Crown International Corporation Limited
皇冠環球集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Crown International Corporation Limited (the "**Company**") announces the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2017 (the "**Period**") together with the relevant comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Unaudited Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**2,192**	1,708
Other gains, net	*6*	**9,005**	167
Fair value gains on investment properties		**–**	33,880
Gain on bargain purchase	*17*	**116,001**	–
Staff costs		**(5,397)**	(6,075)
Depreciation		**(606)**	(757)
Other operating expenses, net		**(7,982)**	(13,543)
Operating profit	*5*	**113,213**	15,380
Finance income		**350**	782
Finance costs		**(1,683)**	(3,976)
Profit before taxation		**111,880**	12,186
Taxation charge	*7*	**–**	(8,470)
Profit for the period		**111,880**	3,716

	Notes	Unaudited Six months ended 30 September **2017** ***HK$'000***	 2016 *HK$'000*
Other comprehensive profit/(loss):			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**45,927**	(41,992)
Other comprehensive profit/(loss) for the period, net of tax		**45,927**	(41,992)
Total comprehensive profit/(loss) for the period		**157,807**	(38,276)
Profit for the period attributable to:			
– Owners of the Company		**111,880**	3,703
– Non-controlling interest		**–**	13
		111,880	3,716
Total comprehensive profit/(loss) for the period attributable to:			
– Owners of the Company		**157,807**	(38,276)
– Non-controlling interest		**–**	–
		157,807	(38,276)
Earnings per share attributable to owners of the Company for the period (expressed in HK cent per share)			
– basic	*8*	**3.88 cent**	0.13 cent
– diluted	*8*	**3.88 cent**	0.13 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	(Unaudited) 30 September 2017 HK$'000	(Audited) 31 March 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**167,502**	4,862
Investment properties	*10*	**1,953,002**	1,881,563
Available-for-sale financial assets		**–**	700
		2,120,504	1,887,125
Current assets			
Properties under development for sale	*11*	**375,072**	–
Trade receivables		**–**	8,475
Other receivables, prepayments and deposits	*12*	**100,999**	3,530
Cash and cash equivalents		**81,298**	85,289
		557,369	97,294
		2,677,873	1,984,419
LIABILITIES			
Current liabilities			
Other payables and accruals	*13*	**385,571**	30,655
Income tax payable		**893**	2,082
		386,464	32,737
Net current assets		**170,905**	64,557
Total assets less current liabilities		**2,291,409**	1,951,682
Non-current liabilities			
Other payables	*13*	**4,680**	356,240
Bank borrowing	*14*	**175,500**	–
Deferred income tax liabilities	*15*	**402,439**	379,859
		582,619	736,099
Net assets		**1,708,790**	1,215,583
EQUITY			
Capital and reserves			
Share capital	*16*	**1,644,524**	1,309,124
Other reserves		**64,113**	(93,694)
		1,708,637	1,215,430
Non-controlling interest		**153**	153
Total equity		**1,708,790**	1,215,583

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

The principal activities of the Group are (i) property investment, (ii) hotel operations, (iii) provision of financial advisory service and (iv) property development (acquired during the Period).

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

The Company has its shares listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Directors consider the ultimate holding company to be Redstone Capital Corporation, a company incorporated in Samoa.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These condensed consolidated financial information are unaudited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial information are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2017 (the "**Year 2017**"), with the following accounting policies adopted:

Construction in progress

Construction in progress included under property, plant and equipment represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

The financial information relating to the Year 2017 included in this interim financial statement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**") is as follows:

The Company has delivered the consolidated financial statements for the Year 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor had reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the 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.

In the current Period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2017:

Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of these amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in the unaudited condensed consolidated financial information.

The Group has not early applied the new and revised HKFRSs relevant to the Group's unaudited condensed consolidated financial information, that have been issued but not yet effective in the period covered by these interim financial statements:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sales or Contribution of Assets between an Investor and its Associates or Joint Venture[3]
HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] No mandatory effective date yet determined but available for adoption

The Group does not anticipate that the application of the above new and amendments to HKFRSs have significant impact on the financial performance and position of the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

3. Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the Year 2017.

4. 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 components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are principally property investment and hotel investment and operations.

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. Summarized 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;

(ii) the hotel operations segment engages in hotel rental and food and beverage business;

(iii) the financial advisory service segment engages in the provision of financial advisory service to assist customers to obtain financing;

(iv) the property development segment engages in property development and sales of properties which is acquired during the Period; and

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

The segment results, depreciation and capital expenditures based on reportable segment for the six months ended 30 September 2017 and 2016 are as follows:

	Property investment *HK$'000*	Hotel operations *HK$'000*	Financial advisory Service *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Six months ended 30 September 2017						
Segment revenue:						
Sales to external customers	**2,192**	**–**	**–**	**–**	**–**	**2,192**
Segment results	**1,077**	**34,475**	**(1,470)**	**81,201**	**(2,070)**	**113,213**
Finance income						**350**
Finance costs						**(1,683)**
Profit before taxation						**111,880**
Taxation charge						**–**
Profit for the Period						**111,880**
Other segment information						
Depreciation	**(101)**	**–**	**–**	**–**	**(505)**	**(606)**
Additions to						
– Property, plant and equipment	**–**	**163,128**	**–**	**–**	**–**	**163,128**

	Property investment *HK$'000*	Hotel operations *HK$'000*	Financial advisory Service *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Six months ended 30 September 2016						
Segment revenue:						
Sales to external customers	1,708	–	–	–	–	1,708
Segment results	34,664	(389)	–	–	(18,895)	15,380
Finance income						782
Finance costs						(3,976)
Profit before taxation						12,186
Taxation charge						(8,470)
Profit for the period						3,716
Other segment information						
Depreciation	(107)	–	–	–	(650)	(757)
Additions to						
– Property, plant and equipment	–	–	–	–	5	5

5. Operating profit

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Operating profit is arrived at after charging/(crediting):		
Auditors' remuneration	**738**	672
Depreciation	**606**	757
Legal, professional and consultancy fees	**839**	1,192
Net exchange (gain)/loss	**(8,585)**	6,029
Office rental	**3,291**	3,321

6. Other gains, net

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries	**294**	–
Gain on disposal of property, plant and equipment	**–**	167
Net exchange gain	**8,585**	–
Others	**126**	–
	9,005	167

7. Taxation charge

No provision for Hong Kong profits tax (six months ended 30 September 2016: Nil) has been made for the Period as the Group had no assessable profit for the Period. Taxation on the People's Republic of China (the "**PRC**") profits has been calculated on the estimated assessable profit for the period at the rates of taxation in the PRC.

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Current tax – PRC	**–**	–
Deferred taxation	**–**	8,470
	–	8,470

8. Basic and diluted earnings per ordinary share attributable to owners of the Company

(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 Period.

	Six months ended 30 September	
	2017	2016
Profit for the period attributable to owners of the Company, HK$'000	**111,880**	3,703
Weighted average number of ordinary shares in issue	**2,882,732,240**	2,860,000,000
Basic earnings per ordinary share, HK cent	**3.88**	0.13

(b) The calculation of diluted earnings per ordinary share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per share above, as the Company did not have any dilutive potential ordinary shares arising from share options for the six months ended 30 September 2017 and 2016.

9. Property, plant and equipment

	Property, plant and equipment *HK$'000*
Opening net book value as at 1 April 2017	**4,862**
Additions of construction in progress through acquisition of subsidiaries *(notes 11 and 17)*	**163,128**
Disposals	**–**
Depreciation	**(606)**
Exchange difference	**118**
Closing net book value as at 30 September 2017	**167,502**
Opening net book value as at 1 April 2016	8,026
Additions	5
Disposals	(1,833)
Depreciation	(757)
Exchange difference	(120)
Closing net book value as at 30 September 2016	5,321

Details of the construction in progress are disclosed in note 11 to the unaudited condensed consolidated financial information.

10. Investment properties

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**1,881,563**	1,828,920
Additions	**4,680**	2,320
Net gains from fair value adjustment	**–**	33,880
Exchange difference	**66,759**	(62,254)
At 30 September	**1,953,002**	1,802,866

The fair value measurement information for the investment properties in accordance with HKFRS 13 as at 30 September 2017 is set out below.

	Fair value measurements		
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable Inputs (Level 3)**
	HK$'000	*HK$'000*	*HK$'000*
At 30 September 2017	**–**	**–**	**1,953,002**
At 31 March 2017	–	–	1,881,563

There were no transfers among Levels 1, 2 and 3 during the Period.

Level 3 fair values of investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the price per square meter and the construction cost estimate.

There were no changes in valuation techniques during the Period.

11. Properties under development for sale

	(Unaudited) **30 September** **2017** ***HK$'000***	(Audited) 31 March 2017 *HK$'000*
Properties under development:		
Additions on acquisition of subsidiaries *(note 17)*	**375,072**	–

The property complex (the "**Weihai Property**") was acquired in September 2017 by the Group through the acquisition of the subsidiaries (the "**Jumbo China Acquisition**") (note 17) and is located in Weihai, Shandong Province, the PRC. The Weihai Property is expected to have an aggregate gross floor area of approximately 194,710 square metres. Subsequent to the completion of the Jumbo China Acquisition, the Directors have resolved to designate a total of approximately 130,000 square metres of gross floor area of the Weihai Property as serviced apartments for sale and hence were classified as properties under development for sale. The remaining gross floor areas of the Weihai Property are intended to be used as its hotel operations upon completion and were classified as construction in progress in property, plant and equipment.

12. Other receivables, prepayments and deposits

	(Unaudited) **30 September** **2017** ***HK$'000***	(Audited) 31 March 2017 *HK$'000*
Other receivables	**388**	375
Prepayment for purchasing the construction materials	**96,056**	–
Prepayments and deposits	**4,555**	3,155
	100,999	3,530

13. Other payables and accruals

	(Unaudited) 30 September 2017 HK$'000	(Audited) 31 March 2017 HK$'000
Non-current		
Consideration payable		
– non-current portion *(Note a)*	**–**	198,906
Other payables		
– non-current portion *(Note b)*	**–**	157,334
Other long-term liabilities	**4,680**	–
	4,680	356,240
Current		
Property acquisition cost payable	**–**	991
Consideration payable		
– current portion *(Note a)*	**200,000**	12,200
Other payables		
– current portion *(Note b)*	**163,297**	402
Accrued construction cost	**7,535**	7,278
Accrued directors' fee	**–**	4,241
Accrued audit fee	**1,220**	1,250
Salary payable	**–**	1,941
Accrued legal and professional fee	**80**	80
Interest payable	**3,598**	–
Others	**9,841**	2,272
	385,571	30,655
	390,251	386,895

Note a:

Amount represented consideration payable in relation to the acquisition of the entire equity interest of Zhongshan Hualian Industrial Development Corporation Limited. The amounts are unsecured, interest-free and repayable according to the agreed payment terms.

Note b:

Amount represented payable to Sino Oasis in relation to construction service fees paid on behalf of Zhongshan Hualian Industrial Development Corporation Limited by Sino Oasis. The amount is unsecured, interest-free and repayable according to the agreed payment terms.

14. Bank borrowing

	(Unaudited) 30 September 2017 *HK$'000*	(Audited) 31 March 2017 *HK$'000*
Bank borrowing comprise:		
– Fixed rate bank loan	**175,500**	–
Analysed as:		
– Secured	**175,500**	–
Bank borrowing	**175,500**	–
Less: Amount due within one year shown under current liabilities	**–**	–
Amount due after one year	**175,500**	–

The bank borrowing bears interest at 18% per annum with maturity on 24 July 2019, and secured by the land use right and the equity interest of a subsidiary.

15. Deferred income tax liabilities

	(Unaudited)
	HK$'000
As at 31 March 2017 and 1 April 2017	379,859
Additions on acquisition of subsidiaries *(note 17)*	9,195
Exchange difference	13,385
As at 30 September 2017	**402,439**

16. Share capital

	Number of shares	Share capital
		HK$'000
Ordinary shares, issued and fully paid:		
At 1 April 2017	**2,860,000,000**	**1,309,124**
Proceeds from issuance of shares net of transaction costs *(Note a)*	**260,000,000**	**335,400**
At 30 September 2017	**3,120,000,000**	**1,644,524**

Note a:

On 14 September 2017, the Company issued and allotted 260,000,000 consideration shares at HK$1.92 each ("**Consideration Shares**") to Good Wealth Holdings Limited ("**Good Wealth**", a third party independent from the Company and its associates), pursuant to the Sale and Purchase Agreement dated 13 September 2016 entered into between Crown International Investment Corp. (an indirect wholly owned subsidiary of the Company) ("**Crown International Investment**") and Good Wealth, in which Good Wealth agreed to sell and Crown International Investment agreed to purchase the entire issued share capital of Jumbo China Investment Group Limited, a company incorporated in Samoa and wholly-owned by Good Wealth at a total consideration of HK$500,000,000 by issue and allotment of the Consideration Shares.

The Consideration Shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 September 2015. The Consideration Shares rank equally among themselves and with the existing shares in all respects. The fair value of the 260,000,000 consideration shares issued as part of the consideration paid (HK$335,400,000) was based on the published share price on 14 September 2017 *(note 17)*.

17. Business combination

Pursuant to a sale and purchase agreement dated 13 September 2016 (the "**Agreement Date**") (together with a series of supplementary agreements dated 13 December 2016, 13 March 2017, 13 April 2017, 30 June 2017 and 31 August 2017) entered into between Crown International Investment, an indirect wholly-owned subsidiary of the Company and Good Wealth. Good Wealth agreed to sell and Crown International Investment agreed to purchase the entire issued share capital of Jumbo China Investment Group Limited ("**Jumbo China Investment**", and together with its subsidiary, the "**Jumbo China Group**"), a company incorporated in Samoa and wholly-owned by Good Wealth, at a total consideration of HK$500,000,000, satisfied by the issue and allotment, credited as fully paid, of a total of 260,000,000 new shares (the "**Consideration Shares**") of the Company at an issue price of HK$1.92 each (the "**Jumbo China Acquisition**"). The principal activities of the Jumbo China Group is property development and investment in the People's Republic of China. The Jumbo China Acquisition was completed and the Consideration Shares were issued and allotted, credited as fully paid, to Good Wealth on 14 September 2017 (the "**Completion Date**").

The fair values of the identifiable assets and liabilities of the Jumbo China Group as at the Completion Date of the Jumbo China Acquisition were as follows:

	Notes	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	*9*	163,128
Properties under development for sales	*11*	375,072
Cash and bank balances		8,939
Prepayment for purchasing the construction materials		96,056
Bank borrowing		(175,500)
Other payables and accruals		(7,099)
Deferred income tax liabilities	*15*	(9,195)

	Notes	Fair value recognised on acquisition *HK$'000*
Total identifiable net assets at fair value		451,401
Satisfied by:		
Consideration Shares issued and allotted, credited as fully paid	*16*	335,400
Gain on bargain purchase recognised in the condensed consolidated statement of comprehensive income		(116,001)

The fair value of the Consideration Shares on the Completion Date was calculated based on the published closing price of the Company's shares on the date of the completion of the Jumbo China Acquisition, i.e. 14 September 2017. The gain on purchase recognised in the profit and loss represented primarily the drop on the Company's share prices during the Period from the Agreement Date to the Completion Date.

At 30 September 2017, the Group has not finalised the fair value assessments for net assets acquired from the business combination activities. The relevant fair values of net assets stated above are on a provisional basis.

The Group incurred transaction costs of approximately HK$802,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the profit and loss.

An analysis of the cash flows in respect of the Jumbo China Acquisition is as follows:

	HK$'000
Cash consideration paid	–
Cash and bank balances acquired	8,939
Net cash and cash equivalents acquired and included in cash flows from investing activities	8,939

Since the completion of the Jumbo China Acquisition, the Jumbo China Group has not contributed to the Group's revenue or consolidated profit for the Period.

Had the combination taken place at the beginning of the Period, the revenue from continuing operations of the Group and the profit of the Group for the Period would have been approximately HK$2,192,000 and approximately HK$89,165,000, respectively.

18. Operating lease commitment

(I) Operating lease commitments – where the Group is the Lessor

At 30 September 2017, the Group had contracted with tenants for the following minimum lease receivables:

	(Unaudited) 30 September 2017 ***HK$'000***	(Audited) 31 March 2017 *HK$'000*
Not later than 1 year	**5,307**	3,431
Later than 1 year and not later than 5 years	**20,356**	12,270
Over five years	**12,202**	889
	37,865	16,590

Operating lease receivables represent future aggregate minimum lease receipts by the Group from non-cancellable operating leases of its investment properties. Typically, leases are negotiated and rentals are fixed for lease terms of eight to ten years.

(II) Operating lease commitments – where the Group is the Lessee

At 30 September 2017, the Group had commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	(Unaudited) **30 September** **2017** ***HK$'000***	(Audited) 31 March 2017 *HK$'000*
Not later than 1 year	**2,851**	6,161
	2,851	6,161

19. Commitments and contingent liabilities

Save as disclosed in note 18 to the unaudited condensed consolidated financial information, the Group had the following commitments and contingent liabilities as at the end of the reporting Period:

Capital commitments

	(Unaudited) **30 September** **2017** ***HK$'000***	(Audited) 31 March 2017 *HK$'000*
Contracted, but not provided for	**1,108,480**	–

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

20. Events after the reporting period

Subsequent to the end of the reporting period, on 23 November 2017, the Company completed the issue and allotment of 310,000,000 new shares (the "**Subscription Shares**") of the Company for an aggregate gross proceeds, before share issuing expenses, of HK$334,800,000, and an aggregate net proceeds after the deduction of related expenses of approximately HK$334,540,000 for its general working capital and future potential acquisition(s). The Subscription Shares have been allotted and issued under the general mandate granted to the Directors by the shareholders of the Company and rank *pari passu* in all respects among themselves and with the existing Shares.

21. Approval of the financial statements

The unaudited condensed consolidated financial information was approved for issue by the Board on 30 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

The Group is principally engaged in the business of property investment, hotel operations, financial advisory service and property development (acquired during the Period) in the PRC.

A. Property Investment

The Group's current investments in commercial properties consist of the following:

- A commercial building in Yingkou, Liaoning Province, the PRC (the "**Yingkou Property**");
- A hotel complex in Jinggangshan City, Jiangxi Province, the PRC (the "**Jinggangshan Property**"); and
- A commercial and residential complex in Zhongshan, Guangdong Province, the PRC (the "**Zhongshan Property**").

B. Hotel operations

The Group's current investments in hotel operations consist of the hotel development recently acquired by the Group in Weihai, Shandong Province, the PRC (the "**Weihai Property**").

On 13 September 2017, the Group completed the Jumbo China Acquisition, thereby acquiring of 100% equity interest in Jumbo China Investment Group Limited which in turn owned the Weihai Property. Further information regarding the Jumbo China Acquisition was published in the Company's announcements dated 13 September 2016 and 13 September 2017, respectively.

The Group continued to proactively expand its portfolio and exposure in a number of areas in the PRC which are experiencing rapid economic and/or population growth. Factors including governmental policies and/or plans of economic and/or tourist industry development, have facilitated the growth of sectors which are reliant on increased population and capital flows such as office rental and commercial property development, hotel operations and financial service sectors.

Apart from identifying expansion opportunities, the Management also regularly reviewed its portfolio of existing property and hotel assets and sought to utilise the same efficiently and 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.

C. Financial advisory service

The Group also continued promoting its financial advisory business in certain rapidly developing provinces in the PRC, which provided business and finance advisory services to, and sourced debt financing for, property developers and other businesses in need of financing.

The Group's Property Investment

A. The Yingkou Property

The Yingkou Property is a 16-storey commercial building situated in Yingkou, Liaoning Province, the PRC, and is owned by "U" Inns (Yingkou) Hotel Management Corporation Limited (the "**Yingkou Subsidiary**"), a subsidiary of the Company which is the registered owner of the Yingkou Property. The Yingkou Subsidiary entered into two separate lease agreements in relation to the Yingkou Property.

On 21 September 2010, the Yingkou Subsidiary (as lessor) entered into a lease agreement with a bank (as lessee) in relation to the second to fourth floors, as well as part of the ground floor area, of the Yingkou Property. The lease was for ten (10) years, with an annual rental of RMB1.68 million for the first five (5) years and an annual rental of RMB1.76 million for the remaining five (5) years.

On 1 November 2013, the Yingkou Subsidiary (as lessor) entered into a lease agreement with a local lessee in relation to the fifth to sixteenth floors, as well as part of the ground floor area, of the Yingkou Property. The lease was for nine (9) years, with an initial annual rental of RMB1.2 million for the first 3 years of the lease. The lease provided for an increase of annual rental by 6% after the expiration of each three (3)-year period after the commencement date of the lease.

The Yingkou Property is currently fully occupied due to the abovementioned two leases.

B. The Jinggangshan Property

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

On 7 June 2017, the Group entered into a lease agreement over the Jinggangshan Property with a local lessee (the "**Lessee**") for a period of ten (10) years (which shall commence after the expiry of a customary rent-free period of six (6) months) until 7 December 2027. Under the terms of the lease agreement, the Lessee shall operate hotel businesses in the Jinggangshan Property. The Lessee undertakes to renovate and maintain the Jinggangshan Property, and to ensure that the post-renovation complementary facilities are able to achieve the 3-Star or above standard in accordance with relevant PRC standards. The Lessee shall 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 life of the lease.

The Management considered that, among the offers made by potential lessees, the terms entered into by the Group and the Lessee, which would provide the Group with not only a source of stable rental income, but also deferred payment of costs in relation to the substantial renovation expenditures of the Jinggangshan Property, was the most favourable to the Group.

C. The Zhongshan Property

The Zhongshan Property is a multi-purpose complex comprising retail floors on the lower levels, and commercial accommodation floors on the levels above.

In year 2015, the Group acquired the Zhongshan Property for investment purposes. Due to the consistently rising property market in Zhongshan in recent years, the Zhongshan Property has recorded an accumulative increase in market value of approximately HK$336 million since its acquisition by the Group based on revaluations of the Zhongshan property undertaken by an independent property valuer engaged by the Group.

The recent developments of the Shenzhen–Zhongshan Bridge and the Zhongshan metro are expected to shorten the traveling time from Zhongshan to Shenzhen and Foshan respectively when completed, bringing the three cities much closer to one another. The Management is of the view that the improved transportation will boost the demand for properties in Zhongshan, in particular hotels and serviced apartments, as more corporations will be attracted to set up branches and/or operations in Zhongshan.

In addition, the current average property prices per square metre in Zhuhai, a neighbouring city of Zhongshan, more than double that of Zhongshan. Such a difference, the Management considers, indicates the room for further appreciation of property values in Zhongshan when the transportation around Zhongshan is improved.

The Management has exercised caution in selecting potential tenants for the retail floors, as this would manifest the market position of the Zhongshan Property as a whole, thereby affecting the commercial value of the upper commercial accommodation floors. This, coupled with the challenges posed by online shops to the local retail sector, resulted in the Management taking an extensive period of time in sourcing suitable retail tenants for the Zhongshan Property.

As to the upper commercial accommodation floors, the Group plans to renovate such floors as serviced apartments to meet the expected inflow of business travelers and tourists.

In Year 2017, the Group only incurred minor refurbishment and site cleaning expenses in relation to maintenance of the Zhongshan Property. No significant environmental impact was generated. The Group is currently sourcing qualified contractors for renovating and decorating sample apartments, and expects to commence formal refurbishment work thereafter. In selecting such a firm of contractors, the Group takes into consideration factors including the background, experience and environmental awareness of the contractors.

The Group's Hotel Operations

The Weihai Property

To capture opportunities in the property market in Weihai, Shandong Province, the PRC and to bring stable, long term income for the benefit of the Group and its shareholders (the "**Shareholders**"), on 13 September 2016, the Group entered into a sale and purchase agreement in relation to the Jumbo China Acquisition. The Jumbo China Acquisition was completed on 13 September 2017. Construction and renovation works commenced in April 2016. Upon completion of such works (expected to be in or about April 2020), the Weihai Property would expect to have an aggregate gross floor area of approximately 194,710 square metres, providing over 1,600 hotel suites and 360 parking spaces. The main building of the Weihai Property is expected to stand approximately 150 metres in height, making it a landmark along the Golden Beach in Weihai.

The Management observed that Weihai was becoming a popular destination for the retired population in recent years which, coupled with the rapid growth of the tourism sector, had resulted in a consistent influx of migrants and an increased demand for properties in Weihai in recent years. The Management considered such development in Weihai would continue to benefit its hotel industry and local property market. The Management observed a steady growth in the property price level in Weihai. The Management will take steps to ensure the Weihai Property adheres to its development timetable.

In light of the above, the Group resolved that approximately 130,000 square metres of the gross floor area of the Weihai Property shall be renovated and sold as serviced apartments (the "**Serviced Apartments**"). According to a report (the "**Valuation Report**") issued by a firm of independent valuers engaged by the Group, based on (among other things) the current property price levels in Weihai, the aggregate market value of the Serviced Apartments is expected to reach approximately RMB1.42 billion.

The Group plans to develop a vast majority of the remaining floor areas of the Weihai Property as hotel and related retail premises and car-parking spaces. According to the Valuation Report, the aggregate market value of such hotel and related retail premises and car-parking spaces are expected to reach approximately RMB594 million. The Group has entered into a management agreement with a world-renowned American hotel group, under which the latter group will, among other things, provide certain development services to, and manage the operation of, the hotel premises.

Financing of development of the Weihai Property

It is expected that the initial costs for development of the Weihai property will amount to approximately RMB1.0 billion.

Part of the Group's plan to finance the development of the Weihai Property is pre-sale of the Serviced Apartments (expected to commence in the second half of the year 2018) upon issue of relevant pre-sale permits by the local authorities (expected in the first half of the year 2018). The Group is currently sourcing property sales agents with suitable qualifications and experience to market the Serviced Apartments.

To partly finance the construction and renovation costs of the Weihai property, on 20 July 2017, the Group entered into a loan agreement with a local PRC bank, under which the said bank granted the Group a loan facility of an aggregate principal amount of RMB150 million. On 11 September 2017, the Group also entered into a cooperation agreement with the main contractor of the development, under which the said contractor shall assist in financing the development cost of the Weihai Property until completion of the development.

In view of the above and as other capital arrangements may be entered into by the Group from time to time, the Management considered that the Weihai Property would be sufficiently financed.

The Group's Financial advisory Services

The Group has established a financial advisory business in certain rapidly developing provinces in the PRC, which provided business and finance advisory services to, and sourced debt financing for, property developers and other businesses in need of financing.

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group has no other significant investments held as at 30 September 2017.

FUTURE PROSPECTS

After having completed the acquisition of the Weihai Property, the Group plans to, in the current and coming financial years, commit more capital and efforts on the Weihai Property. This includes:

- Closely monitoring the construction, renovation and marketing progress of the hotels and Serviced Apartments of the Weihai Property, and operating the Weihai Property in accordance with the Group's development strategies; and

- Proactively looking for land in the proximity of the Weihai Property for the future expansion of the Weihai Property. The Management considers developing such land will create synergy with the development of the Weihai Property and maximize its potential. The Management is also sourcing investors and/or financing when any such opportunities are identified.

The Group will continue sourcing landed properties in other areas in the PRC which are experiencing rapid economic and/or population growth, so as to bring resale revenue and/or stable rental income to the Group. The Group will also continue to develop and promote the financial consultancy business in the cities and provinces where the Group is establishing such operations.

FINANCE REVIEW

Revenue

The Group recorded revenue for the Period in the amount of approximately HK$2.19 million (six months ended 30 September 2016: approximately HK$1.71 million), an increase by 28.07% as compared with the same period last year, which was solely attributable by an increase of rental income from the hotel complex located in Jinggangshan City, Jiangxi Province, the PRC by approximately HK$0.5 million (six months ended 30 September 2016: Nil).

Other gain, net

Other gain, net for the Period amounted to approximately HK$9.0 million, representing an increase of approximately HK$8.83 million as compared to that of approximately HK$0.17 million for the same period last year. The increase in other gain, net was mainly attributable to the net exchange gain amounting to approximately HK$8.59 million (six months ended 30 September 2016: net exchange loss HK$6.03 million).

Other operating expenses, net

Other operating expenses, net for the Period amounted to approximately HK$7.98 million, representing a decrease of approximately HK$5.56 million as compared to that of approximately HK$13.54 million for the same period last year, which was primarily attributable to the net exchange loss of amount approximately HK$6.03 million for the same period last year, which was not applicable for the Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was approximately HK$111.88 million, representing an increase of approximately HK$108.18 million from approximately HK$3.7 million for the same period last year, which was primarily attributable to the gain on bargain purchase amounting to approximately HK$116.0 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Group's sources of fund primarily included income generated from business operations, cash from banks and bank borrowing, which were used in our business operations and investment and development of projects.

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

As at 30 September 2017, the Group had bank balances and cash of approximately HK$81.3 million as compared to those of approximately HK$85.29 million as at 31 March 2017.

The Group had net current assets amounting to approximately HK$170.91 million as at 30 September 2017, against approximately HK$64.56 million as at 31 March 2017. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 1.44 as at 30 September 2017 as compared with approximately 2.97 as at 31 March 2017.

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by the sum of equity and net debt. Net debt comprises total liabilities less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated statements of financial position. The gearing ratios as at the end of the reporting periods were as follows:

	(Unaudited)	(Audited)
	30 September	31 March
	2017	2017
	HK$'000	*HK$'000*
Other payables and accruals	**385,571**	30,655
Income tax payable	**893**	2,082
Long term other payables	**4,680**	356,240
Long term bank borrowing	**175,500**	–
Deferred income tax liabilities	**402,439**	379,859
Less: Cash and cash equivalents	**(81,298)**	(85,289)
Net debt	**887,785**	683,547
Equity attributable to owners of the Company	**1,708,637**	1,215,583
Equity and net debt	**2,596,422**	1,899,130
Gearing ratio	**34.19%**	36.0%

FOREIGN EXCHANGE EXPOSURE

A majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Currently, the Group has not used any derivative financial instruments to hedge against its foreign currency risk.

MATERIAL ACQUISITION AND DISPOSAL

Except for the completion of the Jumbo China Acquisition, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Period.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group had a total of 33 employees (31 March 2017: 33 employees), including executive Directors. 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 (the "**RQNC**") while those for other employees are reviewed and approved by the chief executive officer. 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.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities (31 March 2017: Nil).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 September 2016: Nil).

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

On 20 September 2017, Rising Century Limited ("**Rising**") as subscriber and the Company as issuer entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which Rising has agreed to subscribe, and the Company has agreed to allot and issue, 310,000,000 shares. The Subscription Agreement is subsequently completed on 23 November 2017.

Save as disclosed above, during the Period, the Company did not redeem any of its shares listed on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of its shares.

CORPORATE GOVERNANCE

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 corporate success and to enhance the Shareholders' value.

The Group has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period.

Model Code

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 specifically enquiries by the Company, the Directors have confirmed compliance with the Securities Code in their securities transactions during the Period.

Changes of Directors' Information

The following are the changes in the information of Directors since the disclosure was made in the 2016/2017 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

The emolument of Mr. MENG Jin Long, an executive Director and the chairman of the Board, has been adjusted from HK$1.5 million per annum to HK$0.6 million per annum with effect from 1 August 2017. Such emolument has been determined by the RQNC, by reference to the prevailing market conditions and his duties and responsibilities with the Company.

The emolument of Mr. LIU Hong Shen, an executive Director and the vice chairman of the Board, has been adjusted from HK$1.5 million per annum to HK$0.6 million per annum with effect from 1 August 2017. Such emolument has been determined by the RQNC, by reference to the prevailing market conditions and his duties and responsibilities with the Company.

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

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. LONG Tao and the members are Mr. REN Guo Hua and Mr. CHEN Fang. The unaudited interim results for the Period and this report have been reviewed by the Audit Committee. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

By order of the Board
MENG Jin Long
Chairman

Hong Kong, 30 November 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.