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 2019

The board (the "**Board**") of directors (the "**Directors**") of Crown International Corporation Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 March 2019 ("**Current Year**") with comparative figures for the financial year ended 31 March 2018 ("**Last Year**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

		Year ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**5,371**	4,995
Other (loss)/gains, net	*3*	**(450)**	21,065
Other income		**180**	108
Fair value gains on investment properties, net		**45,462**	1,335
Staff costs		**(14,698)**	(14,076)
Depreciation		**(1,111)**	(1,362)
Gain on bargain purchase		**–**	116,001
Other operating expenses		**(23,176)**	(17,891)
Operating profit		**11,578**	110,175
Finance income		**4,075**	1,333
Finance costs		**(888)**	(1,898)
Finance income/(costs), net		**3,187**	(565)

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000
Profit before income tax	*4*	**14,765**	109,610
Income tax expense	*5*	**(10,974)**	(895)
Profit for the year		**3,791**	108,715
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(138,239)**	168,188
Total other comprehensive (loss)/income for the year		**(138,239)**	168,188
Total comprehensive (loss)/income for the year		**(134,448)**	276,903
Profit/(loss) attributable to:			
Owners of the Company		**3,791**	108,716
Non-controlling interests		**–**	(1)
		3,791	108,715
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(134,448)**	276,895
Non-controlling interests		**–**	8
		(134,448)	276,903
Basic and diluted earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	*6*	**0.11 cent**	3.50 cents
Dividends	*7*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		At 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**171,580**	144,386
Investment properties	*8*	**2,002,606**	2,091,000
Other receivables, prepayments and deposits	*9*	**1,467**	1,209
Deferred tax asset		**814**	870
		2,176,467	2,237,465
Current assets			
Other receivables, prepayments and deposits	*9*	**168,241**	2,122
Properties under development for sale	*10*	**758,763**	568,801
Financial assets at fair value through profit or loss		**–**	12,500
Restricted bank balances		**26,750**	–
Cash and cash equivalents		**140,323**	43,585
		1,094,077	627,008
Total assets		**3,270,544**	2,864,473
Liabilities			
Current liabilities			
Other payables and accruals	*11*	**221,523**	101,885
Income tax payable		**2,249**	3,163
		223,772	105,048
Net current assets		**870,305**	521,960
Total assets less current liabilities		**3,046,772**	2,759,425

		At 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Other payables	*11*	**6,608**	6,623
Borrowings		**598,046**	160,000
Deferred income tax liabilities		**414,297**	430,373
		1,018,951	596,996
Net assets		**2,027,821**	2,162,429
Equity			
Capital and reserves			
Share capital		**1,979,067**	1,979,067
Other reserves		**48,754**	183,202
Equity attributable to owners of the Company		**2,027,821**	2,162,269
Non-controlling interests		**–**	160
Total equity		**2,027,821**	2,162,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 General Information and basis of preparation

The principal activities of Crown International Corporation Limited (the "**Company**") and its subsidiaries (together with the Company are collectively referred to as the "**Group**") are (i) property investment, (ii) property development, (iii) hotel operations, and (iv) provision of financial consultancy service.

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.

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 basis except for investment properties and certain financial instruments, which are measured at fair value.

The financial information relating to the years ended 31 March 2018 and 2019 included in this preliminary announcement of annual results 2018/19 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 in due course.

The Company's auditors have reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

The following new standard and amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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

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

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

		Effective for accounting period beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, income taxes	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, borrowing costs	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases.

There will not be significant change in the accounting treatment of lessors.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. 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 statements of comprehensive income, the operating lease expenses will decrease, while depreciation and the interest expense will increase.

Other than the increase in assets and financial liabilities in the consolidated statement of financial position and the financial performance impact in the consolidated statements of comprehensive income as mentioned above, the directors of the Group expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group. The new standard is not expected to apply until the financial year beginning on or after 1 April 2019.

2 Revenue and segment information

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

(a) Analysis of revenue by category

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Rental income	**5,371**	4,995

(b) Segment information

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

i) the property investment segment engages in investment of properties in cities of Yingkou, Jinggangshan and Zhongshan of the People's Republic of China (the "**PRC**"), the Group aims to use these properties for rental or capital appreciation;

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

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

iv) the financial consultancy service segment engages in the provision of financial consultancy service to assist customers to obtain financing; 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 hotel operation in Weihai is yet to commence operation as at 31 March 2019 as it is currently under construction. The property development operation is currently under pre-sale stage and the relevant properties are under construction.

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

The Directors assess the performance of the operating segments based on a measure of segment results, which represent, operating profit less central administrative costs. The segment results, depreciation, fair value gains on investment properties and capital expenditure based on reportable segments for the years ended 31 March 2019 and 2018 are as follows:

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

	Property investment HK$'000	Property development HK$'000	Hotel operations HK$'000	Financial consultancy service HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 March 2018						
Segment revenue:						
Revenue from external customers	4,995	–	–	–	–	4,995
Segment results	7,233	(2,691)	(1,561)	(2,859)	110,053	110,175
Finance income						1,333
Finance costs						(1,898)
Profit before income tax						109,610
Income tax expense						(895)
Profit for the year						108,715
Other segment information						
Depreciation	(681)	(38)	–	(218)	(425)	(1,362)
Fair value gains on investment properties, net	1,335	–	–	–	–	1,335
Additions to						
– Property, plant and equipment						
Addition	–	481	38,970	–	600	40,051
Acquisition of subsidiary	–	–	163,128	–	–	163,128
– Investment properties	7,828	–	–	–	–	7,828

3 customers (year ended 31 March 2018: 3) contributed more than 10% revenue of the Group.

	Year ended 31 March	
	2019	2018
	Property Investment segment	Property Investment segment
	HK$'000	*HK$'000*
Customer A	**2,018**	1,554
Customer B	**1,948**	1,999
Customer C	**1,405**	1,442
Total	**5,371**	4,995

No other single customer contributed 10% or more to the Group's revenue for both the years ended 31 March 2019 and 2018.

The segment assets and liabilities based on reportable segments as at 31 March 2019 and 2018 are as follows:

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

	Property investment *HK$'000*	Property development *HK$'000*	Hotel operations *HK$'000*	Financial consultancy service *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
At 31 March 2018						
Segment assets	2,096,078	581,756	139,443	339	3,272	2,820,888
Cash and cash equivalents	10,475	14,975	–	12,797	5,338	43,585
Total assets	2,106,553	596,731	139,443	13,136	8,610	2,864,473
Segment liabilities	(476,295)	(180,888)	(39,707)	(203)	(4,951)	(702,044)
Total liabilities	(476,295)	(180,888)	(39,707)	(203)	(4,951)	(702,044)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for the years ended 31 March 2019 and 2018 and non-current assets other than financial instruments and deferred tax asset as at 31 March 2019 and 2018 based on geographical area are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
PRC	**5,371**	4,995
Non-current assets		
Hong Kong	**401**	1,073
PRC	**2,173,785**	2,234,313
	2,174,186	2,235,386

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 (loss)/gains, net

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Exchange (losses)/gain	**(32)**	16,099
Refund from consultancy fee *(Note)*	**–**	5,355
Gain on disposal of subsidiaries	**–**	302
Loss on written off of property, plant and equipment	**(506)**	–
Impairment of other receivable balances	**–**	(686)
Others	**88**	(5)
	(450)	21,065

Note:

During the year ended 31 March 2017, the Group engaged a consultant to perform certain engineering consultancy services in respect of its investment properties in Zhongshan. The consultancy fee, amounting to RMB5,200,000 (equivalent to HK$6,188,000) was recognised as operating expenses. On 31 January 2018, this consultant refunded RMB4,500,000 (equivalent to HK$5,355,000) to the Group as a result of a change in service scope and the Group's decision to terminate the service contract with the consultant.

4 Profit before income tax

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,350**	1,450
Minimum lease payments for properties under operating leases	**7,116**	5,830

5 Income tax expense

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
PRC		
– Current year	**821**	1,389
– Overprovision in prior years	**(1,212)**	–
	(391)	1,389
Deferred taxation	**11,365**	(494)
	10,974	895

6 Earnings per share

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

	Year ended 31 March	
	2019	2018
Profit for the year attributable to owner of the Company, *HK$'000*	**3,791**	108,716
Weighted average number of ordinary shares in issue	**3,430,000,000**	3,110,465,753
Basic earnings per ordinary share, *HK cents*	**0.11**	3.50

(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 the two years ended 31 March 2019 and 2018.

7 Dividend

The Board of Directors do not recommend payment of final dividend for the year ended 31 March 2019 (year ended 31 March 2018: Nil).

8 Investment properties

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**2,091,000**	1,881,563
Addition	**1,166**	7,828
Fair value gains, net	**45,462**	1,335
Exchange difference	**(135,022)**	200,274
At end of year	**2,002,606**	2,091,000

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

Amounts recognised in profit or loss for investment properties

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Rental income	**5,371**	4,995
Direct operating expenses from properties that generated rental income	**(98)**	(820)
Direct operating expenses from property that did not generate rental income	**(59)**	(39)

9 Other receivables, prepayments and deposits

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Non-current		
Rental deposit	**1,467**	1,209
	1,467	1,209
Current		
Other receivables	**9,200**	378
Prepayments and deposits	**159,041**	1,744
	168,241	2,122
	169,708	3,331

10 Properties under development for sale

	HK$'000
As at 1 April 2017	**–**
Additions	**89,602**
Acquisition of a subsidiary	**375,072**
Reclassified from property, plant and equipment	**75,232**
Exchange difference	**28,895**
As at 31 March 2018	**568,801**
Additions	**226,051**
Exchange difference	**(36,089)**
At 31 March 2019	**758,763**

11 Other payables and accruals

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Non-current		
Leasehold improvements payable	**6,608**	6,623
	6,608	6,623
Current		
Construction cost payables	**150,328**	36,102
Other payables *(Note)*	**26,728**	41,826
Contract liabilities	**29,590**	–
Others	**14,877**	23,957
	221,523	101,885
	228,131	108,508

Note:

The amount represented payable to the vendor of 中山市華聯實業開發有限公司 ("**Zhongshan Hualian**"), Sino Oasis Oversea Limited ("**Sino Oasis**") upon acquisition of Zhongshan Hualian. The amount was in relation to construction service fees paid on behalf of Zhongshan Hualian by Sino Oasis. The amount is unsecured, interest-free and repayable according to the agreed payment terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

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

Property investment

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

- The commercial building known as 卓越大厦 in Yingkou city, Liaoning province, the PRC (the "**Yingkou Property**");
- The hotel complex in Jinggangshan city, Jiangxi province, the PRC (the "**Jinggangshan Property**"); and
- The residential and commercial complex known as 達興豪苑 in Zhongshan city, Guangdong province, the PRC (the "**Zhongshan Property**").

Property development

The Group's current investment in property development comprises approximately 1,400 serviced apartment units in Weihai city, Shandong province, the PRC (the "**Weihai Property**") currently under development and to be sold by the Group.

Hotel operations

The Group's current investments in hotel operations consist of the hotel development in Weihai city, Shandong province, the PRC.

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

Financial consultancy services

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

A. The Group's Property Investment

(i) The Yingkou Property

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

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

In 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 years, with an initial annual rental of RMB1.2 million for the first three years of the lease. The annual rental shall increase by 6% after the expiration of each three year period after the commencement date of the lease.

The Yingkou Property is currently fully occupied due to the abovementioned two leases. The Group considers that the operations of the Yingkou Property has entered a stable stage. The Group does not expect any material change to the operation of the Yingkou Property for the duration of the current leases until 2020 and 2022 respectively.

* For identification purpose only

(ii) The Jinggangshan Property

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

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

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

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

(iii) The Zhongshan Property

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

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

The Group's management observed that the price level of the residential properties in Zhongshan kept climbing at a moderate rate in the second half of the financial year 2018/19. The Group's management believed that such increase was attributable to the following factors: (i) the State Council's "Government Work Report" in 2017 officially proposed to study and formulate the development plan for Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"), signifying the construction of the Greater Bay Area as a formal national strategy thereby; (ii) the recently opened Hong Kong-Zhuhai-Macao Bridge (the "**Bridge**"), the world's longest sea-crossing bridge-and-tunnel channels, which reduces commuting time between Hong Kong, Zhuhai and Macau to roughly one hour, and is open 24-hours for border crossing. The opening of the Bridge has greatly enhanced the synergies among the cities within the Greater Bay Area in terms of circulation of goods, interaction of services, personnel movement and the free flow of information; (iii) the recent development of the Shenzhen-Zhongshan bridge and the Zhongshan metro, which is expected to shorten the commuting time from Zhongshan to Shenzhen and Foshan respectively upon their completion; and (iv) the current average price per square meter of Zhuhai, which is adjacent to Zhongshan, remain much higher than that of Zhongshan. Based on the abovementioned external factors, the Group's management believes that the selling price and leasing level of the residential properties in Zhongshan will sustain a stable and moderate growth.

On 15 November 2018, the Group entered into a lease agreement with a local lessee in respect of the retail floors and car parking spaces of the Zhongshan Property for a term of 10 years commencing from 15 August 2019 (after the expiry of a customary rent-free period of nine months) until 14 August 2029.

On 29 March 2019, the Group and the lessee agreed to terminate the previous lease agreement and enter into a new lease agreement. Pursuant to the new lease agreement, the entire Zhongshan Property including the residential units, the retail floors and the car parking spaces were leased to the lessee for a term of 15 years commencing from 1 April 2019 to 31 March 2034. The first 9 months from 1 April 2019 is a rent-free period. The initial annual rent is RMB33.0 million for the first three years of the lease commencing from 1 January 2020. The annual rental shall increase by 3.5% after the expiration of each three year period from 1 January 2020. Any renovation plan proposed by the lessee must obtain prior approval from the Group and the cost of renovation will be borne by the lessee.

B. The Group's investment in Property Development

The Weihai Property

The Group's management observed that Weihai has become an increasingly popular destination for the retired population in recent years which, coupled with the rapid growth of the tourism sector, has resulted in a consistent influx of migrants and an increased demand for properties. The Group's management considered such development in Weihai will continue to benefit its hotel industry and the local property market. In light of the above, the Group's management resolved in Last Year that approximately 130,000 square metres of the gross floor area of the Weihai Property shall be renovated and sold as serviced apartments.

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

As at the date of this announcement, the total pre-sales by Weihai Runhe amounted to approximately RMB140 million, and the total saleable area pre-sold is approximately 11,000 square meters. The relevant pre-sale amounts are expected to be recognized as revenue in the financial year 2020/21, as the construction and renovation works of the serviced apartment units are currently expected to be completed in the fourth quarter of 2020.

Financing of development of the Weihai Property

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

To finance the construction and renovation costs of the Weihai Property, in July 2017 the Group entered into an entrusted loan agreement with China HKBridge, under which China HKBridge granted the Group a loan facility in the aggregate principal amount of RMB150 million.

On 9 November 2018, Weihai Runhe entered into an entrusted debt investment agreement (the "**Asia Alliance Asset Loan**") with 亞聯盟資產管理有限公司, through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to HK$772 million) for a term of 3 years, bearing interest at 6.6% per annum. The final drawdown amount was RMB500 million (equivalent to HK$584.6 million) with the remaining facility amount lapsed. The Asia Alliance Asset Loan replaced the loan from China HKBridge, which bore interest at 18% per annum. The Group's management believes that substantial interest expenses will be saved through the replacement of China HKBridge loan which was of a higher interest rate, thus lowering the construction finance costs of the Weihai Property. Meanwhile, the Asia Alliance Asset Loan will provide the Group with sufficient liquidity, improving the chance for the Group to secure the Golden Beach No.1 – Phase II Projects.

The Management considered that the Weihai Property would be sufficiently financed through (i) the cash flow generated from pre-sale of the serviced apartments; (ii) loan facility agreements such as the abovementioned loan facilities; and (iii) other capital arrangements as may be entered into by the Group from time to time.

C. The Group's Hotel Operations

The Weihai Property

The Weihai Property consists of three high rise hotel buildings with a total gross floor area of approximately 195,000 square metres, and is expected to provide about 1,400 serviced apartment suites, 200 hotel suites and rooms, and about 360 car parking spaces. Construction and renovation works commenced in April 2016 and is currently expected to be completed in or about the fourth quarter of 2020. The main building of the Weihai Property is expected to stand approximately 149.8 metres in height, making it a landmark along the Golden Beach in Weihai. It is also expected to be the highest building in Weihai.

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

The hotel complex is under construction at the moment. Upon completion of the construction and renovation works (expected to be in the fourth quarter of 2020), the hotel is expected to provide about 200 luxury suites and rooms.

D. The Group's Financial Consultancy Services

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

FINANCIAL REVIEW

Key Performance Indicators

	For the year ended 31 March/As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**5,371**	4,995
Profit attributable to owners of the Company	**3,791**	108,716
Earnings per share (HK Cent)	**0.11**	3.50
Gross assets	**3,270,544**	2,864,473
Net assets attributable to owners of the Company	**2,027,821**	2,162,269
Cash and bank balances	**167,073**	43,585
Borrowings	**598,046**	160,000
Net borrowings/net assets attributable to owners of the Company	**21.3%**	5.4%

Revenue

Revenue amounted to approximately HK$5.4 million for the Current Year, which is similar to that of approximately HK$5.0 million for the Last Year. The revenue was derived from the rental income of our two investment properties, namely the Jinggangshan Property and the Yingkou Property.

Other operating expenses

Other operating expenses amounted to approximately HK$23.2 million for the Current Year, representing an increase of approximately HK$5.3 million or approximately 30% as compared to that of approximately HK$17.9 million for the Last Year. The increase in other operating expenses was mainly attributable to the selling and marketing expenses of approximately HK$6.9 million incurred from the pre-sale of serviced apartment units of Weihai Property in the Current Year, while there was no such expenses in Last Year.

Finance costs

Finance costs amounted to approximately HK$0.9 million for the Current Year, representing a decrease of approximately HK$1.0 million or approximately 53% as compared to that of approximately HK$1.9 million for Last Year. The decrease of finance costs was mainly attributable to the decrease in imputed interest expenses amounting to approximately HK$1.4 million.

Profit attributable to owners of the Company

For the Current Year, the Group recorded a net profit attributable to owners of the Company of approximately HK$3.8 million (Last Year: approximately HK$108.7 million). The significant decline of profit attributable to owners of the Company in the Current Year as compared to the Last Year was a one-off bargain purchase gain of approximately HK$116.0 million arising from the acquisition of the holding company of the Weihai Property development project in Last Year, while no similar profit was recorded in the Current Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

As at 31 March 2019, the Group had bank balances and cash of approximately HK$167.1 million as compared to the bank balances and cash of approximately HK$43.6 million as at 31 March 2018.

The Group had net current assets amounting to approximately HK$870.3 million as at 31 March 2019, against approximately HK$522.0 million as at 31 March 2018. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 4.9 as at 31 March 2019 as compared with approximately 6.0 as at 31 March 2018.

Gearing Ratio

As at 31 March 2019, the Group's net debt gearing ratio (i.e. net debt divided by equity attributable to owners of the Company) was at a healthy level of approximately 21.3% (31 March 2018: 5.4%). Net debt comprises total borrowings less cash and cash equivalents.

CAPITAL EXPENDITURE

Capital expenditure of the Group for the Current Year included expenditure on fixed assets and investment properties of approximately HK$38.0 million (Last Year: approximately HK$40.1 million) and approximately HK$1.2 million (Last Year: approximately HK$7.8 million) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2019,

(a) the Group did not have any material contingent liabilities or guarantees (31 March 2018: Nil); and

(b) the Group had operating lease commitments of approximately HK$14.2 million (31 March 2018: approximately HK$16.1 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2019, the Group's interests in the Weihai Property, and the equity interests in a PRC subsidiary which control the Weihai Property were pledged to an independent third party as security for borrowings with outstanding amount of approximately RMB500.0 million (equivalent to HK$584.6 million).

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

Save as disclosed above, as at 31 March 2019, the Group did not hold any significant investments (31 March 2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 47 employees (31 March 2018: 45 employees), including executive Directors. The remuneration and staff cost for the Current Year were approximately HK$14.7 million (Last Year: approximately HK$14.1 million). The Group's remuneration policy and packages for the executive Directors and senior management were determined by the remuneration, quality and nomination committee of the Company while those for other employees were reviewed and approved by the chief executive officer of the Company. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and executive Directors.

FUTURE PROSPECTS

The current principal businesses of the Group are property investment, property development, hotel operations and provision of financial consultancy services in the PRC.

The Group's three important investment properties, namely 達興豪苑 in Zhongshan, 卓越大廈 in Yingkou and Jinggangshan hotel in Jiangxi, have all been leased, with tenants signing long-term lease agreements ranging from 9 to 15 years, which has locked in the long-term rental income and avoided issues associated with seeking new tenants at the end of each short-term lease agreements and in the meantime, has guaranteed the stable cash inflows of the Group for each year, thereby allowing the Group to focus on developing other business with the bulk of its resources and energy.

The Golden Beach Phase I located in Weihai, Shandong province is a key project of the Group. Pre-sale of the apartment units commenced in the third quarter of 2018. The Group expects ideal sales performance can be achieved, as the project features high quality and enjoys a perfect location, from which the picturesque beach view and swimming in the beach is within reach. Currently, capping of the two apartment buildings has completed, and the main construction has reached practical completion. Planning of interior decoration is now underway, and the project is expected to be completed and delivered in the fourth quarter of 2020. By then, the Group will be able to recognise sales revenue from Golden Beach Phase I in the financial year of 2020/21. The construction of the hotel block is now to the sixth floor, which is in line with expectations, and the hotel is also expected to be completed and operations is about to commence in the fourth quarter of 2020. The hotel portion of Golden Beach Phase I will be managed by a world-renowned hotel management company and will become a new landmark of Weihai city, Shandong province, securing the title of the highest building and the first international five-star hotel of the city. In addition, the Group is conducting market research on the project of Phase II near Golden Beach Phase I Weihai and may continue with development of the Phase II, expecting these two projects to create synergies.

Affected by the macro environment, our financial consultancy services was not able to maintain its revenue level. In light of this, the Group is actively exploring new businesses. While the domestic economic environment develops, many families are moving towards moderate living standard, the aging population problem is worsening. Aged people in PRC are increasingly inclined to invest in health and lifestyle. The healthcare industry is also a key industry heavily supported by the PRC government. The concept of comprehensive healthcare will become an important goal of the Group's future development. Comprehensive healthcare includes provision of preliminary planning, research, establishment, staff training and post-establishment management services to healthcare operators. The Group is now identifying professional teams in these sectors to develop comprehensive healthcare businesses through cooperation, in order to lay a solid foundation for the long run. Apart from such effort, the Group may also turn properties under its ownership into healthcare centers in the future, in order to operate its own healthcare services and building a dynamic business model of "healthcare operation + property investment".

In the future, the Group will also enhance the development of its financial consultancy services with the goal of building a financing platform for healthcare operators.

The Group is fully confident in its future development.

EVENTS AFTER THE END OF FINANCIAL YEAR

On 8 April 2019, the Company received a sum of HK$40,500,000, being proceeds on the further issue of bonds. Following such issue, the aggregate amount of the outstanding bonds issued by the Company was HK$55,500,000.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (Year ended 31 March 2018: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeem any of its shares in the Current Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interest of its shareholders as a whole. The Company has adopted and adhered to the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Throughout the year ended 31 March 2019 and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code, except the deviation disclosed below:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and not performed by the same person. The Company deviates from this provision because Ms. HUNG Man served both the roles of chairman and chief executive. The Board considers that the Group, which is principally engaged in the businesses of (among other things) property investment, property development, hotel operations and financial consultancy service, will benefit in terms of both business operations and strategic development from Ms. Hung's business connections in Hong Kong and the PRC, and her experience in investment in the real estate and securities sectors as well as operating a business conglomerate. The Board therefore considers that her appointment would be beneficial to the Company and its shareholders as a whole. Further, the Board believes that such practice will not impair the balance of power and authority in the Board, as the current Board comprises experienced and high caliber individuals, with a sufficient number thereof being independent non-executive Directors. The Group shall nevertheless review the structure from time to time in light of the prevailing circumstances.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted its own code of conduct regarding securities transactions by Directors (the "**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having been made specific enquiries by the Company, the Directors have confirmed compliance with the Securities Code in their securities transactions during the year ended 31 March 2019.

INTERNAL CONTROL REVIEW

The Company engaged a professional internal control consultant firm, SHINEWING Risk Services Limited, to conduct an independent review on internal control environment of the Group for the year ended 31 March 2019. The independent review concluded that the internal control system of each of the Company and the Group was adequate. The independent review also made certain recommendations in support for the Company's consideration to improve its internal control and efficiency.

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

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's external auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2019. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises all the independent non-executive Directors of the Company who possess appropriate business, legal, engineering and financial experience and skills to undertake the review of the financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. LONG Tao and the members are Mr. REN Guo Hua and Mr. CHEN Fang. On 8 May 2019, the Company's former auditor PricewaterhouseCoopers ("**PwC**"), resigned as auditors of the Group as the Company and PwC could not reach a consensus on the fee level proposed by PwC for the year ended 31 March 2019. PwC has confirmed in its letter of resignation that it was not aware of any matters that should be bought to the attention of the securities holders of the Company in connection with its resignation. On 8 May 2019, BDO was appointed the Company's external auditor to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. The final consolidated results for the year ended 31 March 2019 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 of the Company in the manner as required by the Listing Rules in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 27 June 2019

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