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Crown International Corporation Limited

皇冠環球集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board (the “**Board**”) of directors of Crown International Corporation Limited (the “**Company**” and the “**Directors**”, respectively) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 March 2016 (“**FY2016**”) with comparative figures for the financial year ended 31 March 2015 (“**FY2015**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i> (Restated)
Revenue	2	3,514	3,632
Other gains, net	3	13,595	117,568
Waiver of other payables	4	103,211	138,125
Fair value gains on investment properties		191,330	2,143
Reversal of provision for/(provision for) doubtful debt	5	57,221	(62,154)
Staff costs		(8,696)	(8,070)
Depreciation and amortisation		(1,258)	(1,267)
Impairment of goodwill	6	(65,496)	–
Other operating expenses, net	7	(44,287)	(26,794)
Operating profit		249,134	163,183
Finance income		1,132	667
Finance costs		(31,502)	(2,641)
Finance costs, net		(30,370)	(1,974)
Profit before income tax		218,764	161,209
Income tax expense	8	(46,498)	(6,415)
Profit for the year		172,266	154,794

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		<u>(62,574)</u>	<u>(34,746)</u>
Total other comprehensive loss for the year		<u><u>(62,574)</u></u>	<u><u>(34,746)</u></u>
Total comprehensive income for the year		<u><u>109,692</u></u>	<u><u>120,048</u></u>
Profit attributable to:			
Owners of the Company		172,266	155,067
Non-controlling interests		<u>–</u>	<u>(273)</u>
		<u><u>172,266</u></u>	<u><u>154,794</u></u>
Total comprehensive income attributable to:			
Owners of the Company		109,692	120,321
Non-controlling interests		<u>–</u>	<u>(273)</u>
		<u><u>109,692</u></u>	<u><u>120,048</u></u>
Basic and diluted earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)	9	<u><u>6.35 cents</u></u>	<u><u>7.95 cents</u></u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends		<u><u>–</u></u>	<u><u>–</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,026	6,781
Investment properties	<i>10</i>	1,828,920	1,672,411
Available-for-sale financial assets		1,128	1,128
Goodwill		–	65,240
		<u>1,838,074</u>	<u>1,745,560</u>
Current assets			
Other receivables, prepayments and deposits	<i>11</i>	49,815	620,237
Cash and cash equivalents		74,563	34,630
		<u>124,378</u>	<u>654,867</u>
		<u>1,962,452</u>	<u>2,400,427</u>
LIABILITIES			
Current liabilities			
Other payables and accruals	<i>12</i>	27,612	36,258
Borrowings		–	500,753
Income tax payable		–	2,807
		<u>27,612</u>	<u>539,818</u>
Net current assets		<u>96,766</u>	<u>115,049</u>
Total assets less current liabilities		<u>1,934,840</u>	<u>1,860,609</u>
Non-current liabilities			
Other payables	<i>12</i>	358,040	763,348
Deferred income tax liabilities		363,289	331,164
		<u>721,329</u>	<u>1,094,512</u>
Net assets		<u>1,213,511</u>	<u>766,097</u>
EQUITY			
Capital and reserves			
Share capital		1,309,124	971,402
Other reserves		(95,613)	(205,305)
Total equity		<u>1,213,511</u>	<u>766,097</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited consolidated results relating to FY2016 and the financial information relating to FY2015 included in this preliminary announcement of annual results FY2016 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of FY2015, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The consolidated financial statements for FY2016 have yet to be reported on by the Company's independent auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the consolidated financial statements for FY2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on these financial statements for FY2015. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

The Group has changed certain classification in the consolidated statement of comprehensive income with effect from 1 April 2015. Management considered that the current classifications are more appropriate. Comparative information has been reclassified to conform to the current year's presentation.

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group's financial year beginning on or after 1 April 2015:

HKAS 19(2011) (Amendment)	Employee benefits – Defined benefits plants: Employee contributions
Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

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

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

The following new standards and amendments to existing standards have been issued, but are not effective for the Group's financial year beginning on or after 1 April 2015 and have not been early adopted:

HKAS 1 (Amendment)	Disclosure initiative ¹
HKAS 16 and 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation ¹
HKFRS 9	Financial instruments ²
HKFRS 10 and HKAS 28 (2011)	Sale or contribution of assets between an investor and its associate or joint ventures ³
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment entities: Applying the consolidation exception ¹
HKFRS 11 (Amendment)	Accounting for acquisition of interests in joint operations ¹
HKFRS 14	Regulatory deferral accounts ¹
HKFRS 15	Revenue from contracts with customers ²
HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹
HKAS 27 (2011) (Amendment)	Equity method in separate financial statements ¹
Annual Improvements Project	Annual improvements 2012-2014 cycle ¹

¹ Effective for the Group for annual period beginning on or after 1 January 2016

² Effective for the Group for annual period beginning on or after 1 January 2018

³ Effective date is not yet determined

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.

2 REVENUE AND SEGMENT INFORMATION

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

(a) Analysis of revenue by category

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental income	<u>3,514</u>	<u>3,632</u>

(b) Segment information

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

- i) the property investment segment engages in investment of properties in cities of Yingkou, Jing Gang Shan and Zhongshan of the People's Republic of China (the "PRC"), the Group aim to use these properties for properties rental purpose;
- ii) the hotel operations segment engages in hotel rental and food and beverage business. During FY2015, the Group disposed all the non-profit making hotels and since then, the executive Directors are actively pursuing new opportunities for investment in hotel operations. As at 31 March 2016, certain opportunity has been identified and is currently under the consideration by the executive Directors; and
- iii) the unallocated segment comprises operations other than those specified in (i) and (ii) above and includes that of the corporate office.

The investment properties in the cities of Zhongshan and Jin Gang Shan of the PRC were under refurbishment and had not commence their operations as at 31 March 2016.

Capital expenditure comprise additions to investment properties and property, plant and equipment. Segment assets consist primarily of property, plant and equipment and receivables. Segment liabilities comprise 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.

The executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis includes all the effects of the statement of comprehensive income with the exceptions of the central administration cost. The segment results, depreciation and amortisation, and capital expenditure based on reportable segments for FY2016 and FY2015 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For FY2016				
Segment revenue:				
Rental income	<u>3,514</u>	<u>-</u>	<u>-</u>	<u>3,514</u>
Segment results	251,150	(113)	(1,903)	249,134
Finance income	4	-	1,128	1,132
Finance costs	<u>(24,995)</u>	<u>-</u>	<u>(6,507)</u>	<u>(31,502)</u>
Profit/(loss) before taxation	226,159	(113)	(7,282)	218,764
Taxation	<u>(49,305)</u>	<u>-</u>	<u>2,807</u>	<u>(46,498)</u>
Profit/(loss) for the year	<u>176,854</u>	<u>(113)</u>	<u>(4,475)</u>	<u>172,266</u>
Other segment information				
Depreciation and amortisation	(216)	-	(1,042)	(1,258)
Fair value gains on investment properties	191,330	-	-	191,330
Impairment of goodwill	<u>(65,240)</u>	<u>-</u>	<u>(256)</u>	<u>(65,496)</u>
Additions to				
– Property, plant and equipment	-	-	3,262	3,262
– Investment properties	<u>50,758</u>	<u>-</u>	<u>-</u>	<u>50,758</u>

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For FY2015				
Segment revenue:				
Rental income	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>3,632</u>
Segment results	2,377	32,908	127,898	163,183
Finance income	1	222	444	667
Finance costs	<u>-</u>	<u>-</u>	<u>(2,641)</u>	<u>(2,641)</u>
Profit before taxation	2,378	33,130	125,701	161,209
Taxation	<u>(536)</u>	<u>(5,879)</u>	<u>-</u>	<u>(6,415)</u>
Profit for the year	<u>1,842</u>	<u>27,251</u>	<u>125,701</u>	<u>154,794</u>
Other segment information				
Depreciation and amortisation	(188)	(82)	(997)	(1,267)
Fair value gain on investment properties	<u>2,143</u>	<u>-</u>	<u>-</u>	<u>2,143</u>
Additions to				
- Property, plant and equipment	3,404	-	6,868	10,272
- Investment properties	<u>1,571,791</u>	<u>-</u>	<u>-</u>	<u>1,571,791</u>

Information about major customers

Revenue of approximately HK\$2.0 million and HK\$1.5 million (FY2015: HK\$2.1 million and HK\$1.5 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 FY2016 and FY2015.

The segment assets and liabilities based on reportable segments as at 31 March 2016 and 2015 are as follows:

	Property investment	Hotel operations	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2016				
Segment assets	1,834,394	–	53,495	1,887,889
Cash and cash equivalents	<u>704</u>	<u>–</u>	<u>73,859</u>	<u>74,563</u>
Total assets	<u>1,835,098</u>	<u>–</u>	<u>127,354</u>	<u>1,962,452</u>
Segment liabilities	<u>(737,697)</u>	<u>–</u>	<u>(11,244)</u>	<u>(748,941)</u>
Total liabilities	<u>(737,697)</u>	<u>–</u>	<u>(11,244)</u>	<u>(748,941)</u>
At 31 March 2015				
Segment assets	1,743,451	–	622,346	2,365,797
Cash and cash equivalents	<u>1,167</u>	<u>–</u>	<u>33,463</u>	<u>34,630</u>
Total assets	<u>1,744,618</u>	<u>–</u>	<u>655,809</u>	<u>2,400,427</u>
Segment liabilities	(1,084,813)	–	(48,764)	(1,133,577)
Borrowings	<u>–</u>	<u>–</u>	<u>(500,753)</u>	<u>(500,753)</u>
Total liabilities	<u>(1,084,813)</u>	<u>–</u>	<u>(549,517)</u>	<u>(1,634,330)</u>

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for FY2016 and FY2015 and non-current assets as at 31 March 2016 and 2015 based on geographical area are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
PRC	<u>3,514</u>	<u>3,632</u>
Non-current assets		
Hong Kong	5,441	2,656
PRC	<u>1,832,633</u>	<u>1,742,904</u>
	<u>1,838,074</u>	<u>1,745,560</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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of subsidiaries	840	83,356
Exchange gains on disposal of foreign subsidiaries, net	–	32,124
(Loss)/gain on disposal of property, plant and equipment	(310)	230
Consultancy fee income	–	1,763
Recovery of an amount due from VXL Management Services Limited (“VXLMSL”) previously written off (<i>Note</i>)	12,890	–
Others	<u>175</u>	<u>95</u>
	<u>13,595</u>	<u>117,568</u>

Note:

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

4 WAIVER OF OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Waiver of an amount due to VXLMSL (<i>Note (3)</i>)	5,917	–
Waiver of part of the amount due to VXL Capital Partners Corporation Limited (“ VXLCPL ”) (<i>Note i</i>)	–	138,125
Waiver of part of the consideration payable due to early repayment (<i>Note ii</i>)	97,294	–
	<u>103,211</u>	<u>138,125</u>

Notes:

- i) On 27 June 2014, VXLCPL and the Company entered into an agreement, pursuant to which VXLCPL has agreed to waive part of the outstanding amount as at 31 March 2015 due to VXLCPL amounted to approximately HK\$138,125,000. The remaining amount due to VXLCPL amounted to approximately HK\$269,304,000 was settled on 2 October 2014.
- ii) Crown International Resort Limited (“**Crown Resort**”), an indirect wholly-owned subsidiary of the Company acquired the entire equity interest of Zhongshan Hualian Industrial Development Corporation Limited from Sino Oasis Oversea Limited (“**Sino Oasis**”) for a total consideration of HK\$1,008,000,000 of which HK\$700,000,000 had to be satisfied by cash. Without considering the discounting effect, the consideration payable was HK\$624,400,000 as at 31 March 2015. On 3 March 2016, Sino Oasis and Crown Resort entered into an agreement, pursuant to which Sino Oasis has agreed to waive part of the outstanding consideration payable amounted to HK\$100,000,000 in return for an early repayment of the consideration amounted to HK\$300,000,000. The repayment of HK\$300,000,000 was made on 11 March 2016. The present value of the amount waived during FY2016 is HK\$97,294,000.

5 REVERSAL OF PROVISION FOR/(PROVISION FOR) DOUBTFUL DEBTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reversal of provision for/(provision for) consideration receivable (<i>Note</i>)	57,221	(60,548)
Others	—	(1,606)
	<u>57,221</u>	<u>(62,154)</u>

Note:

On 5 June 2014, “U” Inns & Hotels Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr Liu Xiong (“**Mr. Liu**”) to dispose its entire equity interest in “U” Inns & Hotel (Jinggangshan) Limited (“**U Inns Jinggangshan**”) for a consideration of approximately RMB50,000,000 (equivalent to approximately HK\$63,092,000). Taking into account a deposit paid by Mr. Liu in January 2014, upon completion of the disposal, consideration receivable amounted to approximately RMB48,000,000 (equivalent to approximately HK\$60,548,000) remained outstanding. Since the completion of the disposal, the Group’s management has attempted to recover the receivable but without success. In November 2014, the Group has commenced legal action to try and recover the outstanding balance from Mr. Liu. Considering the uncertainty surrounding the outcome of the planned legal action, management has made a full provision against the outstanding balance during FY2015. “U” Inns & Hotels Investment Limited was disposed to an independent third party on 8 January 2016 and the receivable and its related provision was transferred to Crown Tianhe Resources Limited (“**Crown Tianhe**”) prior to the disposal.

In January 2016, a settlement arrangement was reached between Crown Tianhe and Mr. Liu, pursuant to which Mr. Liu has agreed to return the entire equity interest in U Inns Jinggangshan to Crown Tianhe, as a settlement of the outstanding balance amounted to RMB48,000,000 (equivalent to approximately HK\$57,221,000). As a result of the settlement arrangement, the provision for consideration receivable amounted to RMB48,000,000 (equivalent to approximately HK\$57,221,000) was reversed during FY2016. The abovementioned acquisition of U Inns Jinggangshan is accounted for as an asset acquisition.

6 IMPAIRMENT OF GOODWILL

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

During FY2016, having performed further research and due diligence on the property market in Zhongshan after acquiring the investment property in March 2015, management has concluded that it would economically be more beneficial to the Group and its shareholders if such investment property, in particular the four storeys shopping area, is rented out to multiple tenants instead of one single tenant. As a result, the connection with the potential interested tenant giving rise to the goodwill is no longer of value to the Group and a full impairment of the goodwill amounted to approximately HK\$65,240,000 was recognised in the consolidated statement of comprehensive income for FY2016.

7 OTHER OPERATING EXPENSES, NET

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Legal and professional fee	2,541	4,239
Consultancy fee	70	5,922
Auditor's remuneration		
– Audit services	1,230	1,286
– Non-audit services	–	150
Exchange losses/(gains)	26,740	(167)
Office rental	7,410	3,753
Business travel expenses	348	1,544
Property tax	366	583
Business entertainment	365	1,095
Motor vehicle expenses	486	533
Registration and announcement fee	551	1,297
Others	4,180	6,559
	44,287	26,794

8 INCOME TAX EXPENSE

No provision for Hong Kong profits tax (FY2015: Nil) has been made for FY2016 as the Group has no assessable profit for FY2016 (FY2015: Nil). Taxation on PRC profits has been calculated on the estimated assessable profit for FY2016 at the rates of taxation in the PRC.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – PRC	(2,807)	5,879
Deferred taxation	<u>49,305</u>	<u>536</u>
	<u><u>46,498</u></u>	<u><u>6,415</u></u>

9 EARNINGS PER SHARE

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

	2016	2015
Profit for the year attributable to owners of the Company, <i>HK\$'000</i>	172,266	155,067
Weighted average number of ordinary shares in issue	<u>2,713,661,202</u>	<u>1,949,521,212</u>
Basic earnings per share, <i>HK cents</i>	<u><u>6.35</u></u>	<u><u>7.95</u></u>

- (b) The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per share above, as the Company did not have any dilutive potential ordinary shares arising from share options for FY2016 and FY2015.

10 INVESTMENT PROPERTIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 April	1,672,411	98,348
Addition	50,758	1,571,791
Increase in fair value charged to profit and loss	191,330	2,143
Exchange difference	<u>(85,579)</u>	<u>129</u>
At 31 March	<u><u>1,828,920</u></u>	<u><u>1,672,411</u></u>

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

11 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loan receivable (<i>Note</i>)	46,440	12,625
Other receivables	379	605,575
Prepayments and deposits	<u>2,996</u>	<u>2,037</u>
	<u><u>49,815</u></u>	<u><u>620,237</u></u>

Note:

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

The loan receivable at 31 March 2015 is unsecured, interest-free and repayable on 31 March 2015. Such receivable was fully settled on 19 April 2015.

12 OTHER PAYABLES AND ACCRUALS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Consideration payable – non-current portion	194,587	582,991
Other payables	<u>163,453</u>	<u>180,357</u>
	----- 358,040	----- 763,348
Current		
Property acquisition cost payable	1,051	1,106
Commission payable in respect of disposals of hotel properties	5,492	5,492
Consideration payable – current portion	12,200	12,200
Deposits received for disposal of equity interest in subsidiaries	–	7,480
Other payables	<u>8,869</u>	<u>9,980</u>
	----- 27,612	----- 36,258
	<u><u>385,652</u></u>	<u><u>799,606</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the businesses of hotel investment and operations and property investment. During FY2015, the Company successfully introduced a new controlling shareholder, Crown Landmark Corporation, expanded the shareholding structure and secured new financing and new development projects. These moves have provided new impetus for the Group's operations and financial position and have laid a healthier and stronger groundwork for the Group's development, thus gearing up the Group for the rapidly-changing economic environment of and the market opportunities arisen in the Greater China region.

In view of the unsatisfactory financial performance of the Group prior to FY2015, where the Group had been loss-making continuously since financial year 2008, the management of the Group (the "**Management**") had continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. Following several years of business restructuring, the Group has gotten out of the difficult conditions. As the new Management brought in new ideas, the Group had strengthened the existing operation strategies from various aspects. For instance, the Group restructured and improved its asset portfolio based on a management philosophy which focuses on the internal review and careful assessment of the external environment by allocating resources appropriately and phasing out non-performing assets, with an effort to maintain its strength. As a result of the effort of the review and the restructuring, the Group recorded a profit for FY2015 as compared to the loss for the previous financial years and continued to record a profit for FY2016. It has 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 consider that it is 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.

Future Outlook

Attributable to the successful acquisition of a commercial and residential complex in Zhongshan, the PRC (the “**Zhongshan Project**”) in FY2015, the Group benefited from the impressive price hike in the property market in Zhongshan during FY2016. The Zhongshan Project, which is wholly-owned by the Group, has recorded an accumulative increase in market value of approximately RMB145 million since its acquisition. The success of the Zhongshan Project speaks volumes for the Group’s operating strategy all along. The Group believes that by actively seeking property projects with the potential for creating Shareholders’ value, it will be able to broaden its income sources and diversify its property investment portfolio.

Looking forward, the Group will continue to monitor property market developments and look for potential investment projects and perfect timing. It will actively search for property projects comparable to the Zhongshan Project, such as residential projects, commercial projects and hotel projects, in lower-tier cities in the PRC as well as the Association of Southeast Asian Nations in order to extract their intrinsic value.

As to new business expansion, several new business models, such as asset management, internet-plus property operation as well as restructuring and reselling property projects, were being scrutinised.

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

Compliance with laws and regulations

During FY2016, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

Environmental policies and performance

The Group strives to reduce the impact on environment in running and promoting its business activities. For FY2016, in order to reduce greenhouse gas emissions and to reduce the use of papers, the Group encourages its staffs to reduce energy consumption, reduce unnecessary printing and photocopying, and recycle office supplies whenever possible.

The Group respects human rights and does not engage in discrimination on the basis of sex, race, ethnicity, age or religion. The Group adopts a non-discriminatory policy in its recruitment and promotion of staffs, and focuses only on the applicants' and staffs' qualifications, experience and merits.

Issue of promissory notes, subscription for new shares and redemption of the promissory notes

On 10 March 2015, the Company entered into a subscription agreement with Rich Bay Global Limited (“**Rich Bay**”) as investor, a company incorporated in the British Virgin Islands with limited liability pursuant to which the Company agreed to issue, and Rich Bay agreed to subscribe for, the promissory notes with a principal amount of HK\$500,000,000 (the “**Promissory Notes**”). On 22 April 2015, the Company and Rich Bay entered into a supplemental deed, under which the maturity date of the Promissory Notes was extended to the third anniversary date of 10 March 2015 from the original first anniversary date of issue. On 7 October 2015, the Company entered into a share subscription agreement (the “**Share Subscription Agreement**”) with Rich Bay as subscriber. Pursuant to the Share Subscription Agreement, Rich Bay conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 260,000,000 new shares (the “**Subscription Shares**”) at HK\$1.30 per Subscription Share (the “**Subscription**”). The consideration of Subscription was agreed to be settled by setting off against the principal amount of HK\$338,000,000 of the Promissory Notes.

The Company and Rich Bay agreed that immediately after the completion of the Subscription, the remaining principal amount of HK\$162,000,000 of the Promissory Note and the accrued interest thereof as of the date of the Share Subscription Agreement shall be payable in cash by the Company to Rich Bay and the Promissory Note would be fully redeemed. The Subscription was completed on 23 October 2015. For further information on the Subscription, please refer to the Company's announcement dated 7 October 2015.

Potential acquisitions

On 2 November 2015, the Company, Wuhan DeBang Investment Company Limited* (武漢德邦投資有限公司), Mr. Hu Desheng and Mr. Hu Shuisheng, entered into a memorandum of understanding in relation to a potential acquisition of the entire equity interest in Inner Mongolia ZhongYe DeBang Property Company Limited* (內蒙古中冶德邦置業有限公司). As disclosed in the Company's announcement dated 27 April 2016, the negotiation with respect to the said potential acquisition has ceased due to the respective commercial considerations of the above parties, hence the said potential acquisition did not proceed.

On 10 March 2016, Dream Land Group Limited ("**Dream Land**"), an indirect wholly-owned subsidiary of the Company (as the potential purchaser), Weihai Guosheng Property Development Co. Ltd.* (威海國盛房地產開發有限責任公司) (as the potential vendor), and Mr. Deng Jianguo (as the potential vendor warrantor) who is the ultimate beneficiary owner of Weihai Guosheng Runhe Property Co. Ltd.* (威海國盛潤禾置業有限公司) (the "**Target Company**") entered into a term sheet in relation to a potential acquisition of the entire equity interests in the Target Company. For further information, please refer to the Company's announcement dated 10 March 2016.

Update on a disclosable transaction

On 22 January 2014, "U" Inns & Hotels Investment Limited ("**UIHIL**"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company and Mr. Liu (the "**Purchaser**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the sale interest which represents the entire equity interest in U Inns Jिंगgangshan (the "**Sale Interest**"). Subsequent to the completion in 2014, UIHIL had not timely received the consideration for the Sale Interest from the Purchaser pursuant to the terms of the Equity Transfer Agreement. After a series of unsuccessful negotiations with the Purchaser, UIHIL commenced legal proceedings against the Purchaser in a court of the PRC in November 2014 for, among others, claiming for the consideration.

On 28 January 2016, pursuant to the settlement arrangement between the Group and the Purchaser, the Purchaser returned the Sale Interest to the Group and U Inns Jinggangshan was once again an indirect wholly-owned subsidiary of the Company. Throughout the material time, the hotel property located in Jinggangshan City, Jiangxi Province, the PRC (the “**Hotel Property**”) had been wholly-owned by U Inns Jinggangshan and as a result, through the successful recovery of the Sale Interest, the Group also successfully recovered the Hotel Property from the Purchaser. For further information on the said settlement arrangement, please refer to the Company’s announcement dated 28 January 2016.

Update on a very substantial acquisition

On 31 October 2014, Crown Resort (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sino Oasis (the “**Vendor**”), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the sale shares representing the entire issued share capital of Zhongshan Hualian Industrial Development Co., Ltd., a company incorporated in the PRC, at the consideration of HK\$1,008,000,000, of which HK\$700,000,000 was agreed to be satisfied by cash and the remaining HK\$308,000,000 shall be satisfied by the allotment and issue of consideration shares to the Vendor, at an issue price of HK\$0.70 per consideration share.

On 3 March 2016, the Purchaser and the Vendor entered into a supplemental agreement (the “**2016 Supplemental Agreement**”), pursuant to which the Purchaser and the Vendor agreed that HK\$300,000,000 out of the outstanding HK\$600,000,000 (the “**Final Sum**”) shall be settled by the Purchaser within 30 days from the date of the 2016 Supplemental Agreement, and the Vendor, having considered such earlier payment, agreed to waive HK\$100,000,000 payable by the Purchaser in respect of the Final Sum and the remaining of which was then HK\$200,000,000. For further information on the 2016 Supplemental Agreement, please refer to the Company’s announcement dated 3 March 2016.

Event after the reporting period

On 27 April 2016, Dream Land (as the potential purchaser) and Henan Eagle Town Group Company Limited* (河南鷹城集團有限公司) (as the potential vendor), entered into a term sheet in relation to the potential acquisition of certain leasable units at Eagle Trade Centre commercial project phase I* (鷹城商貿中心一期商業項目). For further information, please refer to the Company’s announcement dated 27 April 2016.

FINANCIAL REVIEW

Revenue

For FY2016, the total revenue of property leasing amounted to approximately HK\$3.51 million as compared to that of approximately HK\$3.63 million for FY2015. Same as last year, the revenue of property leasing was solely contributed by the commercial building located in Yingkou, Liaoning Province, the PRC.

Waiver of other payables

For FY2016, waiver of other payables amounted to approximately HK\$103.21 million as compared to that of approximately HK\$138.13 million for FY2015. Waiver of other payables were mainly comprised of waiver of part of the consideration payable amounting to approximately HK\$97.29 million and waiver of an amount due to a disposed subsidiary amounting to approximately HK\$5.92 million (FY2015: waiver of part of the amount due to the former substantial shareholder amounting to approximately HK\$138.13 million).

Reversal of provision for/(provision for) doubtful debts

For FY2015, consideration receivable relating to the disposal of U Inns Jinggangshan of approximately HK\$60.55 million was impaired and charged to the consolidated statement of comprehensive income. During FY2016, the Group had recovered the entire equity interest in U Inns Jinggangshan as a settlement of the outstanding receivable balance.

Fair value gains on investment properties

For FY2016, total revaluation gain of our investment properties portfolio amounted to approximately HK\$191.33 million (FY2015: approximately HK\$2.14 million). The revaluation of our investment properties was undertaken by Roma Appraisals Limited, an independent property valuer. The mainland China portfolio had a revaluation gain of approximately HK\$191.33 million (FY2015: approximately HK\$2.14 million) mainly due to higher valuation of the investment property located in Zhongshan city, Guangdong Province, the PRC. As at 31 March 2016, the value of the investment properties of the mainland China portfolio amounted to HK\$1,828.92 million (31 March 2015: approximately HK\$1,672.41 million).

Other operating expenses, net

Other operating expenses amounted to approximately HK\$44.29 million for FY2016, representing an increase of approximately HK\$17.50 million or 65.32% as compared to that of approximately HK\$26.79 million for FY2015. The increase in other operating expenses was mainly attributable to the exchange loss amounting to approximately HK\$26.74 million.

Finance expenses

Finance expenses amounted to approximately HK\$31.50 million for FY2016, representing an increase of approximately HK\$28.86 million or 1,093.18% as compared to that of approximately HK\$2.64 million for FY2015. The increase was mainly due to the increase in imputed interest expenses amounting to approximately HK\$25.00 million and the interest on promissory note amounting to approximately HK\$6.51 million.

Profit attributable to owners of the company

For FY2016, the Group recorded a net profit attributable to owners of the Company of HK\$172.27 million (FY2015: net profit of HK\$155.07 million). Total comprehensive income attributable to owners of the Company was HK\$109.69 million (FY2015: total comprehensive income of HK\$120.32 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

As at 31 March 2016, the Group had bank balances and cash of approximately HK\$74.56 million as compared to the bank balances and cash of approximately HK\$34.63 million as at 31 March 2015.

The Group had net current assets amounting to approximately HK\$96.77 million as at 31 March 2016, against approximately HK\$115.05 million as at 31 March 2015. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 4.50 as at 31 March 2016 as compared with approximately 1.21 as at 31 March 2015.

Gearing Ratio

As at 31 March 2016, the Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) was at a healthy level of approximately 35.72% (31 March 2015: approximately 67.62%). Net debt comprises total liabilities less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated statement of financial position.

CAPITAL EXPENDITURE

Capital expenditure of the Group for FY2016 included expenditure on fixed assets and investment properties of approximately HK\$3.26 million (FY2015: approximately HK\$10.27 million) and HK\$50.76 million (FY2015: approximately HK\$1,571.79 million) respectively. Major expenditure included the completion of certain construction in progress and the acquisition of motor vehicles.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2016,

- (a) the Group did not have any material contingent liabilities or guarantees (31 March 2015: Nil);
- (b) the Group had operating lease commitments of approximately HK\$12.4 million (31 March 2015: approximately HK\$11.6 million); and
- (c) the Group had no outstanding capital commitment (31 March 2015: approximately HK\$0.6 million).

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2016 (31 March 2015: Nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

No major acquisition or disposal was undertaken by the Group during FY2016.

As at 31 March 2016, the Group did not hold any significant investments (31 March 2015: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2016, the Group had a total of approximately 35 employees (31 March 2015: 27 employees), including Executive Directors. The remuneration and staff cost for FY2016 were HK\$8,696,000 (FY2015: HK\$8,070,000). The Group's remuneration policy and packages for the Executive Directors and Senior Management are determined by the remuneration, quality and nomination Committee of the Company while those for other employees are reviewed and approved by the Chief Executive Officer (the "CEO"). The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and Executive Directors.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2016 (FY2015: NIL).

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

The Company did not redeem any of the shares of the Company (the "Shares") listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), nor did the Company or any of its subsidiaries purchase or sell any of the Shares during FY2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Group has applied the principles and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during FY2016, with the deviation as stated below:

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

The roles of both the Chairman and CEO are performed by Mr. MENG Jin Long. The Board considers that vesting the roles of both the Chairman and the CEO in the same individual provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board will continuously review the business operation and Board procedures, and will make further arrangements if appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted its own code of conduct regarding securities transactions by Directors (the “**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having been made specific enquiries by the Company, the Directors have confirmed compliance with the Securities Code in their securities transactions during FY2016.

INTERNAL CONTROL REVIEW

The Company has engaged professional internal control consultant firm to conduct an independent review on internal control environment of the Group for FY2016. Results of the independent review concluded that the internal control system of each of the Company and the Group was adequate. The independent review also made certain recommendations in support for the Company's consideration to improve its internal control and efficiency.

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

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for FY2016 have been agreed by the Group's external auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for FY2016. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all the Independent Non-executive Directors who possess appropriate business, legal, engineering and financial experience and skills to undertake the review of the financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. LONG Tao and the members are Mr. REN Guo Hua and Mr. CHEN Fang. The final consolidated results for FY2016 have been reviewed by the Audit Committee. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

ANNUAL GENERAL MEETING

The date of annual general meeting of the Company will be announced later and the relevant notice will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 30 June 2016

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

* *For identification purpose only*