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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 2021

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 2021 (“**Current Year**”) with comparative figures for the financial year ended 31 March 2020 (“**Last Year**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	Year ended 31 March	
		2021	2020
		HK\$'000	HK\$'000
Revenue	2	13,866	14,914
Other (losses)/gains, net	3	(7,759)	31
Other income		1,056	156
Fair value (losses)/gains on investment properties, net		(76,021)	41,198
Loss on written off of other receivables, prepayments and deposits		(22,000)	–
Staff costs		(13,707)	(13,763)
Depreciation on property, plant and equipment		(8,189)	(8,558)
Other operating expenses		(8,405)	(11,080)
Operating (loss)/profit		(121,159)	22,898
Finance income		40	185
Finance costs		(586)	(1,115)
Finance costs, net		(546)	(930)

	Notes	Year ended 31 March	
		2021 HK\$'000	2020 HK\$'000
(Loss)/profit before income tax	4	(121,705)	21,968
Income tax credit/(expense)	5	<u>15,823</u>	<u>(13,168)</u>
(Loss)/profit for the year		<u>(105,882)</u>	<u>8,800</u>
Other comprehensive loss:			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		158,511	(135,086)
Release of exchange reserve upon disposal of subsidiaries		74	–
Item that will not be reclassified to profit or loss:			
Change in fair value of financial asset at fair value through other comprehensive income		<u>(1,765)</u>	<u>(935)</u>
Total other comprehensive income/(loss) for the year		<u>156,820</u>	<u>(136,021)</u>
Total comprehensive income/(loss) for the year		<u>50,938</u>	<u>(127,221)</u>
(Loss)/profit attributable to:			
Owners of the Company		(105,243)	9,379
Non-controlling interests		<u>(639)</u>	<u>(579)</u>
		<u>(105,882)</u>	<u>8,800</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		51,636	(126,675)
Non-controlling interests		<u>(698)</u>	<u>(546)</u>
		<u>50,938</u>	<u>(127,221)</u>
Basic and diluted (losses)/earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	6	<u>(3.07 HK cents)</u>	<u>0.27 HK cent</u>
Dividends	7	<u>–</u>	<u>–</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		At 31 March	
	Notes	2021 HK\$'000	2020 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		293,549	203,990
Investment properties	8	1,992,545	1,911,983
Financial asset at fair value through other comprehensive income		–	1,765
Deposits	9	1,251	699
Deferred income tax assets		–	760
		<u>2,287,345</u>	<u>2,119,197</u>
Current assets			
Trade receivables	10	689	9,626
Other receivables, prepayments and deposits	9	261,278	266,283
Properties under development for sale	11	1,069,445	866,976
Restricted bank balances		12,949	12,191
Cash and cash equivalents		1,053	1,501
		<u>1,345,414</u>	<u>1,156,577</u>
Total assets		<u>3,632,759</u>	<u>3,275,774</u>
Liabilities			
Current liabilities			
Other payables and accruals	12	579,961	356,683
Amount due to a director		19,227	–
Borrowings		642,360	560,273
Lease liabilities		5,135	8,246
Income tax payable		7,680	4,895
		<u>1,254,363</u>	<u>930,097</u>
Net current assets		<u>91,051</u>	<u>226,480</u>
Total assets less current liabilities		<u>2,378,396</u>	<u>2,345,677</u>

		At 31 March	
		2021	2020
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Other payables and accruals	<i>12</i>	5,256	5,623
Borrowings		–	38,230
Lease liabilities		9,750	2,776
Deferred income tax liabilities		410,391	396,987
		<u>425,397</u>	<u>443,616</u>
Net assets		<u>1,952,999</u>	<u>1,902,061</u>
Equity			
Capital and reserves			
Share capital		1,979,067	1,979,067
Other reserves		(26,285)	(77,921)
Equity attributable to owners of the Company		1,952,782	1,901,146
Non-controlling interests		<u>217</u>	<u>915</u>
Total equity		<u>1,952,999</u>	<u>1,902,061</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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 which is also its principal place of business. The Directors consider the ultimate holding company to be Redstone Capital Corporation, incorporated in the Samoa.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). 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 2020 and 2021 included in this preliminary announcement of annual results 2020/21 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 2020 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 2021 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 2021.

Going concern assumption

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

- (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**"). Even though the lockdown measures were released after the pandemic situation improved, economic conditions have not returned to the level before COVID-19. As a result, properties sales of the Group has been affected significantly;
- (ii) an entrusted loan with a total principal of approximately HK\$591,400,000 (equivalent to Renminbi ("**RMB**") RMB500,000,000) has become repayable on demand as, pursuant to the terms of the entrusted loan, the Group failed to pay certain instalments of principal, related interest and penalty totaling HK\$355,770,000 (equivalent to approximately RMB300,786,000). As at 31 March 2021 and up to the date of approval of these consolidated financial statements, this amount is still unsettled. However, as at 31 March 2021, the cash and cash equivalents of the Group amounted to HK\$1,053,000 only; and

- (iii) as at 31 March 2021, corporate bonds with a principal and interest payments totaling HK\$9,981,000 were overdue. On 30 April 2021, a winding-up petition against the Company (the “**Petition**”) was filed by the bondholder with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the aforesaid overdue principal and interest payments. On 14 May 2021, corporate bonds with total principal of HK\$50,000,000, including the corporate bonds subject to the Petition as described above, were transferred to an independent third party (referred to as the “**New Bondholder**”). As a result of the transfer, the New Bondholder substituted the transferor who filed the Petition and became the petitioner of the Petition which has still remained in effect up to the date of approval of these consolidated financial statements.

Nevertheless, the consolidated financial statements were prepared based on the going concern basis. For assessing the appropriateness of the use of the going concern for such preparation, the Directors have prepared cash flow projections covering a period of not less than twelve months and are satisfied that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 March 2021, after taking into consideration of the following:

- (i) the Group is actively negotiating with the banker to remedy the late payment issue and 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 that an agreement could be reached with the banker to defer the loan repayment schedule;
- (ii) the Group is negotiating with the New Bondholder for restructuring of the corporate bonds. Considering the current status of the negotiation and the possible availability of funds as described in (iii) and (iv) below, the Directors are of the view that the New Bondholder could withdraw the Petition and accept the new terms of the corporate bonds;

- (iii) as at 31 March 2021, the Group had certain investment properties located in the PRC with fair value of approximately HK\$1,992,545,000 (equivalent to approximately RMB1,684,600,000), that are free from incumbrances and can be utilised by the Group to satisfy its short-term liquidity needs by either disposal or pledging as security for possible bank borrowing. The Group is exploring these options by discussing with a property agent for the possible disposal and with banks for the possibility of obtaining new borrowings. Considering the fair value of those investment properties and the amount of cash needed to meet the Group's short-term liquidity needs, the Directors are in the view that the Group could be able to source sufficient funds from these financing options, 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 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a 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.

Application of new and amendments to Hong Kong Financial Reporting Standards

(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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial performance and positions for the current year and prior year and/or on the disclosures set out in these consolidated financial statements.

(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 HKAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to HKAS 1 Hong Kong Interpretation 5 (2020)	Disclosure of Accounting Policies ⁵ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 8 Amendments to HKAS 12	Definition of Accounting Estimates ⁵ Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2 ² HKFRS 7, HKFRS 4 and HKFRS 16	
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁴

¹ *Effective for annual periods beginning on or after 1 June 2020*

² *Effective for annual periods beginning on or after 1 January 2021*

³ *Effective for annual periods beginning on or after 1 April 2021*

⁴ *Effective for annual periods beginning on or after 1 January 2022*

⁵ *Effective for annual periods beginning on or after 1 January 2023*

⁶ *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.*

The Directors is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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	
	2021	2020
	HK\$'000	HK\$'000
Rental income	12,066	14,588
Comprehensive healthcare planning and management services income recognised over time	1,800	326
	<u>13,866</u>	<u>14,914</u>

As at 31 March 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts in HK\$131,855,000 (2020: HK\$102,805,000). 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 21 months (2020: next 12 to 24 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, Jingtangshan 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 2021 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 equivalents.

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 (losses)/gains on investment properties, impairment loss on other properties leased for own use and capital expenditure based on reportable segments for the years ended 31 March 2021 and 2020 are as follows:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended							
31 March 2021							
Segment revenue:							
Revenue from							
external customers	<u>12,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>13,866</u>
Segment results	(66,178)	(3,106)	(682)	(6,741)	(1,060)	(43,392)	(121,159)
Finance income							40
Finance costs							<u>(586)</u>
Loss before income tax							(121,705)
Income tax credit							<u>15,823</u>
Loss for the year							<u><u>(105,882)</u></u>
Other segment information							
Depreciation on property, plant and equipment	(228)	(272)	(59)	(764)	(675)	(6,191)	(8,189)
Fair value losses on investment properties, net	(76,021)	-	-	-	-	-	(76,021)
Impairment loss on other properties leased for own use	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,656)</u>	<u>(7,656)</u>
Additions to							
- Property, plant and equipment	<u>115</u>	<u>585</u>	<u>75,188</u>	<u>935</u>	<u>959</u>	<u>19</u>	<u>77,801</u>

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended							
31 March 2020							
Segment revenue:							
Revenue from							
external customers	<u>14,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>14,914</u>
Segment results	51,737	(3,189)	(700)	(5,010)	(1,118)	(18,822)	22,898
Finance income							185
Finance costs							<u>(1,115)</u>
Profit before income tax							21,968
Income tax expense							<u>(13,168)</u>
Profit for the year							<u>8,800</u>
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	<u>41,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,198</u>
Additions to							
- Property, plant and equipment	-	988	33,080	5,074	2,381	615	42,138
- Investment properties	<u>1,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,462</u>

4 customers (year ended 31 March 2020: 3) contributed more than 10% revenue of the Group.

	Year ended 31 March	
	2021	2020
	Property investment segment	Property investment segment
	HK\$'000	HK\$'000
Customer A	6,754	9,401
Customer B	1,997	1,950
Customer C	1,926	1,881
Customer D	1,389	N/A
Total	<u>12,066</u>	<u>13,232</u>

The segment assets and liabilities based on reportable segments as at 31 March 2021 and 2020 are as follows:

	Property investment	Property development	Hotel operations	Financial consultancy service	Comprehensive healthcare planning and management services	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2021							
Segment assets	1,997,015	1,292,796	332,311	1,096	256	8,232	3,631,706
Cash and cash equivalents	<u>110</u>	<u>825</u>	<u>-</u>	<u>47</u>	<u>20</u>	<u>51</u>	<u>1,053</u>
Total assets	<u>1,997,125</u>	<u>1,293,621</u>	<u>332,311</u>	<u>1,143</u>	<u>276</u>	<u>8,283</u>	<u>3,632,759</u>
Segment liabilities	<u>(430,670)</u>	<u>(942,599)</u>	<u>(206,912)</u>	<u>(484)</u>	<u>(1,798)</u>	<u>(97,297)</u>	<u>(1,679,760)</u>
Total liabilities	<u>(430,670)</u>	<u>(942,599)</u>	<u>(206,912)</u>	<u>(484)</u>	<u>(1,798)</u>	<u>(97,297)</u>	<u>(1,679,760)</u>

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for the years ended 31 March 2021 and 2020 and non-current assets other than financial instruments, deposit paid for corporate assets and deferred income tax assets as at 31 March 2021 and 2020 based on geographical area are as follows:

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
PRC	13,866	14,914
Non-current assets		
Hong Kong	6,721	6,144
PRC	2,279,373	2,109,829
	2,286,094	2,115,973

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 (losses)/gains, net

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain/(loss) on disposal of property, plant and equipment	146	(6)
Loss on disposal of subsidiaries	(249)	–
Impairment loss on other properties leased for own use	(7,656)	–
Others	–	37
	<u>(7,759)</u>	<u>31</u>

4 (Loss)/profit before income tax

(Loss)/profit before income tax for the year is arrived at after charging:

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	<u>1,350</u>	<u>1,350</u>

5 Income tax (credit)/expense

The amount of taxation (credited)/charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC		
Current year	2,384	2,790
Under provision in prior years	–	78
	<u>2,384</u>	<u>2,868</u>
Deferred taxation	(19,005)	10,300
Written off of deferred income tax assets	798	–
	<u>(15,823)</u>	<u>13,168</u>

6 (Losses)/earnings per share

- (a) Basic (losses)/earnings per ordinary share is calculated by dividing the (loss)/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	
	2021	2020
(Loss)/profit for the year attributable to owners of the Company, <i>HK\$'000</i>	(105,243)	9,379
Weighted average number of ordinary shares in issue	<u>3,430,000,000</u>	<u>3,430,000,000</u>
Basic (losses)/earnings per ordinary share, <i>HK cent(s)</i>	<u>(3.07)</u>	<u>0.27</u>

- (b) The calculation of diluted (losses)/earnings per ordinary share is based on the (loss)/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 (losses)/earnings per ordinary share above, as the Company did not have any dilutive potential ordinary shares for the two years ended 31 March 2021 and 2020.

7 Dividend

The Board of Directors do not recommend payment of final dividend for the year ended 31 March 2021 (year ended 31 March 2020: Nil).

8 Investment properties

	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	1,911,983	2,002,606
Addition	–	1,462
Fair value (losses)/gains, net	(76,021)	41,198
Exchange difference	156,583	(133,283)
	<u>1,992,545</u>	<u>1,911,983</u>
At end of year	<u>1,992,545</u>	<u>1,911,983</u>

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

Amount recognised in profit or loss for investment properties

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	12,066	14,588
Direct operating expenses from properties that generated rental income	(1,276)	(1,498)
	<u>(1,276)</u>	<u>(1,498)</u>

9 Other receivables, prepayments and deposits

	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Rental deposits	<u>1,251</u>	<u>699</u>
	<u>1,251</u>	<u>699</u>
Current		
Other receivables	8,584	9,828
Prepayments and deposits	<u>252,694</u>	<u>256,455</u>
	<u>261,278</u>	<u>266,283</u>
	<u>262,529</u>	<u>266,982</u>

10 Trade receivables

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

	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>689</u>	<u>9,626</u>

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 follow:

	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 3 months	376	9,626
4 to 6 months	313	–
	<u>689</u>	<u>9,626</u>

11 Properties under development for sale

	<i>HK\$'000</i>
As at 1 April 2019	758,763
Additions	162,190
Exchange difference	<u>(53,977)</u>
As at 31 March 2020 and 1 April 2020	866,976
Additions	127,001
Exchange difference	<u>75,468</u>
As at 31 March 2021	<u>1,069,445</u>

12 Other payables and accruals

	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Leasehold improvements payable	<u>5,256</u>	<u>5,623</u>
	<u>5,256</u>	<u>5,623</u>
Current		
Construction and development cost payables	350,810	197,845
Contract liabilities	131,855	102,805
Interest payables	55,872	10,077
Others	<u>41,424</u>	<u>45,956</u>
	<u>579,961</u>	<u>356,683</u>
	<u>585,217</u>	<u>362,306</u>

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 Kunlun Main Street West, Bayuquan District, Yingkou city, Liaoning province, the PRC (the “**Yingkou Property**”);
- The hotel complex at No. 1 Lan Hua Ping Road, Ciping Town, Jinggangshan city, Jiangxi province, the PRC (the “**Jinggangshan Property**”); and
- The residential and commercial complex known as 達興豪苑 at No. 69 Zhongshan Third Road, East District, 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 Road and east of Ren Tai Garden, Gao District, Weihai city, Shandong province, the PRC (the “**Weihai Property**”) currently under development and to be sold by the Group. The Weihai Property is wholly-owned by the Group.

Hotel operations

The Group's current investment 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 currently under construction.

Financial consultancy service

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

Comprehensive healthcare planning and management services

The business segment, comprehensive healthcare planning and management services was established in Last Year. Currently, this business segment includes mainly provision of comprehensive healthcare planning and management services to healthcare business operators, including preliminary planning, research, establishment, staff training, 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**").

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.

* The English name is 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. As the lease of the second to fourth floors, as well as part of the ground floor area of the Yingkou Property terminated in April 2021, the Group entered into a supplemental lease agreement with the current local lessee to occupy the remaining floor area at a discounted annual rental of RMB0.7 million till April 2022. And a new ten-year rental agreement is also signed with the current local lessee starting from May 2022 to April 2032 with an annual rental of RMB2 million.

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 2032.

(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 Jingtangshan Property have also entered a stable stage. The Group does not expect any material change to the operation of the Jingtangshan 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 with commercial and residential floors on the upper levels. In 2015, the Group acquired the Zhongshan Property for investment purposes. Upon the completion of acquisition, the Group was of the view that the commercial and residential floors are suitable for economy hotels and service apartments operations, while the retail floors are suitable for leasing to tenants for retail and catering businesses.

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, of which the entire area were 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 utilized as serviced apartments.

威海國盛潤禾置業有限公司 (Weihai Guosheng Runhe Property Development Co. Ltd.*) (“**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 report, the total pre-sales by Weihai Runhe amounted to approximately RMB207 million, and the total saleable area pre-sold is approximately 17,000 square metres. The relevant pre-sale amounts are expected to be recognised as revenue in the financial year of 2022/23, as the construction and renovation works of the serviced apartment units are currently expected to be completed in the second half of 2022.

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 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.

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 (AFCA AMC Co., Ltd.*), through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to approximately HK\$780.6 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\$591.4 million) with the remaining undrawn facility amount lapsed. The Group is currently under negotiation with Harbin Bank regarding the restructure of the repayment schedule as the construction progress was affected by the outbreak of COVID-19.

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.

* For identification purpose only

* The English name is for identification purpose only.

C. The Group's Hotel Operations

The Weihai Property

Among the three buildings of the Weihai Property, the highest building of which would partially be built into a hotel. Affected by the outbreak of COVID-19, the construction progress was severely hindered. The estimated completion time will be postponed from 2021 to the second half of 2022. The main building of the Weihai Property is expected to stand approximately at 149.8 metres 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 included a management agreement with a world-renowned hotel group as hotel manager. Under the management agreement, the hotel manager will provide consultancy, design and monitoring services in the course of the development of the hotel floors, and manage the operations of the hotel premises upon completion. The hotel is expected to be 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 of 2022), 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 business segment, comprehensive healthcare planning and management services was established in Last Year. The Group successfully engaged in attracting professional teams with extensive experience in these sectors and has comprehensive project resources with customer network. This business segment has already contributed revenue to the Group since Last 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

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	13,866	14,914
(Loss)/profit attributable to owners of the Company	(105,243)	9,379
(Losses)/earnings per share (<i>HK cents</i>)	(3.07)	0.27
	At 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross assets	3,632,759	3,275,774
Net assets attributable to owners of the Company	1,952,782	1,901,146
Cash and bank balances	14,002	13,692
Borrowings	642,360	598,503
Net borrowings/net assets attributable to owners of the Company	32.2%	30.8%

Revenue

Revenue amounted to approximately HK\$13.9 million for the Current Year, representing an decrease of approximately HK\$1 million or approximately 6.7% as compared to that of approximately HK\$14.9 million for the Last Year. The revenue remained stable during the year due to the outbreak of COVID-19 which slow down the business activities.

Other operating expenses

Other operating expenses amounted to approximately HK\$8.4 million for the Current Year, representing a decrease of approximately HK\$2.7 million or approximately 24.3% as compared to that of approximately HK\$11.1 million for the Last Year. The decrease in other operating expense was mainly as a result of the Group's continuing effort on controlling expenditures.

Finance costs

Finance costs amounted to approximately HK\$0.6 million for the Current Year, representing a decrease of approximately HK\$0.5 million or approximately 45.5% as compared to that of approximately HK\$1.1 million for the Last Year. The significant decrease in finance costs was mainly attributable to the capitalization of finance costs in relation to the bonds by the Group during current year.

(Loss)/profit attributable to owners of the Company

For the Current Year, the Group recorded a net loss attributable to owners of the Company of approximately HK\$105.2 million (Last Year profit: approximately HK\$9.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the Current Year, the Group's sources of fund primarily included income generated from business operations and advances from controlling shareholders.

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 2021, the Group had bank balances and cash of approximately HK\$14.0 million as compared to the bank balances and cash of approximately HK\$13.7 million as at 31 March 2020.

The Group had net current assets amounting to approximately HK\$91.1 million as at 31 March 2021, against approximately HK\$226.5 million as at 31 March 2020. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 1.1x as at 31 March 2021 as compared with approximately 1.2x as at 31 March 2020.

Gearing Ratio

As at 31 March 2021, the Group's net debt gearing ratio (i.e. net debt divided by equity attributable to owners of the Company) was approximately 32.2% (31 March 2020: 30.8%). Net debt comprises total borrowings less cash and cash equivalents and restricted bank balances.

BONDS ISSUED

There are no bonds issued during current year. As at 31 March 2021, the total outstanding amount of the bonds issued was HK\$51,000,000 (31 March 2020: HK\$55,500,000).

On 30 April 2021, a winding-up petition against the Company was filed by a bondholder in respect of bond with the aggregate amount of HK\$9,981,000 (comprising the principal amount of the bond, and interest accrued from such outstanding principal amount), the aforesaid amount together with remaining bonds amounted to HK\$40,500,000 were transferred to an independent third party on 14 May 2021 (the “Assignee”), the Company and the Assignee are currently under negotiation in respect of the withdrawal of the aforesaid Petition.

CAPITAL EXPENDITURE

Capital expenditure of the Group for the Current Year included expenditure on fixed assets and investment properties of approximately HK\$77.8 million (Last Year: approximately HK\$42.1 million) and approximately HK\$Nil (Last Year: approximately HK\$1.5 million) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2021,

- (a) the Group did not have any material contingent liabilities or guarantees (31 March 2020: 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\$124.9 million (31 March 2020: HK\$121.1 million) in respect of the construction of the hotel properties.

Save as disclosed in this announcement, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2021 to the date of this announcement.

CHARGES ON THE GROUP’S ASSETS

As at 31 March 2021 and 2020, 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: approximately HK\$591.4 million (31 March 2021); approximately HK\$546.0 million (31 March 2020)).

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 2021, the Group did not hold any significant investments (31 March 2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 50 employees (31 March 2020: 55 employees), including executive Directors. The remuneration and staff cost for the Current Year were approximately HK\$13.7 million (Last Year: approximately HK\$13.8 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, 卓越大廈 in Yingkou and Jinggangshan hotel in Jiangxi have all been leased with original lease term for over 10 years, which guaranteed its long-term rental income with stable annual cash inflow for the Group.

For the property development, pre-sale of the apartment units of the Golden Beach No. 1 Project phase I located in Weihai, Shandong province, the key project of the Group, has commenced in the third quarter of 2018. The project was expected to be completed and delivered in the fourth quarter of 2021. However, affected by the outbreak of COVID-19, the construction progress was delayed and the latest estimated completion time will second half of 2022. The Group will then be able to recognise sales revenue from the Golden Beach No. 1 Project phase I in the financial year of 2022/23.

For the hotel operations, the hotel of the Golden Beach No. 1 Project phase I located in Weihai, Shandong province is under construction. Also affected by the outbreak of COVID-19, the hotel is expected to be completed and start operating in 2022. The hotel of the Golden Beach No. 1 Project phase I will be a new landmark and being the highest building of Weihai city, Shandong province. The hotel 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 remained dormant and management will monitor the market situation to adjust its business direction.

The business segment of comprehensive healthcare planning and management services business is progressing steadily since its establishment in Last Year. Currently, the comprehensive healthcare planning and management services business includes provision of services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management. The Group has professional teams with extensive experience in these sectors and has comprehensive project resources and customer network. The Group is under the development to cooperate with property owners to modify property projects into high-end healthcare projects and combined with the capital operation of insurance companies and financial institutions to jointly operate healthcare projects.

The COVID-19 pandemic that broke out in early 2020 has seriously affected the global economy. It has been more than a year since the outbreak began. In the coming years, global economic recovery is very much dependent upon the efficiency of rapid mass vaccination programs and sustainable recovery policies rolled out by the respective governments.

FINAL DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (Year ended 31 March 2020: Nil).

EVENTS AFTER THE END OF FINANCIAL YEAR

There were no significant events subsequent to the year and up to the date of this announcement which had materially affected the Group's operating and financial performance.

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 2021 and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code.

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. On 16 March 2021, Mr. SUN was appointed the chairman of the Board. Following the appointment of Mr. Sun, Ms. Hung Man (“**Ms. Hung**”) has ceased to be the chairman of the Board and she will remain as an executive Director, the chairman of the executive committee of the Company, a member of the remuneration, quality and nomination committee of the Company and the chief executive officer of the Company. As the roles of the chairman of the Board and the chief executive officer of the Company are now assumed by Mr. Sun and Ms. Hung separately, the Company has re-complied with Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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.

Changes of Directors’ Information

The following are the changes in the information of Directors since the disclosure was made in the 2019/20 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules:

Mr. WONG Siu Hung, Patrick has been appointed as an independent non-executive Director, a member of each of the audit committee of the Company (the “**Audit Committee**”), and a member of remuneration, quality and nomination committee of the Company (the “**RQN Committee**”) with effect from 3 March 2021.

Mr. SUN Yu has been appointed as a non-executive Director and chairman of the board of Directors with effect from 16 March 2021.

Mr. LONG Tao has resigned as an independent non-executive Director with effect from 30 April 2021 and has ceased to be the chairman of the Audit Committee and a member of RQN Committee with effect from 30 April 2021.

Mr. HE Dingding has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the RQN Committee with effect from 20 May 2021.

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, Roma Risk Advisory Limited, to conduct an independent review on internal control environment of the Group for the year ended 31 March 2021. 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 2021 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 2021. 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 2021:

“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 2021, 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 detailed in Note 26(a) to the consolidated financial statements, an entrusted loan with a total principal of approximately HK\$591,400,000 (equivalent to RMB500,000,000) has become repayable on demand as, pursuant to the terms of the entrusted loan, the Group failed to pay certain instalments of principal, related interest and penalty totaling HK\$355,770,000 (equivalent to approximately RMB300,786,000). As at 31 March 2021 and up to the date of approval of these consolidated financial statements, this amount is still unsettled. However, as at 31 March 2021, the cash and cash equivalents of the Group amounted to HK\$1,053,000 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.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive Directors 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. HE Dingding and the members are Mr. REN Guo Hua, Mr. CHEN Fang and Mr. WONG Siu Hung, Patrick. The annual results of the Group for the year ended 31 March 2021 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.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 March 2021 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (<http://www.crownicorp.com/en/index.php>). The printed copies of the annual report will be despatched to Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year ended 31 March 2021.

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
SUN Yu
Chairman

Hong Kong, 30 June 2021

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; one non-executive Director Mr. SUN Yu; and four independent non-executive Directors, namely Mr. HE Dingding, Mr. REN Guo Hua, Mr. CHEN Fang and Mr. WONG Siu Hung, Patrick.