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Crown International Corporation Limited

皇冠環球集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2015**

FINANCIAL HIGHLIGHTS

- Turnover of the Group for FY2015 amounted to approximately HK\$3.6 million, representing a decrease of 39.27% as compared with FY2014.
- Total comprehensive income of the Group for FY2015 amounted to approximately HK\$120.0 million as compared to the loss for FY2014.
- Basic earnings per share for FY2015 amounted to HK\$7.95 cents.
- The Board has resolved not to declare any final dividend for the year ended 31 March 2015 (FY2014: Nil).

The board of directors (the “**Board**”) of Crown International Corporation Limited (the “**Company**”), together with its subsidiaries, the (“**Group**”) presents the consolidated financial results of the Group for the year ended 31 March 2015 (“**FY 2015**”) together with the comparative figures for the year ended 31 March 2014 (“**FY 2014**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	<i>Note</i>	Year ended 31 March	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	3,632	5,981
Other gains, net	3	117,568	38,441
Revaluation gain on investment properties	9	2,143	–
Staff costs	4	(8,070)	(10,382)
Depreciation and amortization		(1,420)	(2,423)
Other operating expenses, net		(88,480)	(26,711)
Operating profit	5	25,373	4,906
Finance income		352	364
Finance costs		(2,641)	(44,729)
Other non-operating income	6	138,125	–
Profit/(loss) before taxation		161,209	(39,459)
Taxation charge	7	(6,415)	(1,292)
Profit/(loss) for the year		154,794	(40,751)
Other comprehensive income:			
Currency translation differences		(34,746)	(4,085)
Other comprehensive income for the year, net of tax		(34,746)	(4,085)
Total comprehensive income/(loss) for the year		120,048	(44,836)

		Year ended 31 March	
		2015	2014
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owner of the Company		155,067	(45,288)
Non-controlling interest		<u>(273)</u>	<u>4,537</u>
		<u>154,794</u>	<u>(40,751)</u>
Total comprehensive income/(loss)			
for the year attributable to:			
Owner of the Company		120,321	(48,315)
Non-controlling interest		<u>(273)</u>	<u>3,479</u>
		<u>120,048</u>	<u>(44,836)</u>
Basic and diluted profit/(loss) per ordinary share			
for profit/(loss) for the year attributable to			
equity holders of the Company	8	<u>HK7.95 cents</u>	<u>HK(2.96) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2015	2014
		HK\$'000	HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		6,781	93,040
Land use rights		–	5,345
Investment properties	9	1,672,411	98,348
Construction in progress		–	174
Available-for-sale financial assets		1,128	1,128
Goodwill		65,240	–
		1,745,560	198,035
Current assets			
Assets held for sale		–	250,931
Other receivables, prepayments and deposits	10	620,237	10,955
Bank balances and cash		34,630	41,277
		654,867	303,163
Current liabilities			
Other payables and accruals	11	36,258	69,149
Liabilities classified as held for sale		–	51,199
Borrowings	12	500,753	407,429
Income tax payable		2,807	539,818
		539,818	527,777
Net current assets/(liabilities)		115,049	(224,614)
Total assets less current liabilities		1,860,609	(26,579)
Non-current liabilities			
Other payable	11	763,348	–
Deferred income tax liabilities	14	331,164	13,114
		1,094,512	13,114
Net assets/(liabilities)		766,097	(39,693)
Equity			
Share capital		971,402	167,345
Other reserves		(205,305)	(298,892)
Total shareholders' surplus/(deficit)		766,097	(131,547)
Non-controlling interest		–	91,854
Total equity		766,097	(39,693)

NOTES:

1 BASIS OF PREPARATION

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

The following amendments to existing standards and interpretations are mandatory for the financial year beginning 1 April 2014 but have no material impact on the Group’s financial performance and position.

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
HK(IFRIC)-Int 21	Levies

The following new standards and amendments to existing standards are relevant to the Group’s operation but are not effective for the Group’s financial year beginning 1 April 2014 and have not been early adopted in these consolidated financial statements:

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 19 (2011) (Amendment)	Defined benefit plans – Employee contributions	1 July 2014
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statement	1 January 2016
HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations	1 January 2016
HKFRS 14	Regulating deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Annual improvements project	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements project	Annual improvements 2011-2013 cycle	1 July 2014
Annual improvements project	Annual improvements 2012-2014 cycle	1 January 2016

The Group has commenced the assessment of the impact of these new standards and amendments to existing standards but is not yet in a position to state whether they would have a significant impact on the Group's consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 TURNOVER AND SEGMENT INFORMATION

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from hotel operations	–	896
Rental income	<u>3,632</u>	<u>5,085</u>
	<u>3,632</u>	<u>5,981</u>

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:

- (a) the hotel operations segment is engaged in hotel rental and food & beverage business;
- (b) the property investment segment is investment in properties; and
- (c) the unallocated segment comprises operations other than those specified in (a) and (b) above and includes that of the corporate office.

Capital expenditures comprise additions to investment properties, property, plant and equipment, land use rights and construction in progress. Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, goodwill and receivables. Segment liabilities comprise borrowings, deferred tax liabilities and operating liabilities. Unallocated assets and liabilities mainly represent assets and liabilities used by the corporate office, which cannot be allocated on a reasonable basis to any segment. They include items such as corporate borrowings.

Segment result represents the profit/(loss) resulted by each segment without allocation of central administration costs, finance income, finance cost, fair value gain on investment properties, release of available-for-sale financial assets reserve upon disposal, impairment loss reclassified from available-for-sale financial assets reserve and taxation.

The segment results, depreciation and amortization, and capital expenditures based on reportable segment for the years ended 31 March 2015 and 2014 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
For the year ended 31 March 2015					
Segment revenue:					
Sales to external customers	<u>3,632</u>	<u>–</u>	<u>3,632</u>	<u>–</u>	<u>3,632</u>
Segment results	2,377	32,908	35,285	128,213	163,498
Finance income	1	222	223	129	352
Finance costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,641)</u>	<u>(2,641)</u>
Profit before taxation	2,378	33,130	35,508	125,701	161,209
Taxation	<u>(536)</u>	<u>(5,879)</u>	<u>(6,415)</u>	<u>–</u>	<u>(6,415)</u>
Profit for the year	<u>1,842</u>	<u>27,251</u>	<u>29,093</u>	<u>125,701</u>	<u>154,794</u>
Other segment information					
Depreciation and amortization	(188)	(235)	(423)	(997)	(1,420)
Fair value gain on investment property	2,143	–	2,143	–	2,143
Additions to					
– Property, plant and equipment	<u>3,404</u>	<u>–</u>	<u>3,404</u>	<u>6,867</u>	<u>10,271</u>

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
For the year ended 31 March 2014					
Segment revenue:					
Sales to external customers	<u>5,085</u>	<u>896</u>	<u>5,981</u>	<u>–</u>	<u>5,981</u>
Segment results	976	15,344	16,320	(11,414)	4,906
Finance income	18	325	343	21	364
Finance costs	<u>(2,081)</u>	<u>(15,364)</u>	<u>(17,445)</u>	<u>(27,284)</u>	<u>(44,729)</u>
(Loss)/profit before taxation	(1,087)	305	782	(38,677)	(39,459)
Taxation	<u>(229)</u>	<u>(1,063)</u>	<u>(1,292)</u>	<u>–</u>	<u>(1,292)</u>
(Loss)/profit for the year	<u>(1,316)</u>	<u>758</u>	<u>2,074</u>	<u>(38,677)</u>	<u>(40,751)</u>
Other segment information					
Depreciation and amortization	(157)	(2,120)	(2,277)	(146)	(2,423)
Written back of					
other payables	–	1,814	1,814	–	1,814
Written off of property, plant and equipment	–	2,764	2,764	–	2,764
Additions to					
– Property, plant and equipment	<u>–</u>	<u>1,924</u>	<u>1,924</u>	<u>9</u>	<u>1,933</u>

Note:

Hotel operations segment included hotels which have not been in operations.

Information about major customers

Revenue of approximately HK\$2.1 million and HK\$1.5 million (FY2014: HK\$2.4 million and HK\$2.0 million) were derived from Customer A and Customer B in the property investment segment respectively.

No other single customer contributed 10% or more to the Group's revenue for both FY2015 and FY2014.

The segment assets and liabilities based on reportable segments as at 31 March 2015 and 31 March 2014 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
At 31 March 2015					
Segment assets	1,743,451	–	1,743,451	622,346	2,365,797
Cash and cash equivalents	<u>1,167</u>	<u>–</u>	<u>1,167</u>	<u>33,463</u>	<u>34,630</u>
Total assets	<u>1,744,618</u>	<u>–</u>	<u>1,744,618</u>	<u>655,809</u>	<u>2,400,427</u>
Segment liabilities	1,084,813	–	1,084,813	48,764	1,133,577
Borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>500,753</u>	<u>500,753</u>
Total liabilities	<u>1,084,813</u>	<u>–</u>	<u>1,084,813</u>	<u>549,517</u>	<u>1,634,330</u>
At 31 March 2014					
Segment assets	165,793	292,420	458,213	1,708	459,921
Cash and cash equivalents	<u>1,189</u>	<u>33,441</u>	<u>34,630</u>	<u>6,647</u>	<u>41,277</u>
Total assets	<u>166,982</u>	<u>325,861</u>	<u>492,843</u>	<u>8,355</u>	<u>501,198</u>
Segment liabilities	46,589	85,091	131,680	1,782	133,462
Borrowings	<u>21,754</u>	<u>160,627</u>	<u>182,381</u>	<u>225,048</u>	<u>407,429</u>
Total liabilities	<u>68,343</u>	<u>245,718</u>	<u>314,061</u>	<u>226,830</u>	<u>540,891</u>

The Group's businesses operate in Hong Kong and the People's Republic of China (the "PRC"). The Group's revenue for the years ended 31 March 2015 and 2014 and non-current assets as at 31 March 2015 and 2014 based on geographical area are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Hong Kong	–	–
PRC	<u>3,632</u>	<u>5,981</u>
	<u>3,632</u>	<u>5,981</u>
Non-current assets		
Hong Kong	2,656	8
PRC	<u>1,742,904</u>	<u>198,027</u>
	<u>1,745,560</u>	<u>198,035</u>

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

3 OTHER GAINS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on disposal of subsidiaries	83,356	28,530
Compensation received from termination of acquisition of property	–	1,145
Exchange gain on disposal and deregistration of foreign subsidiaries, net	32,124	6,896
Gain on disposal of property, plant and equipment	230	–
Consultancy fee income	1,763	–
Written back of other payables	–	1,814
Others	<u>95</u>	<u>56</u>
	<u>117,568</u>	<u>38,441</u>

4 STAFF COSTS

The staff costs disclosed below are for all employees and include all directors' emoluments.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Directors' fees	2,166	900
Salaries and other short-term employee benefits	5,384	8,396
Provision of unutilized annual leave	19	22
Pension costs (<i>Note i</i>)	78	87
Social security costs (<i>Note ii</i>)	423	977
	<u>8,070</u>	<u>10,382</u>

Notes:

- i There were no forfeited contributions during the years ended 31 March 2015 and 2014.
- ii All employees of the subsidiaries of the Company in the PRC excluding Hong Kong who are PRC citizens participate in employee social security plans enacted in the PRC, including pension, medical and other welfare benefits, which are organized and administrated by the government authorities. According to the relevant regulations, the Group contributes on a monthly basis based on certain percentages of the salaries of the employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred.

5 OPERATING PROFIT/(LOSS)

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Operating profit/(loss) is arrived at after charging/(crediting):		
Legal and professional fee	4,239	384
Consultancy fee	5,922	2,274
Depreciation and amortisation	1,416	2,423
Auditor's remuneration		
– Audit services	1,286	1,522
– Non-audit services	150	150
Net exchange gain	(167)	(273)
Provision for impairment of other receivables	62,154	–
Written off of property, plant and equipment	–	2,764
Office rental	3,753	1,908
Business travel expenses	1,544	3,363
	<u>1,544</u>	<u>3,363</u>

6 OTHER NON-OPERATING INCOME

On 27 June 2014, VXLCP, the former ultimate holding company, has agreed to unconditionally and irrevocably waive part of the outstanding due to VXLCP to the amount of HK\$269,304,000. The amount due to VXLCP was subsequently settled on 3 October 2014 in accordance with an escrow agreement.

	2015	2014
	HK\$'000	HK\$'000
Waiver of part of the amount due to VXLCP	<u>138,125</u>	<u>–</u>
	<u>138,125</u>	<u>–</u>

7 TAXATION

No provision for Hong Kong profits tax (FY2014: Nil) has been made for the year as the Group has no assessable profit for the year. Taxation on PRC profits has been calculated on the estimated assessable profit for the year at the rates of taxation in the PRC.

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

	2015	2014
	HK\$'000	HK\$'000
Current tax – PRC	5,879	1,292
Deferred taxation	<u>536</u>	<u>–</u>
	<u>6,415</u>	<u>1,292</u>

8 BASIC AND DILUTED PROFIT/(LOSS) PER ORDINARY SHARE FOR PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	2015	2014
Profit/(loss) for the year attributable to equity holders of the Company, HK\$'000	155,067	(45,288)
Weighted average number of ordinary shares in issue	1,949,521,212	1,529,600,200
Basic profit/(loss) per ordinary share, HK cents	<u>7.95</u>	<u>(2.96)</u>

- (b) The calculation of diluted profit/(loss) per ordinary share is based on the profit/(loss) for the year attributable to equity holders of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic profit/(loss) 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 2015 and 31 March 2014.

9 INVESTMENT PROPERTIES

	Group	
	2015	2014
	HK\$'000	HK\$'000
At 1 April	98,348	128,405
Additions	1,571,791	–
Reclassified to assets held for sale	–	(32,405)
Increase in fair value charged to profit and loss	2,143	–
Exchange difference	<u>129</u>	<u>2,348</u>
At 31 March	<u>1,672,411</u>	<u>98,348</u>

The Group's property interest held under operating lease to earn rentals is measured using the fair value model.

10 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Current		
Other receivables*	618,200	3,534
Other prepayments and deposits	<u>2,037</u>	<u>7,421</u>
	<u><u>620,237</u></u>	<u><u>10,955</u></u>

As at 31 March 2015, other receivable of approximately HK\$62,154,000 (2014: Nil) were impaired. The amount of the provision was approximately HK\$62,154,000 as at 31 March 2015 (2014: Nil).

* *The balance as of 31 March 2015 mainly represents (i) the receivable of HK\$125,000,000 being the consideration of the entire interests in a former subsidiary of the Group. The sum was being received in full in early April 2015; and (ii) that on 31 October 2014, Crown International Resort Limited (as purchaser, “**Crown Resort**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**SP Agreement**”) with Sino Oasis Oversea Limited (as vendor, “**Sino Oasis**”). Pursuant to the SP Agreement, Crown Resort agreed to acquire and Sino Oasis agreed to sell the entire equity interest in ZhongShan HuaLian Industrial Development Co. Ltd. 中山市華聯實業開發有限公司 (the “**Target Company**”) (the “**Acquisition**”). On 25 March 2015, the Group obtained the control over the Target Company through the transfer of the entire equity interest in the Target Company and the control over the board of the Target Company. Having considered the above, the Group paid HK\$480,000,000 and HK\$120,000,000 to Sino Oasis as part of the consideration of the Acquisition on 30 March 2015 and 8 April 2015 respectively. However, when the Company subsequently revisited this matter, it considered that the payment of consideration deviated from the relevant terms of the SP Agreement and the terms of the SP Agreement should be followed. As a result, Sino Oasis returned the entire aforesaid sums to the Group in June 2015. The Acquisition was also completed in June 2015, and the Group will settle the remaining consideration in accordance with the terms of the SP Agreement.*

11 OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current		
Consideration payable – non-current portion	582,991	–
Other payables*	<u>180,357</u>	<u>–</u>
	<u>763,348</u>	<u>–</u>
Current		
Property acquisition cost payable	1,106	1,640
Accrued expenses in respect of acquisitions of hotel properties	–	6,547
Commission payable in respect of disposals of hotel properties	5,492	–
Consideration payable – current portion	12,200	–
Deposits received for disposal of equity interest in subsidiaries	–	45,700
Other payables and accruals*	<u>17,460</u>	<u>15,262</u>
	<u>36,258</u>	<u>69,149</u>

* *mainly include the amount due to the former shareholder of a newly acquired subsidiary.*

12 BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loan from VXL Capital Partners Corporation Limited (“VXLCPL”)	–	407,429
Promissory note (<i>Note a</i>)	<u>500,753</u>	<u>–</u>
	<u>500,753</u>	<u>407,429</u>

Note a: On 10 March 2015, the Company issued the promissory notes with principal amount of HK\$500.0 million to Rich Bay Global Limited (“**Rich Bay**”) pursuant to the subscription agreement dated 10 March 2015 (as supplemented by a supplemental deed dated 22 April 2015) entered into between the Company and Rich Bay. Please refer to the Company’s announcements dated 10 March 2015 and 22 April 2015 for details.

13 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties during the year.

(a) Interest expense

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses		
– Amount due to VXLCP	–	44,700
– Notes payable (<i>note i</i>)	<u>1,200</u>	<u>–</u>
	<u><u>1,200</u></u>	<u><u>44,700</u></u>

Note i

On 19 June 2014, the Company issued promissory notes in the aggregate principal amount of HK\$120,000,000 to an investor. The investor later became a substantial shareholder of the Company through subscription of new shares in the Company. On 4 September 2014, the investor agreed to sell and Crown Landmark Corporation, the controlling shareholder of the Company agreed to buy the promissory notes at a consideration of HK\$120,900,000. On 21 November 2014, the Company early redeemed the promissory notes and fully repaid the principal amount and the accrued interest.

(b) Key management compensation

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Directors' fee	1,667	–
Salaries and other short-term employee benefits	524	2,729
Pension costs – MPF	<u>3</u>	<u>15</u>
	<u><u>2,194</u></u>	<u><u>2,744</u></u>

(c) **Advances**

A wholly owned company beneficially held by Ms. Hung Man, the controlling shareholder of the Company, made to the Company two advances in the amount of HK\$10,000,000 and HK\$20,000,000 respectively which are unsecured and interest free. Those advances were subsequently being repaid in full in July 2014 and October 2014 respectively. Later in the financial year, on 4 March 2015, another wholly owned company beneficially held by Ms. Hung Man also advanced an amount of HK\$5,000,000 to the Group which is unsecured and interest free. Such advance was also being repaid in full on 18 March 2015.

14 DEFERRED TAX ASSETS AND LIABILITIES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets	2	2
Deferred income tax liabilities	<u>(331,166)</u>	<u>(13,116)</u>
	<u><u>(331,164)</u></u>	<u><u>(13,114)</u></u>

15 DISPOSAL OF SUBSIDIARIES

During FY2015, material disposal of subsidiaries of the Group can be summarized as follows,

- (a) During the year, the Group entered into several disposal agreements to dispose of 100% equity interest of certain wholly-owned subsidiaries. The Group's shares of net assets of these subsidiaries disposed at the date of disposal are as follows:

	<i>HK\$'000</i>
Nets assets disposed of:	
Property, plant and equipment	165,524
Land use right	25,077
Investment property	32,295
Receivables, prepayments and deposits	65,711
Construction in progress	3,825
Bank balances and cash	11,658
Payables and accruals	(108,385)
Deferred income tax liabilities	<u>(7,315)</u>
Total net assets	<u>188,390</u>

HK\$'000

Gain on disposal of a subsidiary	
Consideration received and receivable	257,788
Net assets disposed of	(188,390)
Professional costs for the disposal of interests in subsidiaries	<u>(3,874)</u>
Gain on disposal before taxation	65,524
Less: taxation	<u>(2,467)</u>
Gain on disposal after taxation	<u><u>63,057</u></u>

- (b) “U” Inns & Hotels Investment Limited (你的客棧酒店有限公司), a subsidiary of the Company, entered into an asset swap agreement to acquire 25.9% equity interest in U Inns & Hotels Holdings Limited. The Group’s share of net assets of “U” Inns & Hotel (Xi’an) Hotel Management Co., Limited (你的客棧(西安)酒店管理有限公司) disposed at the date of disposal are as follows:

HK\$'000

Nets assets disposed of:

Property, plant and equipment	75,322
Land use right	25,931
Construction in progress	456
Bank balances and cash	733
Payables and accruals	<u>(2,589)</u>
Total net assets	<u>99,853</u>
Gain on disposal of a subsidiary	
Non-cash consideration received	118,315
Net assets disposed of	(99,853)
Professional costs associated with the transaction	<u>(210)</u>
Gain on disposal before taxation	18,252
Less: taxation	<u>(606)</u>
Gain on disposal after taxation	<u><u>17,646</u></u>

16 ACQUISITION OF A SUBSIDIARY

On 31 October 2014, Crown Resort entered into the SP Agreement with Sino Oasis. Pursuant to the SP Agreement, Crown Resort agreed to acquire and Sino Oasis agreed to sell the entire equity interest in the Target Company. The Acquisition was completed in June 2015. However, since Crown Resort obtained the control over the Target Company through the transfer of the entire equity interest of the Target Company and the control over the board of the Target Company, the Group has consolidated the Target Company since 25 March 2015. The details of the Acquisition are summarised as follows:

	<i>HK\$'000</i>
Consideration paid by cash	75,600
Cash consideration payable	595,191
Equity instruments (440,000,000 shares)	<u>466,400</u>
	<u><u>1,137,191</u></u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,167
Property, plant and equipment	55
Investment properties	1,571,791
Prepayment and other receivables	1,107
Other payables and accruals	(184,659)
Deferred tax liabilities	<u>(317,510)</u>
Total identifiable net assets	1,071,951
Goodwill	<u>65,240</u>
	<u><u>1,137,191</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

Turnover

The Group recorded a turnover for the year ended 31 March 2015 in the amount of HK\$3.6 million (FY2014: HK\$6.0 million). Current year turnover only comprised of rental income. For the last financial year, rental income, hotel rental income and food & beverage revenue were HK\$5.1 million, HK\$0.8 million and HK\$0.1 million respectively. No income was recorded in hotel rental segment and food & beverage segment as the Group were under portfolio restructuring to its hotel assets during the year. As of 31 March 2015 the Group does not hold any hotels in its asset portfolio but is still identifying new investment opportunities in the hotel business.

Staff Costs

Staff costs decreased from HK\$10.4 million in FY2014 to HK\$8.0 million during the year due to cost control measures undertaken by the management coupled with a decrease in operating activities in line with the Group's restructuring of asset portfolio.

Other operating expenses

Other operating expenses which are of recurring nature comprise mainly office rentals, and other corporate expenses related to on-going corporate activities. Other operating expenses have increased significantly from HK\$26.7 million in FY2014 to HK\$88.5 million this year mainly due to the HK\$62.2 million provision for other receivables and the increase in legal, professional and advisory fee as a result of various corporate activities taken place during the year.

Finance costs

Finance costs decreased from HK\$44.7 million in FY2014 to HK\$2.6 million mainly due to full repayment of a loan during the year.

Profit attributable to equity holders

For FY2015, the Group recorded a net profit attributable to equity holders of the Company of HK\$155.1 million (FY2014: net loss of HK\$45.3 million). Total comprehensive profit attributable to equity holders of the Company was HK\$120.3 million (FY2014: total comprehensive loss of HK\$48.3 million). Such significant increase in profit was mainly attributable to the waiver of partial amount due to VXLCPL, the former ultimate holding company of the Group and the gain on disposal of subsidiaries recognized during the year.

(A) Business Review

The Group is principally engaged in the businesses of hotel investment and operations and property investment.

The Group had been loss-making continuously since financial year 2008. In the most recent two consecutive years ended 31 March 2013 and 31 March 2014, the Group recorded net loss after tax of approximately HK\$72.5 million and HK\$40.8 million respectively. In view of the unsatisfactory financial performance of the Group, the management of the Group had continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It had been the business strategy of the Group to proactively seek potential investment opportunities that could enhance its value to the shareholders of the Company (the “**Shareholders**”). The Directors considered that it was beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing investment portfolio and to broaden its source of income.

Disposal of subsidiaries

On 17 October 2013, “U” Inns & Hotels Investment Limited (“**UIHIL**”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Mou Xiaogang, an independent third party, to dispose of the entire equity interests in 你的客棧(通化)酒店管理有限公司 (“**U Inns Tonghua**”) for a consideration of RMB19.0 million (equivalent approximately to HK\$23.9 million) (the “**First Disposal**”). The First Disposal was completed in May 2014 and U Inns Tonghua ceased to be a member of the Group.

On 19 December 2013, UIHIL entered into an equity transfer agreement with Mr. Niu Ling Feng, an independent third party, to dispose of the entire equity interests in 你的客棧(武漢)酒店管理有限公司 (“**U Inns Wuhan**”) for a consideration of RMB14.1 million (equivalent approximately to HK\$18.0 million) (the “**Second Disposal**”). The Second Disposal was completed in May 2014 and U Inns Wuhan ceased to be a member of the Group.

On 22 January 2014, UIHIL entered into an equity transfer agreement with Mr. Liu Xiong, an independent third party, to dispose of the entire equity interests in 你的客棧(井岡山市)酒店管理有限公司 (“**U Inns Jinggangshan**”) for a consideration of RMB50.0 million (equivalent to approximately HK\$62.2 million) (the “**Third Disposal**”). The Third Disposal was completed in September 2014 and U Inns Jinggangshan ceased to be a member of the Group.

On 4 July 2013, the Company, UIHIL and Fortune Sea Group Limited (“**FSG**”), entered into an asset swap agreement (the “**Asset Swap Agreement**”) pursuant to which the Company conditionally agreed to acquire, and FSG conditionally agreed to dispose of, 25.9% equity interest in “U” Inns and Hotels Holdings Limited (“**UIHHL**”), a 74.1%-owned subsidiary of the Company prior to the completion of the Asset Swap Agreement (the “**Asset Swap**”). The consideration payable under the Asset Swap was to be satisfied by way of transfer of the 100% equity interest in 你的客棧(西安)酒店管理有限公司 (“**U Inns Xi’an**”, a wholly-owned subsidiary of UIHIL as at the date of the Asset Swap Agreement) from UIHIL to FSG. As at the date of the Asset Swap Agreement, FSG was a substantial shareholder of UIHHL, a non-wholly owned subsidiary of the Company. The Asset Swap was completed on 18 April 2014 where UIHHL became a wholly-owned subsidiary of the Company and U Inns Xi’an ceased to be a member of the Group.

On 30 March 2015, Crown Entertainment Corporation, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Million Creation Technology Limited, an independent third party, to dispose of the entire equity interests in Harvest Kindom Limited for a consideration of HK\$125.0 million.

Acquisition

On 31 October 2014, the Group through Crown International Resort Limited (as purchaser, “**Crown Resort**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**SP Agreement**”) with Sino Oasis Oversea Limited (as vendor, “**Sino Oasis**”). Pursuant to the SP Agreement, Crown Resort agreed to acquire and Sino Oasis agreed to sell the entire equity interest in 中山市華聯實業開發有限公司 (“**Target Company**”) which owns a residential and commercial complex (the “**Property**”) located at No. 69, Zhongshan Third Road, Eastern District, Zhongshan City, which comprises 2 blocks of 28-storey residential buildings built over a 4-level retail podium and a 2-level basement, erected on a parcel of land with a registered site area of approximately 10,533 square meters (the “**Acquisition**”). The Acquisition was completed in June 2015. The Group will settle the remaining consideration of HK\$612,200,000 in respect of the Acquisition in accordance with the terms of the SP Agreement.

The Directors are of the opinion that the Acquisition would provide promising prospects for the Group as the Property is located in Zhongshan, one of the major business hubs in southern China. With the well-developed traffic network and infrastructure, the rental of commercial and residential space in Zhongshan City has been growing continuously. Please refer to the Company’s announcements dated 7 November 2014, 31 December 2014, 22 January 2015, 31 March 2015 and 29 May 2015 and circular dated 3 February 2015 for details of the Acquisition.

(B) Business Outlook

The assets portfolio restructuring of the Group has been mostly completed as at 31 March 2015 whereas the Group has already turned its business around and is ready for new investment opportunities with good potentials. The management of the Company (the “**Management**”) intends to continue the prevailing overall scope of business of the Group (i.e. including hotel investment, hotel operations and property investment) in the coming future.

During the year, the Management had been proactively seeking potential investment opportunities by conducting a review of the real estate market development including hotel and property investments, not limited to regions in the Greater China, Southeast Asia and the western countries. The Management is of the view that there are greater potential investment opportunities for real estate market development in the aforesaid regions as compared to that of other countries worldwide and therefore would like to continually seek suitable investment opportunities for real estate development including hotel and property investments in those regions. The Management believes that this should help creating greater value for the Group and generate better return to its Shareholders in the future.

(C) Final Dividend

The Board has resolved not to declare any final dividend for the year ended 31 March 2015 (FY2014: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flows

The Group maintained total cash and cash equivalents of approximately HK\$34.6 million as of 31 March 2015.

Subsequent to the year end, the Group has received a total sum of HK\$125.0 million from the respective buyers on completion of the disposals of a group of subsidiaries.

Borrowings and gearing

As of 31 March 2014, the Group had an amount due to VXLCPPL totaling approximately HK\$407.4 million due within one year and was fully repaid on 3 October 2014.

The Company has early redeemed the promissory notes held by Crown Landmark Corporation, the ultimate holding company of the Company, with principal amount of HK\$120 million and the accrued interests of HK\$1.2 million on 30 October 2014. The Board considered that such early redemption could improve the gearing ratio of the Company and reduce the interest burden to the Group.

On 10 March 2015, the Company issued the promissory notes with principal amount of HK\$500.0 million to Rich Bay Global Limited (“**Rich Bay**”) pursuant to a subscription agreement dated 10 March 2015 (as supplemented by a supplemental deed dated 22 April 2015) entered into between the Company and Rich Bay. Pursuant to the agreement (as supplemented by a supplemental deed), the Company has agreed to issue, and Rich Bay agreed to subscribe for promissory notes due within three year from the date of issue (being 10 March 2015) with principal amount of HK\$500.0 million. Please refer to the Company’s announcements dated 10 March 2015 and 22 April 2015 for details.

The Group’s gearing ratio is measured on the basis of the Group’s total interest-bearing debts net of cash reserves over the total equity. As of 31 March 2015, the gearing ratio is 60.8% (gearing ratio in FY2014: deficit equity).

As at 31 March 2015, the total borrowings of the Group were payable as follows:

	FY2015	FY2014
	HK\$’000	HK\$’000
Within 1 year or on demand	500,753	407,429
After 1 year but within 2 years	–	–
After 2 years but within 5 years	–	–
After 5 years	–	–

Issue of new Shares

On 19 June 2014, the Company entered into a placing agreement with Changjiang Securities Brokerage (HK) Limited (the “**Placing Agent**”), pursuant to which the Placing Agent conditionally agreed to place up to 300,000,000 shares in the Company (the “**Shares**”) to the places at the placing price of HK\$0.36 (the “**1st Placing**”). The 1st Placing was completed with the net proceeds of HK\$107.4 million on 2 July 2014.

On 21 October 2014, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to place up to 330,399,800 Shares to the places at the placing price of HK\$0.7 (the “**2nd Placing**”). The 2nd Placing was completed with the net proceeds of HK\$230.3 million on 29 October 2014.

The net proceeds from the 1st Placing and the 2nd Placing were applied as general working capital of the Group as originally announced.

In relation to the settlement of part of the consideration in respect of the Acquisition, the Company issued 440,000,000 Shares in February 2015.

CAPITAL EXPENDITURE

Capital expenditure of the Group for FY2015 included expenditure on fixed assets of approximately HK\$10.27 million (FY2014: HK\$1.9 million). Major expenditure included the completion of certain construction in progress and the acquisition of motor vehicles.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2015, the Group did not have any material contingent liabilities or guarantees.

As at 31 March 2015, the Group had operating lease commitments of approximately HK\$11.6 million (2014: approximately HK\$1.9 million).

As at 31 March 2015, the Group had capital commitment of approximately HK\$0.6 million (2014: approximately HK\$0.8 million).

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2015.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Please refer to the section headed "Business Review" above for details of the material acquisition and disposal during FY2015.

As at 31 March 2015, the Group did not hold any significant investments.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2015, the Group had a total of 27 employees (FY2014: 45 employees) approximately, including Executive Directors. The Group's remuneration policy and packages for the Executive Directors and senior management are determined by the Remuneration, Quality and Nomination Committee while those for other employees are reviewed and approved by the Chief Executive Officer. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and Executive Directors.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”) on 5 June 2005. As at 31 March 2015, no share option was issued, exercised, cancelled, lapsed or outstanding. The Scheme was expired on 4 June 2015.

CHANGE OF COMPANY NAME

A special resolution was passed by the shareholders of the Company at an extraordinary general meeting held on 15 July 2014 to change the name of the Company from “VXL Capital Limited 卓越金融有限公司” to “Crown International Corporation Limited 皇冠環球集團有限公司”. The change of company name has become effective from 11 August 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

Save for the below, the Group has applied the principles and complied with the all code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the year ended 31 March 2015.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (“**CEO**”) should be separate and should not be performed by the same individual. Since the new board of directors appointed on 27 May 2014, Mr. WONG Hoi Kin (“**Mr. Wong**”) was the Chairman of the Board and Mr. LIAO Pin Tsung (“**Mr. Liao**”) was the Group Chief Executive Officer (“**Group CEO**”). The roles of chairman and CEO were separate and not performed by the same individual.

Subsequent to the resignation of Mr. Wong on 11 September 2014, the roles of both chairman and CEO were performed by Mr. Liao which the Board considered as for a transitional arrangement to cater for a smooth handover. On 31 March 2015, Mr. Liao resigned from the offices of both Chairman and Group CEO and at the same date Mr. MENG Jin Long (“**Mr. Meng**”) was appointed as the Chairman and the Group CEO.

After reviewing the business operation of the Group in this transitional period, the Board considers that vesting the roles of both Chairman and Group CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decision and strategies. The Board will continuously review the business operation and board procedures, and will make further arrangements if appropriate.

Under code provision A.6.7 of the CG code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other important engagement of the directors concerned at the relevant times, (i) Mr. Meng Jin Long, being the then non-executive director of the Company from 27 May 2014 till 18 September 2014, was absent from the extraordinary general meeting held on 15 July 2014; (ii) Mr. Liu Hong Shen, the non-executive director of the Company, was absent from the general meetings held during the year ended 31 March 2015 and (iii) Mr. Long Tao, Mr. Ren Guo Hua and Mr. Chen Fan, the independent non-executive directors of the Company, were not present at all the general meetings held during the year ended 31 March 2015.

Pursuant to code provision A.2.7 of the CG code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

During the year ended 31 March 2015, since the chairmen of the Company held office for a short period of time, no meeting was held by the chairmen with the non-executive directors (including independent non-executive directors) without the executive directors present.

Under code provision E.1.2 of the CG Code, the chairman of the board should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting and these persons should be available to answer questions at the annual general meeting.

The chairmen of audit committee and remuneration, quality and nomination committee were absent from the annual general meeting which was held in the year 2014.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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” of the Listing Rules. Having made specific enquiries by the Company with all Directors, the Directors have complied with the Securities Code in their securities transactions during the year ended 31 March 2015.

INTERNAL CONTROL REVIEW

The Company has engaged an independent firm of certified public accountants to conduct an independent review on internal control environment of the Group for the year ended 31 March 2015. Results of the independent review concluded that the internal control system of the Company and of the Group was adequate. The independent review also made certain recommendations in their support for the Company’s consideration to improve its internal control and efficiency.

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

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's external auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises all the Independent Non-executive Directors of the Company who possess appropriate banking, commercial and financial experience and skills to undertake the review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. LONG Tao and the other two members are Mr. REN Guo Hua and Mr. CHEN Fang. The financial results for the year ended 31 March 2015 have been reviewed by the Audit Committee.

Mr. David YU Hon To, Mr. Alan Howard SMITH, J.P. and Mr. SOO Ying Pooi ceased to be members of the Audit Committee on 27 May 2014 following their resignations as INEDs with effect from the same date.

ANNUAL GENERAL MEETING

The date of Annual General Meeting will be announced later and the relevant Notice will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

ACKNOWLEDGEMENT

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

By order of the Board
Crown International Corporation Limited
MENG Jin Long
Chairman

Hong Kong, 30 June 2015

As at the date of this announcement, the Board comprises one executive Director, namely Mr. MENG Jin Long (Chairman and Group Chief Executive Officer); one non-executive Director, namely Mr. LIU Hong Shen (Vice Chairman) and three independent non-executive Directors, namely Mr. LONG Tao, Mr. REN Guo Hua and Mr. CHEN Fang.