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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 AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Crown International Corporation Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 March 2023 (“**Current Year**”) with comparative figures for the financial year ended 31 March 2022 (“**Last Year**”).

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

		Year ended 31 March	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	–	17,499
Cost of sales		–	(13,502)
Gross profit		–	3,997
Other gains/(losses), net	3	12,641	(5,825)
Other income		417	1,218
Fair value losses on investment properties, net		–	(771,370)
Loss on disposal of investment properties	8	(745,884)	–
Impairment loss on properties under development	11	(286,782)	–
Impairment loss on property, plant and equipment		(110,064)	–
Loss on written off of other receivables, prepayments and deposits		(22,816)	(6,784)
Staff costs		(5,943)	(17,865)
Depreciation on property, plant and equipment		(4,401)	(7,452)
Other operating expenses		(19,418)	(8,135)

	Notes	Year ended 31 March	
		2023 HK\$'000	2022 HK\$'000
Operating loss		(1,182,250)	(812,216)
Finance income		11	35
Finance costs		(94,294)	(107,640)
Finance costs, net		(94,283)	(107,605)
Loss before income tax	4	(1,276,533)	(919,821)
Income tax credit	5	206,531	192,843
Loss for the year		(1,070,002)	(726,978)
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(98,162)	87,750
Release of exchange reserve upon disposal and deregistration of subsidiaries		–	(7,339)
Total other comprehensive (loss)/income for the year		(98,162)	80,411
Total comprehensive loss for the year		(1,168,164)	(646,567)
Loss attributable to:			
Owners of the Company		(1,069,359)	(726,372)
Non-controlling interests		(643)	(606)
		(1,070,002)	(726,978)
Total comprehensive loss attributable to:			
Owners of the Company		(1,167,427)	(645,826)
Non-controlling interests		(737)	(741)
		(1,168,164)	(646,567)
Basic and diluted losses per share attributable to owners of the Company for the year (expressed in HK cent per share)	6	(30.54 HK cents)	(21.18 HK cents)
Dividend	7	–	–

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		At 31 March	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		168,533	303,564
Investment properties	8	–	1,253,728
Deposits	9	349	1,251
		168,882	1,558,543
		168,882	1,558,543
Current assets			
Trade receivables	10	14,650	14,650
Other receivables, prepayments and deposits	9	718,863	271,861
Properties under development for sale	11	749,852	1,119,630
Restricted bank balances		1,779	7,307
Cash and cash equivalents		2,481	714
		1,487,625	1,414,162
		1,487,625	1,414,162
Total assets		1,656,507	2,972,705
		1,656,507	2,972,705
Liabilities			
Current liabilities			
Trade payables	12	2,000	2,000
Other payables and accruals	12	611,842	607,862
Borrowings		861,362	798,887
Lease liabilities		2,920	7,686
Income tax payable		4,095	4,427
		1,482,219	1,420,862
		1,482,219	1,420,862
Net current assets/(liabilities)		5,406	(6,700)
		5,406	(6,700)
Total assets less current liabilities		174,288	1,551,843
		174,288	1,551,843

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	1,788	6,991
Deferred income tax liabilities	8,982	232,412
	<u>10,770</u>	<u>239,403</u>
Net assets	<u>163,518</u>	<u>1,312,440</u>
Equity		
Capital and reserves		
Share capital	1,998,309	1,979,067
Other reserves	(1,833,530)	(666,103)
Equity attributable to owners of the Company	164,779	1,312,964
Non-controlling interests	<u>(1,261)</u>	<u>(524)</u>
Total equity	<u>163,518</u>	<u>1,312,440</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The principal activities of the Group are (i) property investment; (ii) property development; (iii) hotel operations; (iv) trading and developing of premium white spirit; and (v) provision of comprehensive healthcare planning and management services.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2707, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong which is also its principal place of business.

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair value.

The financial information relating to the years ended 31 March 2022 and 2023 included in this announcement of annual results 2022/23 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2022 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2023 in due course.

Going Concern

For the year ended 31 March 2023, the Group recorded a net loss of approximately HK\$1,070,002,000. As at 31 March 2023, the Group's financial obligations approximately HK\$1,482,219,000, which are due for repayment within the next twelve months. Among these obligations, approximately HK\$799,876,000 bank borrowings are repayable on demand as the Group had failed to make certain instalments of principal and interest when they became due and these amounts remained unsettled up to the date of approval of these consolidated financial statements, while the Group's available cash and cash equivalents amount to approximately HK\$2,481,000.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions and the constructors. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the following measures:

- (i) The Group has been communicating with the bank to remedy the late repayment issue and to restructure the payments terms for the remaining amount of the entrusted loan. On 28 March 2024, the bank has agreed to allow the Group to repay the outstanding amounts using the proceeds from the pre-sales of the Weihai Project within three years. Based on current progress of the Weihai Project, the directors of the Company are expected the pre-sales will be processed in 2025.

- (ii) the successful negotiations with the property constructors and other lenders for the renewal or extension of repayment for those construction costs, other borrowings, including those construction costs payables, loan principals and interests that are already overdue;
- (iii) the successful obtaining of additional new source of finance as and when needed; and
- (iv) to diversify and expand into other profitable business ventures beyond property development.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

Adoption of revised HKFRSs

In the Current Year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020</i>

New or amended HKFRSs that have been issued but are not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance contracts¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint venture³</i>
Amendments to HKFRS 16 Amendments to HKAS 1	<i>Lease Liability in a Sale and Leaseback² Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²</i>
Amendments to HKAS 1 Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Non-current Liabilities with Covenants² Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8 Amendments to HKAS 12	<i>Definition of Accounting Estimates¹ Deferred tax related to Assets and Liabilities arising from a Single Transaction¹</i>

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective for annual periods beginning on or after 1 January 2024*

³ *No mandatory effective date yet determined but available for adoption*

2 Revenue and segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker, namely the executive Directors, for their decisions about resources allocation to the Group's business component and for their review of the performance of that component. The business components in the internal financial information reported to the executive Directors are principally engaged in property investment, property development, hotel operations, trading and developing of premium while spirit and provision of comprehensive healthcare planning and management services.

(a) Analysis of revenue by category

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Rental income	–	2,153
Comprehensive healthcare planning and management services income recognised over time	–	696
Sales of healthcare products recognised at point in time	–	14,650
	<u>–</u>	<u>14,650</u>
	<u>–</u>	<u>17,499</u>

As at 31 March 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$132,083,000 (2022: HK\$142,762,000). The amount represented revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and provision of comprehensive healthcare planning and management services. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sales, when the properties ownership are assigned to the customers which is expected to occur over the next 12 to 24 months (2022: next 12 to 24 months).

(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;
- ii) the property development segment engages in property development and sales of properties in Weihai city ("**Weihai**");
- iii) the hotel operations segment engages in hotel rental and food and beverage business in Weihai;
- iv) trading segment engages in trading and developing of premium white spirit;
- v) the comprehensive healthcare business segment engages in the provision of comprehensive healthcare planning and management services to the healthcare operators and sales of healthcare products; and
- vi) the unallocated segment comprises operations other than those specified in (i), (ii), (iii), (iv) and (v) above and includes that of the corporate office.

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

The Directors assess the performance of the operating segments based on a measure of segment results, which represent, operating profit less central administrative costs. The segment results, depreciation, loss on disposal of investment properties, fair value losses on investment properties, impairment loss on property, plant and equipment and properties under development and capital expenditure based on reportable segments for the years ended 31 March 2023 and 2022 are as follows:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Trading and developing of premium white spirit <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended							
31 March 2023							
Segment revenue:							
Revenue from external customers	-	-	-	-	-	-	-
Segment results	(753,005)	(288,320)	(110,402)	-	(1,691)	(28,832)	(1,182,250)
Finance income							11
Finance costs							(94,294)
Loss before income tax							(1,276,533)
Income tax credit							206,531
Loss for the year							(1,070,002)
Other segment information							
Depreciation on property, plant and equipment	(64)	(160)	(35)	(1,123)	-	(3,019)	(4,401)
Impairment loss on property, plant and equipment	-	-	(110,064)	-	-	-	(110,064)
Loss on disposal of investment properties	(745,884)	-	-	-	-	-	(745,884)
Impairment loss on properties under development	-	(286,782)	-	-	-	-	(286,782)
Additions to - Property, plant and equipment	-	-	-	-	-	2,917	2,917

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended						
31 March 2022						
Segment revenue:						
Revenue from external customers	<u>2,153</u>	<u>-</u>	<u>-</u>	<u>15,346</u>	<u>-</u>	<u>17,499</u>
Segment results	(788,909)	(2,434)	(534)	(615)	(19,724)	(812,216)
Finance income						35
Finance costs						<u>(107,640)</u>
Loss before income tax						(919,821)
Income tax credit						<u>192,843</u>
Loss for the year						<u><u>(726,978)</u></u>
Other segment information						
Depreciation on property, plant and equipment	(201)	(457)	(100)	(20)	(6,674)	(7,452)
Fair value losses on investment properties, net	<u>(771,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(771,370)</u>
Additions to						
- Property, plant and equipment	-	504	713	836	5,346	7,399
- Investment properties	<u>57,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,816</u>

No customer (year ended 31 March 2022: 1) contributed more than 10% revenue of the Group.

Year ended 31 March

2023

2022

HK\$'000

HK\$'000

Customer A (from comprehensive healthcare
planning and management services segment)

N/A

14,650

The segment assets and liabilities based on reportable segments as at 31 March 2023 and 2022 are as follows:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Trading and developing of premium white spirit <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2023							
Segment assets	209,970	975,449	167,011	297,850	429	3,317	1,654,026
Cash and cash equivalents	9	-	-	1,121	1,349	2	2,481
Total assets	209,979	975,449	167,011	298,971	1,778	3,319	1,656,507
Segment liabilities	(126,087)	(1,053,011)	(231,149)	(3,080)	(6,852)	(72,810)	(1,492,989)
Total liabilities	(126,087)	(1,053,011)	(231,149)	(3,080)	(6,852)	(72,810)	(1,492,989)

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2022						
Segment assets	1,255,050	1,351,407	342,675	14,655	8,204	2,971,991
Cash and cash equivalents	10	681	–	2	21	714
Total assets	1,255,060	1,352,088	342,675	14,657	8,225	2,972,705
Segment liabilities	(300,296)	(1,063,650)	(233,484)	(4,406)	(58,429)	(1,660,265)
Total liabilities	(300,296)	(1,063,650)	(233,484)	(4,406)	(58,429)	(1,660,265)

The Group's businesses operate in Hong Kong and the PRC. The Group's revenue for the years ended 31 March 2023 and 2022 and non-current assets other than financial instruments as at 31 March 2023 and 2022 based on geographical area are as follows:

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong	–	14,650
PRC	–	2,849
	–	17,499
Non-current assets		
Hong Kong	2,559	3,920
PRC	165,974	1,553,372
	168,533	1,557,292

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/(losses), net

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Gain on early termination of lease of other properties leases for own use	7,995	–
Loss on disposals of subsidiaries	–	(5,825)
Written off of other payables	4,646	–
	<u>12,641</u>	<u>(5,825)</u>

4 Loss before income tax

Loss before income tax for the year is arrived at after charging/(crediting):

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Auditor's remuneration	1,200	1,330
Inventories recognised as expense	–	13,502
Government grant of Employment Support Scheme*	(194)	(1,200)
	<u>(194)</u>	<u>(1,200)</u>

* There are no unfulfilled conditions or contingencies relating to these subsidies.

5 Income tax credit

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

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Current tax		
PRC		
Current Year	–	–
	–	–
Deferred taxation	(206,531)	(192,843)
	<u>(206,531)</u>	<u>(192,843)</u>

6 Losses per share

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

	Year ended 31 March	
	2023	2022
Loss for the purpose of basic earnings per share		
Loss for the year attributable to owners of the Company, <i>HK\$'000</i>	(1,069,359)	(726,372)
Number of shares for the purpose of basic loss per share		
Weighted average number of ordinary shares in issue	<u>3,500,949,000</u>	<u>3,430,000,000</u>
Basic losses per ordinary share, <i>HK cent(s)</i>	<u>(30.54)</u>	<u>(21.18)</u>

- (b) The calculation of diluted losses per ordinary share is based on the loss 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 losses per ordinary share above, as the Company did not have any dilutive potential ordinary shares for the year ended 31 March 2023. For the year ended 31 March 2022, the computation of diluted losses per share does not assume the exercise of the Company's share options during the year of 2022 since their exercise would result in a decrease in loss per share.

7 Dividend

The Board do not recommend payment of final dividend for the year ended 31 March 2023 (year ended 31 March 2022: Nil).

8 Investment properties

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	1,253,728	1,992,545
Addition	–	57,816
Disposal	(1,162,683)	–
Fair value losses, net	–	(771,370)
Disposal of subsidiaries	–	(103,757)
Exchange difference	(91,045)	78,494
	<u> </u>	<u> </u>
At end of year	<u> </u> –	<u> </u> 1,253,728

Amount recognised in profit or loss for investment properties

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	–	2,153
Direct operating expenses from properties that generated rental income	(499)	(845)
Loss on disposal of investment properties	(745,884)	–
	<u> </u>	<u> </u>

9 Other receivables, prepayments and deposits

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Rental deposits	<u>349</u>	<u>1,251</u>
	<u>349</u>	<u>1,251</u>
Current		
Other receivables	200,709	676
Prepayments and deposits	494,612	262,857
Prepaid tax	7,363	8,328
Deposits for other borrowings	<u>16,179</u>	<u>–</u>
	<u>718,863</u>	<u>271,861</u>
	<u>719,212</u>	<u>273,112</u>

10 Trade receivables

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>14,650</u>	<u>14,650</u>

Credit term of 120 days granted to customer. The ageing analysis of net trade receivables, based on the invoice dates, as at end of the reporting period is as follow:

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	–	14,650
1 to 3 months	–	–
3 to 6 months	–	–
Over 6 months	14,650	–
	<u>14,650</u>	<u>–</u>
	<u>14,650</u>	<u>14,650</u>

11 Properties under development for sale

	<i>HK\$'000</i>
As at 1 April 2021	1,069,445
Additions	3,247
Exchange difference	<u>46,938</u>
As at 31 March 2022 and 1 April 2022	1,119,630
Impairment	(286,782)
Exchange difference	<u>(82,996)</u>
As at 31 March 2023	<u>749,852</u>

12 Trade and other payables and accruals

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>2,000</u>	<u>2,000</u>
Other payables and accruals		
Construction and development cost payables	393,112	424,266
Contract liabilities	132,083	142,762
Value added tax and other tax payables	35,197	2,899
Salaries payables	6,979	12,330
Accrued expense	8,367	8,752
Others	<u>36,104</u>	<u>16,853</u>
	<u>611,842</u>	<u>607,862</u>

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 3 months	–	2,000
3 to 6 months	–	–
Over 6 months	<u>2,000</u>	<u>–</u>
	<u>2,000</u>	<u>2,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

The Group was principally engaged in the business of property investment, property development, hotel operations, comprehensive healthcare business in the PRC and trading of premium white spirit.

Property investment

The Group's investment in investment property mainly the residential and commercial complex known as 達興豪苑 at No. 69 Zhongshan Third Road, East District, Zhongshan city, Guangdong province, the PRC (the “**Zhongshan Property**”) which was disposed during the year.

Property development

The Group's current investment in property development comprises approximately 1,400 serviced apartment units in the project located at Golden Beach No. 1, Golden Beach Garden, south of Bei Huan Hai Road and east of Ren Tai Garden, Gao District, Weihai City, Shandong Province, the PRC (the “**Weihai Property**”) currently under development and to be sold by the Group. The Weihai Property is wholly-owned by the Group.

Hotel operations

The Group's current investment in hotel operations consist of the hotel development in the Weihai Property.

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

Comprehensive healthcare business

The business segment, comprehensive healthcare planning and management services was established in 2020. Currently, this business segment includes mainly provision of comprehensive healthcare business, including preliminary planning, research, establishment, staff training, post-establishment operation and management.

A. The Group's Property Investment

The Zhongshan Property

The Zhongshan Property is a multi-purpose complex comprising retail floors on the lower levels with commercial and residential floors on the upper levels. In 2015, the Group acquired the Zhongshan Property for investment purposes. The Group disposed the property during the year.

B. The Group's investment in Property Development

The Weihai Property

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

Weihai Runhe, an indirect wholly-owned subsidiary of the Company, obtained the Commodity Housing Pre-sale Permit in the third quarter of 2018, after which the pre-sale of the serviced apartments of Weihai Property started.

As at the date of this announcement, the accumulated pre-sales by Weihai Runhe amounted to approximately RMB207 million, and the total saleable area pre-sold is approximately 17,000 square metres. The relevant pre-sale amounts are expected to be recognised as revenue in the financial year of 2024/25, as the construction and renovation works of the serviced apartment units are currently expected to be completed in the second half of 2024.

Financing of development of the Weihai Property

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

In November 2018, Weihai Runhe entered into an entrusted debt investment agreement with 亞聯盟資產管理有限公司 (AFCA AMC Co., Ltd.*), through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to approximately HK\$815.2 million) for a term of 3 years, bearing interest at 6.6% per annum. The final drawdown amount was RMB500 million (equivalent to approximately HK\$571.4 million) with the remaining undrawn facility amount lapsed. The Group is currently under negotiation with Harbin Bank regarding the restructure of the repayment schedule as the construction progress was affected by the outbreak of COVID-19.

The management of the Group considered that the Weihai Property would be sufficiently financed through (i) the cash flow generated from the pre-sale of the serviced apartments; (ii) loan facilities such as the facilities mentioned above; (iii) financing of the development costs by contractor for obtaining interest return from the Group; and (iv) other capital arrangements as may be entered into by the Group from time to time.

* For identification purpose only

C. The Group's Hotel Operations

The Weihai Property

Among the three buildings of the Weihai Property, the highest building of which would partially be built into a hotel. Affected by the outbreak of COVID-19, the construction progress was severely hindered. The estimated completion time will be postponed from 2021 to the second half of 2025. The main building of the Weihai Property is expected to stand approximately at 149.8 metres height, making it a landmark along the Golden Beach in Weihai. It is also expected to be the highest building in Weihai.

When the Group completed the acquisition of the Weihai Property in September 2017, it included a management agreement with a world-renowned hotel group as hotel manager. Under the management agreement, the hotel manager will provide consultancy, design and monitoring services in the course of the development of the hotel floors, and manage the operations of the hotel premises upon completion. The hotel is expected to be 5-star international standard and target high-end business and leisure travelers.

The hotel complex is under construction at the moment. Upon completion of the construction and renovation works (expected to be in the second half of 2024), the hotel is expected to provide about 200 luxury suites and rooms.

D. The Group's Comprehensive Healthcare Planning and Management Services

The business segment, comprehensive healthcare planning and management services was established in 2020. The Group successfully engaged in attracting professional teams with extensive experience in these sectors and has comprehensive project resources and customer networks. This business segment has already contributed revenue to the Group since 2020. This business is aiming to operate with the goal of building the brand of "Grandlife Healthcare Group". Currently, this segment services mainly focus on the provision of comprehensive healthcare planning and management services such as preliminary planning, research, establishment, staff training and post-establishment operation and management to healthcare business operators.

E. Trading and Developing of Premium White Spirit

The premium white spirit business in China is an enormous market. The Group started trading and developing the premium white spirit in 2023.

FINANCIAL REVIEW

Key Performance Indicators

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	17,499
Loss attributable to owners of the Company	(1,069,359)	(726,372)
Losses per share (<i>HK cents</i>)	(30.54)	(21.18)

	At 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,656,507	2,972,705
Net assets attributable to owners of the Company	164,779	1,312,964
Cash and bank balances	4,260	8,021
Borrowings	861,362	798,887
Net borrowings/net assets attributable to owners of the Company	524.2%	60.3%

Revenue

No revenue recorded during the Current Year as compared to that of approximately HK\$17.5 million for the Last Year. The revenue decreased during the year as the Group is currently developing the trading of premium white spirit and officially launched in 2023/2024.

Other operating expenses

Other operating expenses amounted to approximately HK\$19.4 million for the Current Year, representing an increase of approximately HK\$11.3 million or approximately 139.5% as compared to that of approximately HK\$8.1 million for the Last Year. The increase during the year is due to the related cost of sales of properties and the loss on disposal of investment properties.

Finance costs

Finance costs amounted to approximately HK\$94.3 million for the Current Year, representing a decrease of approximately HK\$13.3 million or approximately 12.4% as compared to that of approximately HK\$107.6 million for the Last Year.

Loss attributable to owners of the Company

For the Current Year, the Group recorded a net loss attributable to owners of the Company of approximately HK\$1,069 million (Last Year loss: approximately HK\$726.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the Current Year, the Group's sources of funds primarily included income generated from business operations and financing from external parties.

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

As at 31 March 2023, the Group had bank balances and cash of approximately HK\$4.3 million as compared to the bank balances and cash of approximately HK\$8.0 million as at 31 March 2022.

The Group had net current assets amounting to approximately HK\$5.4 million as at 31 March 2023, against net current liabilities of approximately HK\$6.7 million as at 31 March 2022. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 1.00 as at 31 March 2023 and approximately 0.99 as at 31 March 2022.

GEARING RATIO

As at 31 March 2023, the Group's net debt gearing ratio (i.e. net debt divided by equity attributable to owners of the Company) was approximately 524.2% (31 March 2022: 60.3%). Net debt comprises total borrowings less cash and cash equivalents and restricted bank balances.

CAPITAL EXPENDITURE

Capital expenditure of the Group for the Current Year included expenditure on fixed assets and investment properties of approximately HK\$2.9 million (Last Year: approximately HK\$7.4 million) and Nil (Last Year: approximately HK\$57.8 million) respectively.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2023,

- (a) The Group's subsidiaries were involved in several ongoing litigations. These litigations were still in progress, and final decisions had not been reached by the end of the reporting period. However, subsequent to the reporting period, the Group disposed of the equity interests of the relevant subsidiaries associated with the litigations. The disposals were completed in November 2023. In the opinion of the Directors, there are no material unrecorded contingent liabilities.
- (b) the Group has capital expenditure for hotel properties contracted for but not provided in the consolidated financial statements in the amount of approximately HK\$132.1 million (31 March 2022: HK\$142.8 million) in respect of the construction of the hotel properties.

Save as disclosed in this announcement, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2023 to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2023 and 2022, the Group's interests in the Weihai Property, and the equity interests in a PRC subsidiary which controls the Weihai Property were pledged to an independent third party as security for borrowings with an outstanding amount of RMB500 million (equivalent to approximately HK\$571.4 million on 31 March 2023 and approximately HK\$617.6 million on 31 March 2022).

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

Save as disclosed above, as at 31 March 2023, the Group did not hold any significant investments (31 March 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2023, the Group had a total of 19 employees (31 March 2022: 31 employees), including executive Directors. The remuneration and staff costs for the Current Year were approximately HK\$5.9 million (Last Year: approximately HK\$17.9 million). The Group's remuneration policy and packages for the executive Directors and senior management were determined by the remuneration, quality and nomination committee of the Company while those for other employees were reviewed and approved by the chief executive officer of the Company. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and executive Directors.

FUTURE PROSPECTS

The current principal business of the Group includes property investment, property development, hotel operations and provision of comprehensive healthcare planning, management services in the PRC and trading of premium white spirit.

For the property investment, the Group disposed the investment property in order to generate positive cash flow and generate sufficient funding for the trading of premium white spirit.

For the property development, pre-sale of the apartment units of the phase 1 of the Weihai Project the key project of the Group, commenced in the third quarter of 2018. The project was initially expected to be completed and delivered in the fourth quarter of 2021. However, affected by the outbreak of COVID-19, the construction progress was delayed and the latest estimated completion time will second half of 2024. The Group will then be able to recognise sales revenue from the phase 1 of the Weihai Project in the financial year of 2024/25.

For the hotel operations, the hotel in the Weihai Project is under construction. Also affected by the outbreak of COVID-19, the hotel is expected to be completed and start operating in 2025. The hotel will be a new landmark and the highest building in Weihai City, Shandong province. The hotel will be managed by a world-renowned hotel management company, making it the first international five-star hotel in the city.

Suffering from the global weak economy, the financial consultancy service business remained dormant and management will monitor the market situation to adjust its business direction.

The business segment of comprehensive healthcare planning and management services business has been progressing steadily since its establishment in 2020. Currently, the comprehensive healthcare planning and management services business includes provision of services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management. The Group has professional teams with extensive experience in these sectors and has comprehensive project resources and customer networks. The Group is developing cooperation with property owners to modify property projects into high-end healthcare projects and combined with the capital operation of insurance companies and financial institutions to jointly operate healthcare projects.

In coming years, the Group is under research to launch a new investment in environmental high technology conversion of waste coal to metals.

The COVID-19 pandemic that broke out in early 2020 has seriously affected the global economy. It has been more than a year since the outbreak began. In the coming years, global economic recovery is very much dependent upon the efficiency of rapid mass vaccination programs and sustainable recovery policies rolled out by the respective governments.

FINAL DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023 (year ended 31 March 2022: Nil).

SHARE OPTIONS GRANTED TO EMPLOYEES

Particulars of the Company's share option scheme are set out in the Share Option Scheme section.

During the year ended 31 March 2023, details of share options granted to the employees under the Share Option Scheme of the Company were as follows:

	Date of grant	Exercisable period	Exercise price HK\$	No. of share options outstanding as at 1 April 2022	No. of share option granted during the year ended 31 March 2023	No. of share options exercised/ cancelled/ lapsed during the year ended 31 March 2023	No. of share options outstanding as at 31 March 2023	Approximate percentage of the underlying shares for the share options outstanding in the issued Shares
Employees	20 September 2021	20 September 2021 – 19 September 2031	0.187	102,900,000	–	(102,900,000)	–	0%
Total				102,900,000	–	(102,900,000)	–	
Grand total				102,900,000	–	(102,900,000)	–	

SHARE OPTION SCHEME

On 25 September 2015, the Company adopted a share option scheme (the “**Share Option Scheme**”) whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the “**Participants**”) as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 343,000,000 shares, which was equivalent to 10% of the then issued capital of the Company. The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares of the Company from time to time. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules) of the Company or the independent non-executive Directors or any of their respective associates (as defined in the Listing Rules)), or the total number of shares that may be granted under the options to the substantial shareholders of the Company or the independent non-executive Directors or any of their respective associates shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board; however, no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

EVENTS AFTER THE END OF FINANCIAL YEAR

There were no significant events subsequent to the year and up to the date of this announcement which had materially affected the Group’s operating and financial performance.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities in the Current Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interest of its shareholders as a whole. The Company has adopted and adhered to the principles in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2023 and up to the date of this announcement, the Company has complied with all the code provisions of the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted its own code of conduct regarding securities transactions by Directors (the “**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

INTERNAL CONTROL REVIEW

Under Code Provision D.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group’s simple operating structure, the management monitors the assessment of the risk management and internal controls and has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group’s control environment and processes.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company and to assist the Board to fulfill its responsibilities over the audit.

The Audit Committee consists of three independent non-executive Directors: Mr. Ng Ki Man, Mr. Xiao Ganghua and Ms. Liu Ting. Mr. Ng Ki Man serves as the chairman of the Audit Committee.

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk and management systems and financial reporting matters of the Group.

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 2023 have been agreed by the Group's external auditor, CCTH CPA Limited ("CCTH"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2023. The work performed by CCTH 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 CCTH on the preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2023.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Going concern

As disclosed in the consolidated financial statements, for the year ended 31 March 2023, the Group recorded a net loss of approximately HK\$1,070,002,000. As at 31 March 2023, the Group's financial obligations approximately HK\$1,482,219,000, which are due for repayment within the next twelve months. Among these obligations, approximately HK\$799,876,000 bank borrowings are repayable on demand as the Group had failed to make certain instalments of principal and interest when they became due and these amounts remained unsettled up to the date of approval of these consolidated financial statements, while the Group's available cash and cash equivalents amount to approximately HK\$2,481,000.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of following measures:

- (i) the Group has been communicating with the bank to remedy the late repayment issue and to restructure the payments terms for the remaining amount of the entrusted loan. Given the loan is secured by the Weihai Runhe construction-in-progress ("**Weihai Project**"), on 28 March 2024, the bank has agreed to allow the Group to repay the outstanding amounts using the proceeds from the pre-sales of the Weihai Project within three years. Based on current progress of the WeiHai Project, the directors of the Company are expected the pre-sales the will be processed in 2025;

- (ii) the successful negotiations with the property constructors and other lenders for the renewal or extension of repayment for those construction costs, other borrowings, including those construction costs payables, loan principals and interests that are already overdue;
- (iii) the successful obtaining of additional new source of finance as and when needed; and
- (iv) to diversify and expand into other profitable business ventures beyond property development.

Should the Group fail to achieve the abovementioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

ANNUAL GENERAL MEETING

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

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 March 2023 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (<http://www.crown727.com/en/index.php>). The printed copies of the annual report will be despatched to Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year ended 31 March 2023.

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
Wei Zhenming
Executive Director

Hong Kong, 22 April 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. CHAN Yuk Charm and Mr. WEI Zhenming; and three independent non-executive Directors, namely Mr. NG Ki Man, Mr. XIAO Ganghua and Ms. LIU Ting.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.