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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 2017

The board (the "**Board**") of directors of Crown International Corporation Limited (the "**Company**" and the "**Directors**", respectively) announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 March 2017 ("**Year 2017**") with comparative figures for the financial year ended 31 March 2016 ("**Year 2016**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*2*	**12,024**	3,514
Other gains, net	*3*	**272**	13,595
Waiver of other payables	*4*	**728**	103,211
Fair value gains on investment properties		**160,008**	191,330
Reversal of provision for doubtful debts	*5*	**–**	57,221
Staff costs		**(13,571)**	(8,696)
Depreciation		**(1,389)**	(1,258)
Impairment of goodwill	*6*	**–**	(65,496)
Other operating expenses	*7*	**(30,012)**	(44,287)
Operating profit		**128,060**	249,134
Finance income		**3,155**	1,132
Finance costs		**(7,915)**	(31,502)
Finance costs, net		**(4,760)**	(30,370)
Profit before income tax		**123,300**	218,764
Income tax expense	*8*	**(41,960)**	(46,498)
Profit for the year		**81,340**	172,266

	Note	**2017** **HK$'000**	2016 *HK$'000*
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(79,268)**	(62,574)
Total other comprehensive loss for the year		**(79,268)**	(62,574)
Total comprehensive income for the year		**2,072**	109,692
Profit attributable to:			
Owners of the Company		**81,179**	172,266
Non-controlling interests		**161**	–
		81,340	172,266
Total comprehensive income attributable to:			
Owners of the Company		**1,919**	109,692
Non-controlling interests		**153**	–
		2,072	109,692
Basic and diluted earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	*9*	**2.84 cents**	6.35 cents
Dividends		**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,862**	8,026
Investment properties	*10*	**1,881,563**	1,828,920
Available-for-sale financial assets		**700**	1,128
Goodwill		**–**	–
		1,887,125	1,838,074
Current assets			
Trade receivables	*11*	**8,475**	–
Other receivables, prepayments and deposits	*12*	**3,530**	49,815
Cash and cash equivalents		**85,289**	74,563
		97,294	124,378
		1,984,419	1,962,452
LIABILITIES			
Current liabilities			
Other payables and accruals	*13*	**30,655**	27,612
Income tax payable		**2,082**	–
		32,737	27,612
Net current assets		**64,557**	96,766
Total assets less current liabilities		**1,951,682**	1,934,840
Non-current liabilities			
Other payables	*13*	**356,240**	358,040
Deferred income tax liabilities		**379,859**	363,289
		736,099	721,329
Net assets		**1,215,583**	1,213,511
EQUITY			
Capital and reserves			
Share capital		**1,309,124**	1,309,124
Other reserves		**(93,694)**	(95,613)
		1,215,430	1,213,511
Non-controlling interests		**153**	–
Total equity		**1,215,583**	1,213,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited consolidated results relating to Year 2017 and the financial information relating to Year 2016 included in this preliminary announcement of annual results Year 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of Year 2016, 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 is as follows:

The consolidated financial statements for Year 2017 have yet to be reported on by the Company's independent auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the consolidated financial statements for Year 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on these financial statements for Year 2016. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

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 amendments to existing standards

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2016:

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

The adoption of these amendments to existing standards did not result in a significant impact on the results and financial position of the Group.

(b) New standards and amendments to existing standards that have been issued but are not yet effective

The following new standards and amendments to existing standards have been issued, but are not effective for the Group's financial year beginning on or after 1 April 2016 and have not been early adopted:

HKAS 7 (Amendment)	Disclosure Initiative[1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15[2]
HKFRS 16	Leases[3]

[1] *Effective for the Group for annual period beginning on or after 1 January 2017*
[2] *Effective for the Group for annual period beginning on or after 1 January 2018*
[3] *Effective for the Group for annual period beginning on or after 1 January 2019*
[4] *Effective date to be determined*

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards and set out below are those that are expected to have material impact on the Group's accounting policies.

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering information to quantify the potential impact arising from the adoption.

HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue recognition model under the new standard moves away from risks and rewards approach to transfer of control approach. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is in the process of assessing the impact of the application of HKFRS 15 and based on its preliminary assessment, the Group does not expect the adoption would have a material impact to the Group's results of operations and financial position.

HKFRS 16 will result in operating leases being recognised on the balance sheet, and the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$6,161,000 million. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, the operating lease expense will decrease, while depreciation and amortization and the interest expense will increase.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 July 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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, hotel operations and provision of financial advisory service.

(a) Analysis of revenue by category

	2017	2016
	HK$'000	*HK$'000*
Rental income	**3,359**	3,514
Financial advisory service income	**8,665**	–
Revenue	**12,024**	3,514

(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. Pursuant to an announcement made by the Group on 27 September 2016, it has adopted financial advisory service as a new business segment as a result of a change in the Group's strategy. Revenue in relation to the financial advisory service provided has been recognised in this business segment for Year 2017. The Group has adopted the new organisation structure as the reporting format effective for Year 2017. 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 People's Republic of China (the "**PRC**"). The Group aim to use these properties for properties rental or capital appreciation purposes;

ii) the hotel operations segment engages in hotel rental and food and beverage business. The executive Directors are actively pursuing new opportunities for investment in hotel operations. As at 31 March 2017, certain opportunity has been identified and is currently under the consideration by the executive Directors;

iii) the financial advisory service segment engages in the provision of financial advisory service to assist customers to obtain financing. This new business segment commenced in September 2016; and

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

The investment properties in the cities of Zhongshan and Jinggangshan of the PRC were under refurbishment and had not yet started to operate as at 31 March 2017.

Capital expenditure comprise additions to investment properties and property, plant and equipment. Segment assets consist primarily of property, plant and equipment and receivables. Segment liabilities comprise deferred tax liabilities and operating liabilities. 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. They include items such as corporate borrowings.

The Directors assess the performance of the operating segments based on a measure of segment results, which represents operating profit less central administrative costs. The segment results, depreciation, and capital expenditure based on reportable segments for Year 2017 and Year 2016 are as follows:

	Property investment *HK$'000*	Hotel operations *HK'$000*	Financial advisory service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For Year 2017					
Segment revenue:					
Revenue from external customers	**3,359**	**–**	**8,665**	**–**	**12,024**
Segment results	**156,835**	**(459)**	**6,097**	**(34,413)**	**128,060**
Finance income					**3,155**
Finance costs					**(7,915)**
Profit before income tax					**123,300**
Income tax expense					**(41,960)**
Profit for the year					**81,340**
Other segment information					
Depreciation	**(211)**	**–**	**(44)**	**(1,134)**	**(1,389)**
Fair value gains on investment properties	**160,008**	**–**	**–**	**–**	**160,008**
Additions to					
– Property, plant and equipment	**–**	**–**	**249**	**13**	**262**
– Investment properties	**7,782**	**–**	**–**	**–**	**7,782**

	Property investment *HK$'000*	Hotel operations *HK$'000*	Financial advisory service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For Year 2016					
Segment revenue:					
Revenue from external customers	3,514	–	–	–	3,514
Segment results	251,150	(113)	–	(1,903)	249,134
Finance income					1,132
Finance costs					(31,502)
Profit before income tax					218,764
Income tax expenses					(46,498)
Profit for the year					172,266
Other segment information					
Depreciation	(216)	–	–	(1,042)	(1,258)
Fair value gains on investment properties	191,330	–	–	–	191,330
Impairment of goodwill	(65,240)	–	–	(256)	(65,496)
Additions to					
– Property, plant and equipment	–	–	–	3,262	3,262
– Investment properties	50,758	–	–	–	50,758

Information about major customers

Revenue of approximately HK$1,999,000 and HK$1,360,000 (2016: HK$2,050,000 and HK$1,464,000) were derived from Customer A and Customer B in the property investment segment respectively. Revenue of approximately HK$8,665,000 (2016: Nil) was derived from Customer C in the financial advisory service segments. No other single customer contributed 10% or more to the Group's revenue for both Year 2017 and Year 2016.

The segment assets and liabilities based on reportable segments as at 31 March 2017 and 2016 are as follows:

	Property investment	Hotel operations	Financial advisory service	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2017					
Segment assets	**1,886,443**	**–**	**8,989**	**3,698**	**1,899,130**
Cash and cash equivalents	**957**	**–**	**3,796**	**80,536**	**85,289**
Total assets	**1,887,400**	**–**	**12,785**	**84,234**	**1,984,419**
Segment liabilities	**(745,687)**	**–**	**(2,118)**	**(21,031)**	**(768,836)**
Total liabilities	**(745,687)**	**–**	**(2,118)**	**(21,031)**	**(768,836)**
At 31 March 2016					
Segment assets	1,834,394	–	–	53,495	1,887,889
Cash and cash equivalents	704	–	–	73,859	74,563
Total assets	1,835,098	–	–	127,354	1,962,452
Segment liabilities	(737,697)	–	–	(11,244)	(748,941)
Total liabilities	(737,697)	–	–	(11,244)	(748,941)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for Year 2017 and Year 2016 and non-current assets as at 31 March 2017 and 2016 based on geographical area are as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
PRC	**12,024**	3,514
Non-current assets		
Hong Kong	**2,059**	5,441
PRC	**1,885,066**	1,832,633
	1,887,125	1,838,074

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, NET

	2017	2016
	HK$'000	*HK$'000*
Impairment loss on available-for-sale financial assets	**(441)**	–
Gain on disposal of subsidiaries	**–**	840
Gain/(loss) on disposal of property, plant and equipment	**167**	(310)
Recovery of an amount due from VXL Management Service Limited ("**VXLMSL**") previously written off *(Note)*	**–**	12,890
Others	**546**	175
	272	13,595

Note:

VXLMSL was formerly a wholly owned subsidiary of the Company and the entire equity interest of VXLMSL was disposed of by the Company pursuant to an agreement dated 29 November 2014 between the Company and Big Country Investment Limited ("**Big Country**"), an independent third party. VXLMSL and the Company did not fully reconcile their intercompany accounts before the disposal was completed and Big Country agreed to settle such accounts after completion of the disposal. As a result of the full reconciliation of the intercompany accounts in August 2015, it was noted that there was an amount due from VXLMSL to the Group amounted to HK$12,890,000 and an amount due by the Group to VXLMSL amounted to HK$5,917,000. Pursuant to the Deed of Confirmation and the Deed of Waiver of Debt dated 20 August 2015. Big Country agreed to repay the amount due by VXLMSL to the Group amounted to HK$12,890,000 and also waived the amount due by the Group to VXLMSL amounted to HK$5,917,000. The amount due by VXLMSL to the Group was fully settled by VXLMSL on 9 March 2016.

4 WAIVER OF OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Waiver of an amount due to VXLMSL	**–**	5,917
Waiver of part of the consideration payable due to early repayment *(Note i)*	**–**	97,294
Wavier of director's fee payable *(Note ii)*	**728**	–
	728	103,211

Notes:

i) Crown International Resort Limited ("**Crown Resort**"), an indirect wholly-owned subsidiary of the Company acquired the entire equity interest of Zhongshan Hualian Industrial Development Corporation Limited from Sino Oasis Oversea Limited ("**Sino Oasis**") at a total consideration of HK$1,008,000,000 of which HK$700,000,000 had to be satisfied by cash. Without considering the discounting effect, the consideration payable was HK$624,400,000 as at 31 March 2015. On 31 March 2016, Sino Oasis and Crown Resort entered into an agreement, pursuant to which Sino Oasis has agreed to waive part of the outstanding consideration payable amounted to HK$100,000,000 in return for an early repayment of the consideration amounted to HK$300,000,000. The repayment of HK$300,000,000 was made on 11 March 2016. The present value of the amount waived during the year ended 31 March 2016 is HK$97,294,000.

ii) As at 31 March 2017, Mr. Zhu Jin Long was resigned as the executive director of the Company and waived the director's fee for the year due to his early resignation.

5 REVERSAL OF PROVISION FOR DOUBTFUL DEBTS

	2017	2016
	HK$'000	*HK$'000*
Reversal of provision for consideration receivable *(Note)*	**–**	57,221

Note:

On 5 June 2014, "U" Inns & Hotels Investment Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Liu Xiong ("**Liu**") to dispose of its entire equity interest in "U" Inns & Hotel (Jinggangshan) Limited ("**U Inns Jinggangshan**") for a consideration of approximately RMB50,000,000 (equivalent to approximately HK$63,092,000). Taking into account a deposit paid by Liu in January 2014, upon completion of the disposal, consideration receivable amounted to approximately RMB48,000,000 (equivalent to approximately HK$60,548,000) remained outstanding. Since the completion of the disposal, the Group's management has attempted to recover the receivable but without success. In November 2014, the Group commenced legal action to try to recover the outstanding balance from Liu. Considering the uncertainty surrounding the outcome of the planned legal action, management made a full provision against the outstanding balance during the year ended 31 March 2015. "U" Inns & Hotels Investment Limited was disposed of to an independent third party on 8 January 2016 and the receivable and its related provision was transferred to Crown Tianhe Resources Limited prior to the disposal.

In January 2016, a settlement arrangement was reached between Crown Tianhe Resources Limited ("**Crown Tianhe**") and Liu, pursuant to which Liu had agreed to return the entire equity interest in U Inns Jinggangshan to Crown Tianhe, as a settlement of the outstanding balance amounted to RMB48,000,000 (equivalent to approximately HK$57,221,000). As a result of the settlement arrangement, the provision for consideration receivable amounted to RMB48,000,000 (equivalent to approximately HK$57,221,000) was reversed during Year 2016. The abovementioned acquisition of U Inns Jinggangshan was accounted for as an asset acquisition.

6 IMPAIRMENT OF GOODWILL

Goodwill mainly arose from the acquisition of Zhongshan Hualian Industrial Development Corporation Limited in March 2015, relating to the knowledge of the property market in Zhongshan, the PRC ("**Zhongshan**") and the connection with a potential tenant who was interested in renting all four storeys of the Group's investment property in Zhongshan (the "**Rental Property**") to operate a department store.

During Year 2016, having performed further research and evaluation on the property market in Zhongshan, the management finalised its plan for the Zhongshan property and decided to segregate the Rental Property for the purpose of renting to multiple tenants, with a particular focus on companies in the financial sector and with a view to packaging the Zhongshan property into a luxurious serviced apartment with the 4-storey shopping mall areas being developed into a financial services themed centre featuring banks, securities companies, financiers and asset management companies.

As a result of the change in the development plan in early 2016, it was concluded by the management that the connection to a single tenant for all four storeys of retail space (together with car parking space) of the Zhongshan property is no longer considered to be more favourable in terms of economic returns, compared with leasing the Rental Property to multiple individual tenants. The management therefore decided not to lease the Rental Property to Tenant A. The recoverable amount of the property investment segment in Zhongshan (being the cash-generating unit to which the relevant goodwill was allocated) was mainly represented by the carrying amount of investment property that has been recognised at fair value as at 31 March 2016. Because of such reason, and given the management's decision made in early 2016 in relation to the development plan, the management believed that the recorded goodwill no longer represented an asset that would derive future benefits to the Group. Accordingly, a full impairment amounted to approximately HK$65,240,000 was recognised in the consolidated statement of comprehensive income for Year 2016.

7 OTHER OPERATING EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Legal and professional fee	**1,942**	2,541
Consultancy fee	**6,224**	70
Auditor's remuneration	**1,297**	1,230
Exchange losses	**9,159**	26,740
Office rental	**6,038**	7,410
Business travel expenses	**654**	348
Property tax	**747**	366
Business entertainment	**801**	365
Motor vehicle expenses	**546**	486
Registration and announcement fee	**510**	551
Others	**2,094**	4,180
	30,012	44,287

8 INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current tax – PRC	**2,193**	–
Adjustment in respect of prior years	**–**	(2,807)
Deferred taxation	**39,767**	49,305
	41,960	46,498

9 EARNINGS PER SHARE

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

	2017	2016
Profit for the year attributable to owner of the Company, *HK$'000*	**81,179**	172,266
Weighted average number of ordinary shares in issue	**2,860,000,000**	2,713,661,202
Basic earnings per ordinary share, *HK cents*	**2.84**	6.35

(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 arising from share options for Year 2017 and Year 2016.

10 INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At 1 April	**1,828,920**	1,672,411
Addition	**7,782**	50,758
Fair value gains	**160,008**	191,330
Exchange difference	**(115,147)**	(85,579)
At 31 March	**1,881,563**	1,828,920

The Group's property interest held under operating lease to earn rental income or for capital appreciation is measured using the fair value model.

11 TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**8,475**	–

As at 31 March 2017, trade receivables of HK$8,475,000 (2016: Nil) with credit terms of 30 days are past due but not impaired. This related to an independent customer for whom there is no significant financial difficulty. The ageing analysis by past due date of trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Past due but not impaired:		
61 – 90 days past due	**8,475**	–

The carrying amount of trade receivables is denominated in RMB. The balance was fully settled in May 2017.

12 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017	2016
	HK$'000	*HK$'000*
Loan receivable *(Note)*	**–**	46,440
Other receivables	**375**	379
Prepayments and deposits	**3,155**	2,996
	3,530	49,815

Note:

The loan receivable at 31 March 2016 was unsecured, with interest bearing at 9% per annum and repayable on 19 May 2016. Such loan receivable was fully settled on 16 May 2016.

13 OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Consideration payable – non-current portion	**198,906**	194,587
Other payables – non-current portion	**157,334**	163,453
	356,240	358,040
Current		
Property acquisition cost payable	**991**	1,051
Commission payable in respect of disposals of hotel properties	**–**	5,492
Consideration payable – current portion	**12,200**	12,200
Accrued construction cost	**7,278**	–
Accrued directors' fee	**4,241**	1,956
Accrued audit fee	**1,250**	1,150
Salary payable	**1,941**	388
Other payables – current portion	**402**	1,369
Accrued legal and professional fee	**80**	962
Others	**2,272**	3,044
	30,655	27,612
	386,895	385,652

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the business of hotel operations, property investments and financial advisory services in the PRC.

Riding on its successful turnaround from loss to profit since the financial year ended 31 March 2015, for Year 2017, the Group continued its business strategy of further expanding its portfolio in the hotel operations, as well as exploring new opportunities in other sectors considered by the management of the Company (the "**Management**") to be capable of diversifying operational risks of the Group and/or introducing new sources of income less dependent on the conditions pertaining to the hotel operations and property investments sectors.

In the course of the Group's exploration in different geographic and business sectors, the Group identified a number of areas of potential growth. One of these was cities in the PRC experiencing rapid economic and/or population growth, particularly those benefiting from governmental policies and/or plans of economic and/or tourist industry development. The Management considered such factors tend to facilitate growth of sectors reliant on increased population and capital flows, such as office rental and commercial property development, the hotel operations, and the financial service sector.

In an attempt to capture such opportunities and bring stable, long term income for the benefit of the Group and its shareholders ("**Shareholders**"), the Group on 13 September 2016 entered into a sale and purchase agreement (the "**SP Agreement**") in relation to the acquisition (the "**Acquisition**") of 100% equity interest in Jumbo China Investment Group Limited, which in turn owned a property project with development potential in Weihai, the PRC (the "**Weihai Project**"), for a consideration of HK$500 million. The Acquisition, if completed, would offer the Group with access to a high-end development of three high rise hotel buildings with a total of approximately 195,104 square metres of gross floor area, or over 1,600 hotel suites and 360 carparking spaces. Further information regarding this potential acquisition was published in the Company's announcement dated 13 September 2016 (the "**Announcement**").

Apart from identifying expansion opportunities, the Management also regularly reviewed its portfolio of existing assets and sought to utilise the same efficiently in line with the business strategy of the Company. This included renovating old buildings and premises already owned by the Group so they could generate a higher income.

To diversify its sources of income, the Management also developed the Group's presence in the corporate finance sector in certain rapidly developing provinces of the PRC, by consulting and matching property developers and other businesses in need of debt financing on one hand and financial institutions on the other.

On the other hand, the Management had been conscious of the importance of safeguarding the Group's interest by thorough due diligence on, among other things, the business, legal, financial and regulatory aspects of each investment opportunity introduced to the Group from time to time, as well as trying for the best commercial terms achievable under arm's length negotiations. Equally important in the eyes of the Management was to regularly review the suitability of potential investment opportunities, as the risks and prospects could change from time to time.

As a result of the Management's policy of conservative evaluation and ongoing monitor of the Group's intended investments, from time to time the Management would consider changes in circumstances rendered the pursuit of certain proposed acquisitions no longer in the best interests of the Group and its Shareholders, or required additional conditions and/or safeguards to be fulfilled before the Group was comfortable with proceeding to completion. Such instances were from time to time published in various announcements by the Company during Year 2017 to ensure the Shareholders were updated on the latest development of the Group and its businesses.

Update on a disclosable transaction

As disclosed in the "Business Review" section above and the Announcement, on 13 September 2016 Crown International Investment Corp. (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, as purchaser and Good Wealth Holdings Limited (the "**Vendor**") as vendor entered into the SP Agreement.

As disclosed in the Announcement, completion of the Acquisition was conditional upon fulfilment and/or waiver of a number of conditions under the SP Agreement before 13 December 2016 (the "**Long Stop Date**"). As additional time is required for the fulfilment of the aforesaid conditions, the Purchaser and the Vendor have, by entering into supplemental agreements dated 13 December 2016, 13 March 2017, 13 April 2017 and 30 June 2017 respectively, agreed to extend the Long Stop Date to 31 August 2017 (or such later date as the parties may agree in writing). For further information on the aforesaid supplemental agreements, please refer to the Company's announcements dated 13 December 2016, 13 March 2017, 13 April 2017 and 30 June 2017.

Events after the reporting period

On 7 June 2017, the Group as lessor entered into a lease over a building in Jinggangshan City in the Jiangxi Province, with a local lessee who shall renovate the building and operate a hotel business in the building for 10 years. Costs of the renovation shall be initially borne by the lessee, and reimbursed by the Group over the life of the lease. The Management considered this kind of arrangement brought benefit to the Company and its Shareholders, in the form of stable rental income plus deferred payment of substantial renovation costs.

FINANCIAL REVIEW

Revenues

The Group's revenue for Year 2017 increased by 242.2% to approximately HK$12.0 million (Year 2016: approximately HK$3.5 million), the increase was mainly attributable to increased revenue generated from the newly added financial advisory service segment.

Revenue from the new financial advisory service segment generated by the Group during Year 2017 was approximately HK$8.7 million, contributing to 72.1% of the Group's total revenue (Year 2016: N/A).

For Year 2017, the total revenue from property leasing amounted to approximately HK$3.4 million as compared to that of approximately HK$3.5 million for Year 2016. Consistent with last year, the revenue from property leasing was solely contributed by the commercial building located in Yingkou, Liaoning Province, the PRC.

Fair value gains on investment properties

For Year 2017, the total revaluation gain of our investment properties portfolio amounted to approximately HK$160.0 million (Year 2016: approximately HK$191.3 million). The revaluation of our investment properties was undertaken by an independent property valuer. The Mainland China portfolio had a revaluation gain of approximately HK$160.0 million (Year 2016: approximately HK$191.3 million) mainly due to a higher valuation of the investment property located in Zhongshan city, Guangdong Province, the PRC. As at 31 March 2017, the value of the investment properties of the Mainland China portfolio amounted to approximately HK$1,881.6 million (31 March 2016: approximately HK$1,828.9 million).

Other operating expenses

Other operating expenses amounted to approximately HK$30.0 million for Year 2017, representing decrease of approximately HK$14.3 million or 32.2% as compared to that of approximately HK$44.3 million for Year 2016. The decrease in other operating expenses was mainly attributable to the decrease of exchange loss amounting to approximately HK$17.6 million.

Finance expenses

Finance expenses amounted to approximately HK$7.9 million for Year 2017, representing decrease of approximately HK$23.6 million or approximately 74.9% as compared to that of approximately HK$31.5 million for Year 2016. The decrease of finance expenses was solely attributable to the decrease in imputed interest expenses amounting to approximately HK$23.6 million.

Profit attributable to owners of the company

For Year 2017, the Group recorded a net profit attributable to owners of approximately the Company of approximately HK$81.2 million (Year 2016: net profit of approximately HK$172.3 million). Total comprehensive income attributable to owners of the Company was approximately HK$1.9 million (Year 2016: total comprehensive income of approximately HK$109.7 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position with a high degree of flexibility to meet its capital commitments. It also established multiple channels to raise debt finance in order to seize investment opportunities and/or cushion itself against unforeseeable circumstances.

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 31 March 2017, the Group had bank balances and cash of approximately HK$85.3 million as compared to the bank balances and cash of approximately HK$74.6 million as at 31 March 2016.

The Group had net current assets amounting to approximately HK$64.6 million as at 31 March 2017, against approximately HK$96.8 million as at 31 March 2016. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 3.0 as at 31 March 2017 as compared with approximately 4.5 as at 31 March 2016.

Gearing Ratio

As at 31 March 2017, the Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) was at a healthy level of approximately 36.0% (31 March 2016: approximately 35.7%). Net debt comprises total liabilities less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated statement of financial position.

CAPITAL EXPENDITURE

Capital expenditure of the Group for Year 2017 included expenditure on fixed assets and investment properties of approximately HK$0.3 million (Year 2016: approximately HK$3.3 million) and approximately HK$7.8 million (Year 2016: approximately HK$50.8 million) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2017,

(a) the Group did not have any material contingent liabilities or guarantees (31 March 2016: Nil); and

(b) the Group had operating lease commitments of approximately HK$6.2 million (31 March 2016: approximately HK$12.4 million).

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2017 (31 March 2016: Nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

No major acquisition or disposal was undertaken by the Group during Year 2017 (Year 2016: Nil).

As at 31 March 2017, the Group did not hold any significant investments (31 March 2016: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2017, the Group had a total of 33 employees (31 March 2016: 35 employees), including executive Directors (the "**Executive Directors**") of the Company. The remuneration and staff cost for Year 2017 were approximately HK$13.6 million (Year 2016: approximately HK$8.7 million). The Group's remuneration policy and packages for the Executive Directors and senior management are determined by the remuneration, quality and nomination committee of the Company while those for other employees are reviewed and approved by the chief executive officer (the "**CEO**"). 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 OUTLOOK

Attributable to the successful acquisition of a commercial and residential complex in Zhongshan, the PRC (the "**Zhongshan Project**") in year 2015, the Group has benefited from the impressive price hike in the property market in Zhongshan. The Zhongshan Project, which is owned by the Group, has recorded an accumulative increase in market value of approximately RMB300 million since its acquisition. The success of the Zhongshan Project speaks volumes for the Group's operating strategy and philosophy all along. The Management believes that by actively seeking property projects with the potential for creating Shareholders' value, the Group's income sources will be broadened and the Group's property investment portfolio will be diversified. As such, the Group will actively look for property projects (including, amongst others, residential, commercial and hotel projects) which are comparable to the Zhongshan Project in second- and third-tier cities in the PRC so as to exploit their potential value.

Under the above operating strategy and philosophy, the Group identified the Weihai Project during Year 2017. If the Acquisition materialises, the Group plans to develop the Weihai Project into a high-end hotel project, comprising three multi-storey hotel complexes to be developed on the land, and the development project is expected to have an aggregate gross floor area of approximately 195,014 square metres upon completion. The Weihai Project is expected to provide over 1,600 hotel suites and 360 parking spaces upon completion. Situated in the easternmost part of Shandong Province of China, the prefecture-level city of Weihai is a major seaport, receiving more than 35 million tourists yearly from all over the world. It was one of the cities featured in Letter No. 1 (2011) of the PRC State Council titled "The Blue Shandong Peninsula Economic Zone Development Plan" *（山東半島藍色經濟區發展規劃）, which was a development plan for the peninsula of the Shandong province with a theme of marine economy promulgated by the PRC State Council in year 2011. The Management is of the view that the tourism industry in Weihai has had a rapid growth in recent years, and such rapid growth would also benefit the hotel industry there.

Looking forward, the Group will continue its strategy which emphasises business diversification and high value-added operations, further promote business restructuring and improve its business and financial performance by implementing prudent financial management and giving priority to Shareholders' interest. As stated in the Management's future outlook in the Year 2016, several new business models, such as asset management, internet-plus property operation as well as restructuring and reselling property projects, were being scrutinised. Some of the goals set in Year 2016 realised during Year 2017 as the Group expanded into the new line of financial service business by establishing a wholly-owned subsidiary, namely 冠富資產管理有限公司 ("**冠富資產**"), in the PRC. 冠富資產 engages in the provision of asset and wealth management and finance advisory services, as well as advisory and matching service with financial institutions targeting property developers and other sectors in need of debt financing. The new business segment has offered a new income stream for the Group, and generated revenue of approximately HK$8.7 million, which accounted for 72.1% of the total revenue of the Group, during Year 2017. The success of 冠富資產 has driven the Group to make an effort to enhance its capacity of offering integrated financial services. With the Group's solid strength and extensive network in both the PRC and Hong Kong, as well as the pool of talent of the subsidiary who are experienced in the operation of financial markets, the newly-established segment of financial services will likely be an important drive for growth in the Group's future business development.

The Group has laid a solid foundation for its long-term development by adhering to prudent and sound governance principles, emphasising risk management and ensuring asset quality and stable financial resources. Building on its effective risk control, the Group is also carefully planning for its future, actively expanding its operation and striving for new business opportunities. Measures will be taken by the Group at suitable time to adjust its development strategies, realise sustainable growth and achieve continual increase in Shareholders' value.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for Year 2017 (Year 2016: Nil).

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

The Company did not redeem any of the shares of the Company (the "**Shares**") listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), nor did the Company or any of its subsidiaries purchase or sell any of the Shares during Year 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to the corporate success and to enhance its Shareholders' value.

The Group has applied the principles and complied with the code provisions of 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**") during Year 2017, save the deviation as stated below:

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and CEO should be separate and should not be performed by the same individual.

The roles of both the chairman of the Board (the "**Chairman**") and CEO were performed by Mr. MENG Jin Long, for reasons disclosed in the Company's interim results announcement dated 30 November 2016. In order to satisfy the requirement under code provision A.2.1 of the CG Code, Mr. YEUNG Man, Simon, the Executive Director and the then chief financial officer, was re-designated as the CEO with effect from 7 October 2016 and Mr. MENG Jin Long ceased to act as the CEO from the same date but remains as the Chairman.

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, the Directors have confirmed compliance with the Securities Code in their securities transactions during Year 2017.

INTERNAL CONTROL REVIEW

The Company has engaged a professional internal control consultant firm to conduct an independent review on internal control environment of the Group for Year 2017. 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 has reviewed the results of the independent review and, after discussion with the Management, is satisfied that the Group's system of internal controls is 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 Year 2017 have been agreed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's draft consolidated financial statements for Year 2017. The work performed by PwC 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 PwC on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises all the independent non-executive Directors (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 final consolidated results for Year 2017 have been reviewed by the Audit Committee. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

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 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
MENG Jin Long
Chairman

Hong Kong, 30 June 2017

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. MENG Jin Long (Chairman), Mr. LIU Hong Shen (Vice Chairman) and Mr. YEUNG Man, Simon (Chief Executive Officer); and three Independent Non-executive Directors, namely Mr. LONG Tao, Mr. REN Guo Hua and Mr. CHEN Fang.

* *For identification purpose only*