expected to recover quickly.

The Group is fully confident in its future development.

EVENTS AFTER THE END OF FINANCIAL YEAR

The outbreak of COVID-19 since early January 2020 has affected business and economic activity in the PRC and beyond. The operations of the Group has deteriorated due to COVID-19 pandemic as one of the main operations of the Group is sales of properties in the PRC. As some closure measures had been implemented in the PRC during the COVID-19 pandemic, the sales activities of the Group were completely suspended from late January 2020 to end of March 2020. Even though the lockdown measures were released when the pandemic situation improved, economic conditions have not been immediately return to the level before COVID-19. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (Year ended 31 March 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the Current Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interest of its shareholders as a whole. The Company has adopted and adhered to the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the year ended 31 March 2020 and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code, except the deviation disclosed below:

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. HUNG Man ("**Ms. HUNG**") served as both the Chairman and the Chief Executive Officer ("**CEO**"), such practice deviates from the Code Provision A.2.1 of the CG Code. By taking into the account the current circumstances of the Group as a whole, the Board considers Ms. HUNG, being a key leader of the Group, as a suitable candidate to be the CEO, ensuring consistent direction with the Group and enables more effective and efficient overall strategic planning for the Group. The Board will consider splitting the roles of Chairman and CEO at a time when it is appropriate. Therefore, the Board believes that the deviation from the Code Provision A.2.1 of the CG Code is applicable in such circumstance. Also, under the supervision of the Executive Committee which is comprised of four executive Directors, the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interest of the Company and the Shareholders.

Under Code provision E.1.2 of the CG Code, the chairman of the Board should attend the general meetings of the Company and invite the chairman of the committees to attend; Under Code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to other business commitment, Mr. LONG Tao, the chairman of the audit committee of the Company ("**Audit Committee**") and an independent non-executive Director ("**INED**"), and Mr. CHEN Fang, an INED, did not attend the annual general meeting of the Company held on 9 September 2019.

The Board periodically reviews and continues to enhance the Company's corporate governance policies to ensure compliance with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted its own code of conduct regarding securities transactions by Directors (the "**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having been made specific enquiries by the Company, other than the disclosure by Ms. HUNG (as the sole shareholder of Redstone Capital Corporation) under the section "Sufficiency of Public Float" below, all the Directors have confirmed their compliance with the Securities Code in their securities transactions during the year ended 31 March 2020.

Changes of Directors' Information

The following are the changes in the information of Directors since the disclosure was made in the 2018/19 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules:

Mr. LI Yong Jun, vice chairman of the Board and executive Director, has been appointed as a non-executive director of HKBridge Financial Holdings Limited (Stock Code: 2323) ("**HK Bridge**"), a company listed on the Main Board of the Stock Exchange, on 30 August 2019. He has been further appointed as the chairman of the board of directors of HKBridge since 6 April 2020.

Except as set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

INTERNAL CONTROL REVIEW

The Company engaged a professional internal control consultant firm, SHINEWING Risk Services Limited, to conduct an independent review on internal control environment of the Group for the year ended 31 March 2020. The independent review concluded that the internal control system of each of the Company and the Group was adequate. The independent review also made certain recommendations in support for the Company's consideration to improve its internal control and efficiency.

The Board reviewed the results of the independent review and, after discussion with the management, was satisfied that the Group's system of internal controls was adequate and effective. The Board will continue to review and improve the Group's internal control system, taking into account the recommendations of the independent review and the prevailing regulatory requirements.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's external auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2020. The work performed by BDO 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 BDO on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2020:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1(a) in the consolidated financial statements, which states that as at 31 March 2020 and up to the date of this report, an instalment of interest payment in respect of the Group's entrusted loan was past due and the bank has the right to request immediate repayment of the entire loan with principal amount of approximately HK$546,000,000 outstanding as at 31 March 2020, together with interest and penalty payables. However, as at 31 March 2020, the cash and cash equivalents of the Group amounted to HK$1,501,000 only. As stated in Note 2.1(a), these events and conditions, along with other matters as set forth in Note 2.1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 22 August 2019. As disclosed in the announcement, the public float of the Company has fallen below the minimum prescribed percentage of 25% as required under Rule 8.08(1)(a) of the Listing Rules on the Stock Exchange since 16 August 2019.

Reference is made to the Company's announcement dated 29 August 2019 in relation to the restoration of the public float of the Company. As disclosed therein, on 29 August 2019, the Company was informed by Redstone Capital Corporation that 20,000,000 shares of the Company, representing approximately 0.58% of the issued share capital of the Company as at the date of that announcement had been disposed of through selling on the open market on the same date. Following the completion of the disposal, a total of 860,350,000 Shares, representing approximately 25.09% of the issued share capital of the Company, are held by the public. As such, the public float of Company has been restored to at least 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained the required public float for its shares as required under the Listing Rules throughout the period immediately after the completion of the disposal.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive Directors of the Company who possess appropriate business, legal, engineering and financial experience and skills to undertake the review of the financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. LONG Tao and the members are Mr. REN Guo Hua and Mr. CHEN Fang. The annual results of the Group for the year ended 31 March 2020 has been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The date of annual general meeting of the Company will be announced later and the relevant notice will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our utmost gratitude to our valued clients, shareholders and business associates for their continued support for and confidence in the Group. I also wish to express our sincere appreciation to our management and employees for their positive efforts throughout the years.

By order of the Board
Crown International Corporation Limited
HUNG Man
Chairman

Hong Kong, 12 June 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. HUNG Man, Mr. LI Yong Jun, Mr. LIU Hong Shen and Mr. MENG Jin Long; and three independent non-executive Directors, namely Mr. LONG Tao, Mr. REN Guo Hua and Mr. CHEN Fang.