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 2019

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 2019 (the "**Current Interim Period**") together with the relevant comparative figures for the six months ended 30 September 2018 (the "**Last Interim Period**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Unaudited	
		Six months ended	
		30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**2,599**	2,388
Other gains/(loss), net	*4*	**25**	(9,174)
Fair value gains on investment properties		**28,016**	31,720
Staff costs		**(6,407)**	(6,022)
Amortisation of right-of-use assets		**(3,794)**	–
Depreciation		**(326)**	(520)
Other operating expenses, net		**(6,889)**	(11,660)
Operating profit		**13,224**	6,732
Finance income		**132**	2,610
Finance costs		**(3,550)**	(128)
Finance (costs)/income, net		**(3,418)**	2,482
Profit before income tax	*5*	**9,806**	9,214
Income tax expense	*6*	**(7,498)**	(6,698)
Profit for the period		**2,308**	2,516

		Unaudited Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Other comprehensive loss:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(120,330)**	(76,465)
Other comprehensive loss for the period, net of tax		**(120,330)**	(76,465)
Total comprehensive loss for the period		**(118,022)**	(73,949)
Earnings per share (expressed in HK cent per share)			
– basic and diluted	*7*	**0.07**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**176,854**	171,580
Investment properties	*9*	**1,913,659**	2,002,606
Right-of-use assets		**14,216**	–
Other financial asset		**2,700**	–
Other receivables, prepayments and deposits	*10*	**1,881**	1,467
Deferred tax asset		**766**	814
		2,110,076	2,176,467
Current assets			
Trade receivables	*11*	**583**	–
Other receivables, prepayments and deposits	*10*	**266,157**	168,241
Properties under development for sale		**780,097**	758,763
Restricted bank balances		**25,752**	26,750
Cash and cash equivalents		**14,061**	140,323
		1,086,650	1,094,077
Total assets		**3,196,726**	3,270,544
LIABILITIES			
Current liabilities			
Lease liabilities		**7,972**	–
Other payables and accruals	*12*	**265,544**	221,523
Borrowings		**124,511**	–
Income tax payable		**2,599**	2,249
		400,626	223,772
Net current assets		**686,024**	870,305
Total assets less current liabilities		**2,796,100**	3,046,772

	Notes	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Non-current liabilities			
Lease liabilities		**6,587**	–
Other payables	*12*	**6,219**	6,608
Borrowings		**476,712**	598,046
Deferred tax liabilities		**396,783**	414,297
		886,301	1,018,951
Net assets		**1,909,799**	2,027,821
EQUITY			
Capital and reserves			
Share capital		**1,979,067**	1,979,067
Other reserves		**(69,268)**	48,754
Equity attributable to owners of the Company		**1,909,799**	2,027,821

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

The principal activities of 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 Special Administrative Region ("**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 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 applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019. These condensed consolidated interim financial information are unaudited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

The financial information relating to the year ended 31 March 2019 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 ended 31 March 2019 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.

The condensed consolidated interim financial information have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). 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 2019, except for the adoption of new standards as described below.

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2019, except for the adoption of following new and amended standards and interpretations effective as of 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associates in Joint Ventures

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

HKFRS 16 – Leases

HKFRS 16 replaces the following HKAS and the related interpretations:

HKAS 17	Leases
HK(IFRIC) 4	Determining whether an arrangement contains a lease
HK(SIC) 15	Operating leases – incentives
HK(SIC) 27	Evaluating the substance of transactions involving the legal form of a lease

It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**Short-Term Leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of retained profits at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) Lessee accounting

Before the adoption of HKFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to condensed consolidated income statement on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities. Under HKFRS 16, leases are recognised as a right-of-use asset and the corresponding liabilities at the dates at which the leased assets are available for use by the Group except for those Short-Term Leases and leases of low-value assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

The Group leases various office premises. Lease contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

The right-of-use asset is subsequently stated at cost less accumulated amortisation and impairment losses. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant discount rates at 1 April 2019. The weighted average of the discount rates used for determination of the present value of the remaining lease payments was approximately 5.0% and 6.6% for the leases in Hong Kong and the People's Republic of China (the "**PRC**") respectively. To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

– when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

– when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments at 31 March 2019 (audited)	14,174
Less: total future interest expenses	(784)
Present value of remaining lease payments at 1 April 2019	13,390
Analysed as:	
Current	6,788
Non-current	6,602
	13,390

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

After the recognition of the right-of-use assets as at 1 April 2019, the Group assessed whether the right-of-use assets was impaired in accordance with the Group's accounting policy for impairment of non-current assets.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position:

	Carrying amount at 31 March 2019	Impact of HKFRS 16	Carrying amount at 1 April 2019
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
Line items in the condensed consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Non-current assets			
Right-of-use assets	–	13,390	13,390
Current liabilities			
Lease liabilities	–	(6,788)	(6,788)
Non-current liabilities			
Lease liabilities	–	(6,602)	(6,602)

There was no net impact on retained earnings on 1 April 2019.

3. 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.

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 PRC, the Group aims to use these properties for rental or capital appreciation purposes;

(ii) the property development segment engages in property development and sales of properties;

(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 segment results, depreciation, fair value gains on investment properties and capital expenditures based on reportable segments for the six months ended 30 September 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*
Six months ended 30 September 2019 (Unaudited)						
Segment revenue:						
Revenue from external customers	**2,599**	**–**	**–**	**–**	**–**	**2,599**
Segment results	**28,659**	**(2,686)**	**(590)**	**(1,332)**	**(10,827)**	**13,224**
Finance income						**132**
Finance costs						**(3,550)**
Profit before income tax						**9,806**
Income tax expense						**(7,498)**
Profit for the period						**2,308**
Other segment information						
Depreciation	**(160)**	**(53)**	**(12)**	**–**	**(101)**	**(326)**
Fair value gains on investment properties	**28,016**	**–**	**–**	**–**	**–**	**28,016**
Additions to Property, plant and equipment	**–**	**6**	**15,462**	**250**	**616**	**16,334**

	Property investment HK$'000	Property development HK$'000	Hotel operations HK$'000	Financial consultancy service HK$'000	Unallocated HK$'000	Total HK$'000
Six months ended 30 September 2018 (Unaudited)						
Segment revenue:						
Revenue from external customers	2,388	–	–	–	–	2,388
Segment results	32,959	(5,221)	(1,146)	(1,201)	(18,659)	6,732
Finance income						2,610
Finance costs						(128)
Profit before income tax						9,214
Income tax expense						(6,698)
Profit for the period						2,516
Other segment information						
Depreciation	(152)	(49)	(11)	(5)	(303)	(520)
Fair value gains on investment properties	31,720	–	–	–	–	31,720
Additions to						
Property, plant and equipment	–	–	19,342	–	–	19,342

3 customers (Six month ended 30 September 2018: 3) contributed more than 10% of the Group.

	(Unaudited) Six months ended 30 September	
	2019	2018
	Property investment segment	Property investment segment
	HK$'000	*HK$'000*
Customer A	**977**	927
Customer B	**942**	869
Customer C	**680**	592
Total	**2,599**	2,388

The segment assets and liabilities based on reportable segments as at 30 September 2019 and 31 March 2019 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*
At 30 September 2019 (Unaudited)						
Segment assets	**1,918,836**	**1,023,330**	**219,804**	**7,175**	**13,520**	**3,182,665**
Cash and cash equivalents	**1,299**	**3,787**	**–**	**698**	**8,277**	**14,061**
Total assets	**1,920,135**	**1,027,117**	**219,804**	**7,873**	**21,797**	**3,196,726**
Segment liabilities	**(426,949)**	**(645,725)**	**(141,745)**	**(7,055)**	**(65,453)**	**(1,286,927)**
Total liabilities	**(426,949)**	**(645,725)**	**(141,745)**	**(7,055)**	**(65,453)**	**(1,286,927)**
At 31 March 2019 (Audited)						
Segment assets	2,006,827	918,651	201,655	400	2,688	3,130,221
Cash and cash equivalents	12,357	120,139	–	477	7,350	140,323
Total assets	2,019,184	1,038,790	201,655	877	10,038	3,270,544
Segment liabilities	(445,558)	(638,105)	(140,072)	(187)	(18,801)	(1,242,723)
Total liabilities	(445,558)	(638,105)	(140,072)	(187)	(18,801)	(1,242,723)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for the six months ended 30 September 2019 and 2018 and non-current assets other than financial instruments and deferred tax asset as at 30 September 2019 and 31 March 2019 based on geographical area are as follows:

	(Unaudited) Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
PRC	**2,599**	2,388

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**3,702**	401
PRC	**2,101,027**	2,173,785
	2,104,729	2,174,186

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

4. Other gains/(loss), net

	(Unaudited) Six months ended 30 September 2019 HK$'000	2018 HK$'000
Net exchange loss	**–**	(9,174)
Others	**25**	–
	25	(9,174)

5. Profit before income tax

	(Unaudited) Six months ended 30 September 2019 HK$'000	2018 HK$'000
Profit before income tax is arrived at after charging:		
Auditors' remuneration	**700**	847
Office rental	**–**	3,657

6. Income tax expense

	(Unaudited) Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
PRC		
– Current period	**494**	–
– Over-provision in prior year	**–**	(1,232)
	494	(1,232)
Deferred taxation	**7,004**	7,930
	7,498	6,698

7. Earnings per share

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

	(Unaudited) Six months ended 30 September	
	2019	2018
Profit for the period attributable to owners of the Company, HK$'000	**2,308**	2,516
Weighted average number of ordinary shares in issue	**3,430,000,000**	3,430,000,000
Basic earnings per ordinary share, HK cent	**0.07**	0.07

(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 2019 and 2018.

8. Dividend

The Board of Directors do not recommend payment of interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil.)

9. Investment properties

	(Unaudited) **30 September** **2019** ***HK$'000***	(Audited) 31 March 2019 *HK$'000*
At beginning of the period/year	**2,002,606**	2,091,000
Addition	**1,440**	1,166
Fair value gains, net	**28,016**	45,462
Exchange difference	**(118,403)**	(135,022)
At end of the period/year	**1,913,659**	2,002,606

10. Other receivables, prepayments and deposits

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Non-current		
Rental deposits	**1,881**	1,467
	1,881	1,467
Current		
Other receivables	**8,358**	9,200
Prepayments and deposits	**257,799**	159,041
	266,157	168,241
	268,038	169,708

11. Trade receivables

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Trade receivables	**583**	–

Ageing analysis of net trade receivables, based on the invoice date at the end of the reporting period is as follows:

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Up to 90 days	**350**	–
91 to 180 days	**233**	–
	583	–

12. Other payables and accruals

	(Unaudited) 30 September 2019 *HK$'000*	(Audited) 31 March 2019 *HK$'000*
Non-current		
Leasehold improvements payable	**6,219**	6,608
	6,219	6,608
Current		
Construction and development cost payables	**164,127**	150,328
Contract liabilities	**63,734**	29,590
Others	**37,683**	41,605
	265,544	221,523
	271,763	228,131

13. Approval of the financial statements

The unaudited condensed consolidated interim financial information was approved for issue by the Board on 28 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

During the Current Interim Period, 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 properties consist of the following:

- The commercial building known as 卓越大廈 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. The hotel is still under construction at the moment.

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 Interim Period.

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

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

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

(iii) The Zhongshan Property

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

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

The Group's management believed that the increase of market value of the Zhongshan Property 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.

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

B. The Group's investment in Property Development

The Weihai Property

The Weihai Property consists of three high rise hotel buildings with a total gross floor area of approximately 195,000 square metres, which were all originally intended for hotel use. The Group's management observed that Weihai has become an increasingly popular destination for the retired population in recent years which, coupled with the rapid growth of the tourism sector, has resulted in a consistent influx of migrants and an increased demand for properties. The Group's management considered such development in Weihai will continue to benefit its hotel industry and the local property market. In light of the above, the Group's management resolved in the financial year of 2017/18 that approximately 130,000 square metres of the gross floor area of the Weihai Property shall be renovated and sold as serviced apartments. Construction and renovation works of the Weihai Property commenced in April 2016 and is currently expected to be completed in or about the fourth quarter of 2020.

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 RMB180 million, and the total saleable area pre-sold is approximately 16,000 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 exceed RMB1.0 billion. Part of the Group's plan to finance the development of the Weihai Property is pre-sale of the serviced apartment units as disclosed above.

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

In November 2018, Weihai Runhe entered into an entrusted debt investment agreement (the "**Asia Alliance Asset Loan**") with 亞聯盟資產管理有限公司, through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to 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 Group's Management considered that the Weihai Property would be sufficiently financed through (i) the cash flow generated from pre-sale of the serviced apartments; (ii) loan facilities such as the facilities mentioned above; 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

Among the three buildings of the Weihai Property, the highest one of which would partially be built into a hotel in the future. 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 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

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

FINANCIAL REVIEW

Key Performance Indicators

	For the six months ended 30 September	
	(Unaudited)	(Unaudited)
	2019	2018
	HK$'000	*HK$'000*
Revenue	**2,599**	2,388
Profit attributable to owners of the Company	**2,308**	2,516
Earnings per share (HK Cent)	**0.07**	0.07

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Gross assets	**3,196,726**	3,270,544
Net assets attributable to owners of the Company	**1,909,799**	2,027,821
Cash and bank balances	**39,813**	167,073
Borrowings	**601,223**	598,046
Net borrowings/net assets attributable to owners of the Company	**29.4%**	21.3%

Revenue

Revenue amounted to approximately HK$2.6 million for the Current Interim Period, which is similar to that of approximately HK$2.4 million for the Last Interim Period. 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$6.9 million for the Current Interim Period, representing a significant decrease of approximately HK$4.8 million as compared to that of approximately HK$11.7 million for the Last Interim Period. The significant decrease in other operating expenses was mainly due to the fact that the leasing expense was accounted for as amortization of right-of-use assets in accordance with the new Hong Kong Accounting Standard. Amortization of right-of-use assets was separately presented in the condensed consolidated statement of comprehensive income by the Group, which was not included in other operating expenses, however, the leasing expense of HK$3.7 million was otherwise included in other operating expenses in the Last Interim Period.

Finance costs

Finance costs amounted to approximately HK$3.6 million for the Current Interim Period, representing an increase of approximately HK$3.5 million as compared to that of approximately HK$0.1 million for the Last Interim Period. The significant increase in finance costs was mainly attributable to the bonds interest expense and the amortisation of relevant upfront costs of approximately HK$3.2 million and leasing finance costs of approximately HK$0.4 million for the Current Interim Period, while there was no such expenses in the Last Interim Period.

Profit attributable to owners of the Company

For the Current Interim Period, the Group recorded a net profit attributable to owners of the Company of approximately HK$2.3 million, which is similar to that of HK$2.5 million for the Last Interim Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the Current Interim Period, the Group's sources of fund primarily included income generated from business operations, 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 period. 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 2019, the Group had bank balances and cash of approximately HK$39.8 million as compared to the bank balances and cash of approximately HK$167.1 million as at 31 March 2019.

The Group had net current assets amounting to approximately HK$686.0 million as at 30 September 2019, against approximately HK$870.3 million as at 31 March 2019. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 2.7x as at 30 September 2019 as compared with approximately 4.9x as at 31 March 2019.

Gearing Ratio

As at 30 September 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 29.4% (31 March 2019: 21.3%). Net debt comprises total borrowings less cash and cash equivalents and restricted bank balances.

BONDS ISSUED

During the Current Interim Period, the Company has issued a 7% per annum bonds in a total amount of HK$40,500,000 maturing on the second anniversary of the issue date of the bonds at the placing price equal to 100% of the principal amount of the bonds. As at 30 September 2019, the total outstanding amount of the bonds issued was HK$55,500,000 (31 March 2019: HK$15,000,000).

CAPITAL EXPENDITURE

Capital expenditure of the Group for the Current Interim Period included expenditure on fixed assets and investment properties of approximately HK$16.3 million (Last Interim Period: approximately HK$19.3 million) and approximately HK$1.4 million (Last Interim Period: Nil) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2019,

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

(b) the Group has capital expenditure contracted for but not provided in the condensed consolidated interim financial statements in the amount of approximately HK$180.1 million (31 March 2019: HK$179.3 million) in respect of the construction of the properties. In addition, the amount of investment in other financial asset, contracted but not paid, was HK$15.3 million (31 March 2019: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019 and 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 million (equivalent to approximately, 30 September 2019: HK$550 million, 31 March 2019: HK$585 million).

FOREIGN EXCHANGE EXPOSURE

The Company is listed on 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 Interim Period.

Save as disclosed above, as at 30 September 2019, the Group did not hold any significant investments (31 March 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total of 55 employees (31 March 2019: 47 employees), including executive Directors. The remuneration and staff cost for the Current Interim Period were approximately HK$6.4 million (Last Interim Period: approximately HK$6.0 million). The Group's remuneration policy and packages for the executive Directors and senior management were determined by the remuneration, quality and nomination committee of the Company while those for other employees were reviewed and approved by the chief executive officer of the Company. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and executive Directors.

FUTURE PROSPECTS

The current principal business of the Group includes property investment, property development, hotel operations and provision of financial consultancy services in the PRC. In addition, the comprehensive healthcare business is also well prepared in the first half of the financial year of 2019/20, and will generate revenue contribution for the Group in the second half of the year.

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

For its property development, pre-sale of the apartment units of the Golden Beach Phase I located in Weihai, Shandong province, the key project of the Group, has commenced in the third quarter of 2018. The project is expected to be completed and delivered in the fourth quarter of 2020. The Group will then be able to recognise sales revenue from the Golden Beach Phase I in the financial year of 2020/21. In addition, the Group is conducting market research on the Golden Beach Phase II Weihai, next to its Phase I, and may continue with development of the Phase II, expecting these two projects to create synergies.

For its hotel operations, the Golden Beach Phase I located in Weihai, Shandong province is still under construction, and is expected to be completed and start business in the fourth quarter of 2020. The hotel portion of the Golden Beach Phase I, becoming a new landmark and the highest building of Weihai city, Shandong province, will be managed by a world-renowned hotel management company, making it the first international five-star hotel of the city.

Suffering from the macro environment, its financial consultancy services are still not able to maintain its revenue level. The Group is studying to adjust the development direction of its financial consultancy services to adapt to the current market situation.

The preparation of a new business segment, the comprehensive healthcare business, was finished in the first half of the year. The comprehensive healthcare business includes provision of services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management. The Group has succeeded in attracting professional teams with extensive experience in these sectors and has comprehensive project resources and customer network. The Group is even better equipped and readily prepared to commence business operations in the second half of the year, which in turn would contribute to the revenue and earnings for the Group. Furthermore, the Group is also proactively identifying potential property projects to modify them into high-end healthcare projects through various methods such as acquisition of property projects or cooperation with property owners. It is also possible to develop healthcare projects through land development by ourselves. When integrated into the capital operations with insurers and financial institutions, the development of the comprehensive healthcare business would gain more strengths. As the domestic aging population problem is worsening, the Group is of the view that the Chinese government is also willing to actively support the relevant industries. The concept of comprehensive healthcare will become an important goal of the Group's future development.

The Group is fully confident in its future development.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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

During the Current Interim 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 of the Company.

The Group has applied the principles and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the Current Interim Period, saved as disclosed as below:

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chief executive officer was performed by Ms. HUNG Man who was also the chairman of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decision and strategies.

Pursuant to Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the general meetings of the Company and invite the chairman of the committee to attend; Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meeting and develop a balanced understanding of the view of shareholders. However, due to their other business commitment, Mr. LONG Tao, the chairman of the Audit Committee and an independent non-executive Director, and Mr. CHEN Fang, an independent non-executive Director, did not attending the annual general meeting of the Company held on 9 September 2019.

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 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 Current Interim Period.

Changes of Directors' Information

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

Mr. LI Yong Jun, vice chairman of the Board and executive Director, has been appointed as a non-executive director of HKBridge Financial Holdings Limited (Stock Code: 2323), a company listed on the main board of the Stock Exchange, on 30 August 2019.

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

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 Current Interim Period and this announcement 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
Crown International Corporation Limited
HUNG Man
Chairman

Hong Kong, 28 November 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.