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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)

**FULFILMENT OF ALL RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of Crown International Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 3 July 2023, 20 July 2023, 29 August 2023, 22 September 2023 and 1 November 2023, regarding, among other things, the delay in publication of its annual results for the year ended 31 March 2023 (the “**Annual Results**”) and dated 22 November 2023, 1 February 2024 and 1 March 2024, regarding, among other things, the delay in publication of its annual results for the year ended 31 March 2023 and unaudited interim results (the “**Interim Results**”) for the period ended 30 September 2023 (collectively, the “**Announcements**”). Unless otherwise indicated, capitalized terms used herein shall have the same meanings ascribed to them in the Announcements.

BACKGROUND

As set out in the Company's delay in the publication of the 2023 annual results announcement dated 20 July 2023, the Company had delay in the release of its preliminary results in respect of the financial year ended 31 March 2023 as the auditor of the Company, BDO Limited (the "BDO") requires additional time on the audit process.

As such, given that the Company was unable to publish periodic financial information in accordance with the Listing Rule, the trading of the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 3 July 2023.

RESUMPTION GUIDANCE

On 29 September 2023, the Stock Exchange issued the resumption guidance to the Company, which required the Company to:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications ("**Resumption condition (1)**");
- (b) demonstrate the Company's compliance with Rule 13.24 ("**Resumption condition (2)**"); and
- (c) announce all material information for the Company's shareholders and investors to appraise the Company's position ("**Resumption condition (3)**").

FULFILMENT OF RESUMPTION GUIDANCE

The Board is pleased to announce that, as at the date of this announcement, the Company has fulfilled the requirements under the Resumption Guidance. The following set out the details of the fulfilment of the Resumption Guidance:

1. **Resumption Condition (1) – Publish all outstanding financial results required under the Listing Rules and address any audit modifications**

(a) BDO's Audit Matters

As disclosed in the announcement of the Company dated 26 March 2024, BDO resigned as the auditor of the Company with effect from 26 March 2024. Pursuant to its letter of resignation, BDO indicated that during the audit of the Financial Statement of the Group for the year ended 31 March 2023 ("**FY2023**"), they had the outstanding matters that require further management attention and analysis as follows:

(i) Legal cases and Going Concern:

During the year ended 31 March 2023, one of the Company's Mainland China (the "PRC") subsidiary disposed of its investment property located in Zhongshan City, Guangdong Province, PRC (the "**Zhongshan Property**") to various buyers. BDO understand that at the time of the sales, there were various legal cases that may impact the validity of this transaction. In addition, certain subsidiaries of the Company have been involved in other legal proceedings concerning various matters. BDO had to further interpret and evaluate the adequacy of the reply from the Company's lawyer in order to assess the potential financial impacts on the Group and adoption of the going-concern basis in preparing the Group's consolidated financial statements.

Certain subsidiaries of the Company have been involved in other legal proceedings mainly related to the bank borrowing and various construction payments in the Weihai Project (as defined below). As the legal proceedings were last for number of years already and all counter parties aware that the only way to receive the payments will be based on sales of properties upon completion and therefore even there are number of legal proceedings, the project was ongoing under development and had no material impact to the Company. The Company's subsidiary also confirmed that any proceeds from sales of properties will be prioritised for the use of paying off all of its outstanding borrowings.

(ii) Impairment assessments and going concern:

A. Prepayment for secure supplies of premium white spirits

During the year ended 31 March 2023, one of the Company's PRC subsidiary paid approximately RMB220 million to a PRC trading company to secure supplies of premium white spirits in the PRC. The payment was accounted for as a prepayment as of 31 March 2023. BDO have to obtain further relevant audit evidence that can support the classification, recoverability of this balance, and the associated business plan for this transaction.

B. Weihai Project and Harbin Bank Loan

The Group has a property development project in Weihai city, Shandong province, the PRC (the “**Weihai Project**”) which has been partially pledged to the Harbin Bank Co., Ltd to secure a bank borrowing at principal of RMB500,000,000. During the year ended 31 March 2023, Harbin Bank Co., Ltd sued the Company’s PRC subsidiary for failing to repay the outstanding loan principal and interest of the loan. Based on the latest developments, the Group has lost the case against Harbin Bank Co., Ltd. and is required to settle the outstanding loan and principal and interest of the loan. Due to the uncertainties in obtaining additional funding to finance the completion of this Weihai Project, the development plan of the Weihai Project has become uncertain, which would affect the impairment assessment of the assets related to this project and the appropriateness of using the going-concern assumption in preparing the Group’s consolidated financial statements. As at 31 March 2023, the total outstanding amount of the bank borrowing due to Harbin Bank Co., Ltd was approximately RMB699,927,000 (equivalent to approximately HK\$799,876,000).

For further details, please refer to the Company’s announcement dated 26 March 2024.

The reasons that the Company was not able to handle BDO’s requests are as follows:

- (i) BDO requested the Company to obtain a legal opinion regarding the legal cases from the Company’s subsidiary (i.e. Zhongshan Hualian Industrial Development Corporation Limited* (中山市華聯實業開發有限公司), which was holding certain investment properties of the Group) and such legal firm shall be ranked top 10 in the PRC. Per BDO’s requests, the Company had obtained quotations from certain sizeable firms verbally and the legal fee quoted varied from RMB800,000 to RMB1,200,000, which the Company considered that they are too unreasonable to be accepted. The Company is of the view that there is no material difference for the Company to seek a legal opinion from between a top-10 law firm and one sizeable law firm out of the top-10 list.

- (ii) In respect of the business segment started in year 2022, namely trading and developing of premium white spirit, BDO was in concern about the impairment of prepayment whether the payment can be recovered. The Company followed up with BDO for stocktake and site visit since December 2023 to understand more about the business as in-deep understanding of the business is important, however, BDO suggested they could only arrange stocktake and site visit on 31 March 2024. Such arrangement would have caused a delay in the audit process.
- (iii) BDO also requested the Company to either return the funds or arrange significant sales of premium white spirit to have sufficient comfort to form their audit opinion in which the Company does not agree. It is because a return of funds means giving up the business and significant sales of white spirit is not what the Company can easily control.

(b) Actions taken by CCTH following its appointment

Following the appointment of CCTH CPA Limited (“CCTH”) as the Company’s auditor on 26 March 2024, the Company worked closely with CCTH on the audit of the consolidated financial statements for the year ended 31 March 2023. In response to the BDO’s Audit Matters, CCTH have performed the following audit procedures:

- (i) The Company discussed with CCTH and mutually agreed to engage another legal firm and had obtained the legal opinion to support the situation and status of the Company’s subsidiary. A legal opinion from a PRC legal firm was obtained to support the Company’s subsidiary legal position. According to the legal advice, the sales of properties can be considered valid as long as the buyers acknowledge the ongoing legal cases and potential liabilities before signing the sales agreements. CCTH, after reviewing all the sales agreements, took the initiative to obtain confirmation from each individual buyer regarding their awareness of the legal case associated with the respective properties. BDO had already emphasized on the going concern issue in prior years and CCTH had expressed Disclaimer opinion on going concern in the audit opinion.

- (ii) CCTH obtained legal opinions regarding the Group’s control over the Weihai Project and Weihai Guosheng Runhe Property Company Limited* (威海國盛潤禾置業有限公司) (“**Weihai Company**”). According to the legal opinion, despite the equity interest has been pledged to secure the loan, as long as the Court has not made a final decision on the claim, the Group shall not be construed as losing control over Weihai Company and the Weihai Project. In addition, the bank has confirmed that they will not assume control over Weihai Company and the Weihai Project.
- (iii) In relation to the legal proceedings and claims against the Group, CCTH had performed litigation searches and obtained all related documents on those legal cases for assessing the possible financial impacts towards the Group.
- (iv) The Company discussed with CCTH in early February 2024 relating to the circumstances and issues with BDO, and CCTH had confirmed that they have sufficient audit manpower for the engagement with us. CCTH conducted an assessment of the Group’s going concern and has identified material uncertainties related to the settlement of liabilities that are due within 12 months after the reporting period. The Management provided CCTH with a cash flow forecast and subsequent management accounts, indicating plans to commence the pre-sales of the Weihai Project in 2025, and engaged in negotiations with constructors to address outstanding amounts.
- (v) CCTH visited the white spirit factory to understand the premium white spirit business and review the Company sales of approximately HK\$203 million. Deposits paid of RMB220 million have been fully utilized subsequently with no impairment issue. CCTH also performed stocktake on the inventory to ensure existence and considered no impairment issue on such inventory. In addition, CCTH obtained the premium white spirit certificates proving that the premium white spirit is qualified, obtained bank statements to ensure sales proceed received, and obtained delivery documents to ensure proper delivery to customers. For the purpose of impairment assessment, CCTH also performed stocktake on the inventory to ensure existence and considered that there was no impairment issue on such inventory as the distribution price to distributors was generally higher than the Group’s purchase cost from the Factory.
- (vi) CCTH had reviewed and obtained the Group’s confirmation from Bank to ensure the Weihai Project remained control under the Group.

In addition, in relation to the assessment of the Net Realizable Value (“NRV”) of properties under development and impairment assessment of construction in progress, CCTH’s procedures involved several key steps:

- (i) CCTH evaluated the competence, capabilities and objectivity of the independent valuer and obtained an understanding of the valuer’s scope of work. CCTH obtained an understanding of the valuation process and techniques adopted by the valuer to assess if they are consistent with industry norms; and made enquiry of the valuer to assess the reasonableness of the significant unobservable inputs and validating the accuracy of the source data adopted by the management and the valuer by comparing them, on a sample basis, to where relevant, publicly available information of similar comparable properties and our understanding of the real estate industry.
- (ii) CCTH assessed and tested the internal controls in place over the assessment of NRV for properties under development and impairment assessment of construction in progress. This involved evaluating the design and implementation of controls and performing tests to determine their operating effectiveness.
- (iii) CCTH evaluated the valuation methodology adopted by management. This involved reviewing the key estimates and assumptions used in the valuations. CCTH compared these estimates and assumptions with market available data and the budget plans maintained by the Group.

(c) Audit Committee’s view on CCTH’s audit procedures

The Audit Committee was aware of the time delay and CCTH conducted a comprehensive assessment and maintained ongoing communication with the Board regarding the circumstances and issues prior to the official appointment date of 26 March 2024. All the requested information for audit purposes was prepared by 26 March 2024, considering the Company’s simple operations and the adequate manpower assigned by CCTH for both PRC and Hong Kong operations, being 3 PRC staffs and 5 Hong Kong staffs involved. During the final audit meeting on 22 April 2024, CCTH presented in detail the work performed concerning the circumstances, issues, and additional procedures to the Board of Directors and the audit committee. Therefore, the Audit committee is satisfied that CCTH has conducted sufficient audit procedures in performing high-quality audit.

(d) Disclaimer of Opinion

The Company's auditor, CCTH, expressed a disclaimer of opinion on the audited Financial Statements for the year ended 31 March 2023. In view of the significance of matter of the Group's going concern and has identified material uncertainties related to the settlement of liabilities that are due within 12 months after the reporting period, CCTH has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Financial Statements (the "**Disclaimer of Opinion**"). In all other respects, in CCTH's opinion, the Financial Statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Regarding the basis for Disclaimer of Opinion expressed by CCTH on the Financial Statements, the Audit Committee and the Board are of following views:

(i) Entrusted loan repayment terms restructuring

In relation to Weihai Project, the Company had already communicated with the bank to ensure the bank support the Company with the completion of the development. The project completed over 90% up to date and only 15 floors left waiting for construction and should be completed within a year from now, the rest of the project are completed including 2 fully constructed buildings which are ready for sale. The bank will not proceed any further legal action and based on mutual agreement, certain sales proceed will be first used to settled directly to the bank and the remaining properties sales will be used to settle other property constructors and lenders.

(ii) Property constructors and other lenders payment terms

Property constructors and other lenders would also like the Company to complete the constructions for repayment. The management has managed to negotiate repayment renewals or extensions with property constructors and other lenders, including overdue construction costs, loan principals, and interest payments, such that the outstanding amounts due to these parties shall be settled following the repayment of bank loans upon receipt of the sale proceeds from the project. The Company will start the marketing of sales in the second half of 2024 and any proceed from sales will be used to repay bank and other parties.

(iii) Additional new source of finance

The Company will be able to, following its resumption of trading and upon the Company's demand, obtain a new source of fund for the Company amounting to not less than HK\$300 million of available financing from an independent third party.

(iv) Diversify and expand into other profitable business

Since 2022, the Company started white spirit business and during the year up to January 2024, the Company already generated over HK\$203 million of sales. The business gives a strong cashflow to the Company and a strong support to resolve the disclaimer of opinion.

CCTH has conducted an assessment of the Group's going concern and has identified material uncertainties related to the settlement of liabilities that are due within 12 months after the reporting period. The management has provided CCTH with a cash flow forecast and subsequent management accounts, indicating plans to commence the pre-sales of the Weihai project in 2025 and engage in negotiations with constructors to address outstanding amounts. As of the date of the consolidated financial statements, CCTH has concerns about the Group's ability to successfully negotiate repayment renewals or extensions with property constructors and other lenders, including overdue construction costs, loan principals, and interest payments and considered that these issues would be remain unresolved in the foreseeable future. As a result, CCTH has issued a disclaimer opinion regarding the Group's going concern.

The Audit Committee agreed with the view of the Company's management with regards to the disclaimer opinion and concurred with the issuance of disclaimer opinion by CCTH on the financial statements for the year ended 31 March 2023 relating to going concern. There was no disagreement on the disclaimer opinion between the Audit Committee and the Company.

The Directors including the Audit Committee are fully confident on the plan to resolve the disclaimer of opinion. The only indebtedness in the Group was only from Weihai Project and the remaining subsidiaries of the Group are debt-free. Based on the communications with the banks and property constructors, they are all expecting the Company to complete the project for repayments. This is a good indication for the growth and continuous development of the Company and to resolve the disclaimer of opinion. As the Company's financial status improved significantly with significant amount of available cash as compared to last year, CCTH will need additional time to consider whether proper to issue disclaimer on going concern which is similar to last year or a clean opinion can be issued. The Directors are of the view that the Company shall have a clean opinion on or before 2025.

(e) *Publication of Outstanding Financial Results*

The Company has published all outstanding financial results, including (i) the Annual Results for the financial year ended 31 March 2023; and (ii) the Interim Results for the period ended 30 September 2023 by way of announcements of the Company on 22 April 2024. It is expected that the annual report for the financial year ended 31 March 2023 and the interim report for the period ended 30 September 2023 shall be published on or before 14 May 2024. The expected date of publication of the financial results announcement for the year ended 31 March 2024 shall be on or before 17 June 2024. As at the date of this announcement, the Company does not have any outstanding financial results required to be published under the Listing Rules.

The Company's auditor, CCTH, expressed a disclaimer of opinion on the audited financial statements for the year ended 31 March 2023. Please refer to the section 1(d) above for the details of the Disclaimer of Opinion.

(f) Additional information relating to the disposal of certain subsidiaries

Certain subsidiaries of the Company with no substantial operations were disposed in November 2023 for the purpose of simplification of the Group's corporate structure, and the details of the said disposals are as follows:

(i) Disposal of Grandlife Healthcare Corp. Limited

On 30 November 2023, the Group disposed Grandlife Healthcare Corp. Limited, a subsidiary of the Company, at a consideration of HK\$10,000 to an independent third party. The consideration was arrived based on arm's length negotiation between parties. At the time of the disposal, this company did not hold any assets or operate any business other than having rented a commercial premises in Wanchai. As the Group no longer required that premises, the Board considered it is not necessary to further hold this company so as to simplify the Group structure.

Prior to the disposal, the landlord of Grandlife Healthcare Corp. Limited had instituted a legal proceedings against it for the reinstatement of the rental property to its original upon the expiry of the lease with a claim amount of approximately HK\$500,000. There is no further residual obligation on the Group.

The purchaser was fully aware of the case and the potential outcome and the Directors confirmed there will be no impact on the validity of the disposal and the Company did not provide any guarantee and therefore will have no impact to the Company.

(ii) Disposal of Grandlife Healthcare Holdings Limited

On 30 November 2023, the Group disposed Grandlife Healthcare Holdings Limited, a subsidiary of the Company, at a consideration of HK\$100,000. The consideration was arrived based on arm's length negotiation between parties. At the time of the disposal, this company is the holding company of certain PRC subsidiaries which previously operate real estate development in the PRC. These PRC subsidiaries had ceased their operations and therefore the Group wishes to dispose this holding company in order to simplify the Group structure.

Prior to the said disposal, an operating subsidiary of Grandlife Healthcare Holdings Limited had a disagreement on renovation works of the property with one of our contractors. The contractor made a claim of RMB3.8 million for the outstanding contract amount. Based on the advice from our PRC legal adviser, the Company should have strong grounds to defend the claim and the litigation process was outstanding at the time of our disposal of the PRC subsidiary.

The purchaser was fully aware of the claim and the potential outcome. The Directors confirmed there will be no impact on the validity of the disposal and the Company did not provide any guarantee and therefore will have no impact to the Company.

(g) Additional information relating to the legal cases in Zhongshan Property

There are 7 legal cases involving the Zhongshan Property, six of the cases were closed/settled and the remaining case with potential outcome are as follows:

(i) 2 renovation work dispute cases

There were 2 cases relating to disagreements on renovation works of the property between our operating subsidiary and our contractors. These two cases were later settled, one with no financial impact to the Group and another one settled following the court hearing at an amount of RMB800,000.

(ii) 3 properties purchaser's claims

3 purchasers of our Zhongshan Property sued our operating subsidiary for failing to deliver the units within the agreed timeline under the sales contract. All these 3 matters were later settled and the Group had refunded the property consideration to the said purchasers.

(iii) 1 loan claim

This case relates to an outstanding loan due to a lender. Our PRC subsidiary had settled RMB1.2 million such lender and the matter was settled.

(iv) 1 outstanding renovation works dispute

This case relates to a disagreement on renovation works of the property between our operating subsidiary and our contractor. The contractor made a claim of RMB3.8 million for the outstanding contract amount. Based on the advice from our PRC legal adviser, the Company should have strong grounds to defend the claim and the litigation process was outstanding at the time of our disposal of the PRC subsidiary. As (i) the said operating subsidiary has been disposed from the Group; (ii) the relevant purchaser was fully aware of the claim and the potential outcome; and (iii) the Company did not provide any separate guarantee, the Directors are of the view that there will be no impact on the validity of the disposal and the outstanding dispute will not have any financial impact to the Company.

(h) Additional information relating to other legal disputes

(i) Weihai Project – Weihai Bank loan

It is about the entrusted loan of RMB500 million from Weihai Harbin Bank, total accrued amounts of principal and interests recorded up to current amounted to HK\$911 million. The Group has agreed to pay the said amount upon receipt of the sale proceeds from the project.

(ii) Weihai Project – Shandong Changqing Property Company Limited (山東常青置業有限公司)*

The property agent made a claim for the dispute on the agency contract for an amount of RMB680,000. The amount is immaterial to the Group. The Group has agreed to pay the said amount upon receipt of the sale proceeds from the project.

(iii) Weihai Project – Shenzhen Zhongshenzhuang Construction Group Company Limited (深圳市中深裝建設集團有限公司)*

A contractor made a claim for the dispute on the construction contract for an amount of RMB1,700,000. The Group has agreed to pay the said amount upon receipt of the sale proceeds from the project.

- (iv) *Weihai Project – Zhejiang Jiangong Group Company Limited (浙江省建工集團有限責任公司*)*

The main contractor made a claim for the dispute on the construction contract for an amount of RMB160,970,000. The Group has agreed to pay the said amount upon receipt of the sale proceeds from the project.

- (v) *Weihai Project – Laiting Disai (Tianjin) Lighting Design Company Limited (萊亭迪賽(天津)燈光設計有限公司*)*

A contractor made a claim for the dispute on the construction contract for an amount of RMB343,750. The amount is immaterial to the Group. The Group has agreed to pay the said amount upon receipt of the sale proceeds from the project.

Considering the above, the Company's subsidiary and the contractors from Weihai Project are under the mutual understanding that the outstanding payments shall be made based on sales proceeds from the project and no further legal proceeding will be claimed against the Company's subsidiary.

2. Resumption Condition (2) – demonstrate the Company's compliance with Rule 13.24

(a) Weihai Project

The Group develop and operate a substantial property development located at Weihai, PRC which valued at RMB800 million at current stage with total development area of 194,000 square metres. It is currently under construction and the gross development value of the project for Phase I at completion is valued at RMB1.65 billion.

Weihai Project consists of 2 phases, namely:

- (i) Phase I – have a total of approximately 195,000 square metres of the gross floor area with 1,400 apartment suites, 200 hotel suites and 360 car parking spaces. The project is currently under finalising stage. Phase I is expected to be completed within a year from now. The hotel operations are built inside Phase I and the building part was completed, and the Company currently intends to continue the hotel operations as disposals of other parts of properties should be sufficient for repayments.

In December 2015, the Group entered into a management agreement with a world-renowned hotel group for the appointment of hotel manager for the hotel in Phase I and such agreement remains effective up to now. Following the completion of Phase I in mid-2025, such hotel manager will take up the preparation works and management role of the hotel pursuant to the binding management agreement. As the hotel manager will need around 6 to 9 months for preparing and setting up the hotel suites and facilities according to its global brand standards, the Group aims at starting the hotel's operations in the first half of 2026.

- (ii) Phase II – currently under the land acquisition stage with no construction commenced. Phase II is expected to resume work after the completion of phase I.

It is expected that the Group will start the sales process of Phase I of Weihai Project at the time it is completed, i.e. expected in 2025. Nevertheless, the Group will start the marketing process for Phase I properties in the second half of 2024.

In the circumstances that the Company requires immediate funding to complete the project, the Company will be able to, following its resumption of trading and upon the Company's demand, obtain a new source of fund of not less than HK\$300 million of available financing in addition to the Company's available cash of HK\$150 million. The available cash of HK\$150 million is currently classified under the segment of trading and developing of premium white spirit, which can be utilized to finance the Weihai Project. There is no restriction in the Group for the available cash to be used in any particular segment. Nevertheless, the Directors would like to emphasize that the Company does not need large amount of cash for Weihai Project as it had been agreed with bank and contractors that the payments will be made based on sales proceeds from the project as all parties currently working towards the same goal.

As at the date of this announcement, the capital commitment for the Group to complete the Phase I of Weihai Project is approximately HK\$119,462,000. It is expected that the Group is not necessary to make any further capital contribution for the completion of Phase I of the Weihai Project.

Phase II of the project is currently at the land development stage and will only resume work after the completion of Phase I. Given the existing market environment, it remains uncertain on the possible timeline and capital commitment required for the development of Phase II. The Board intends to develop Phase II upon completion of Phase I but no definite or detailed workplan or budget has been made at the present.

(b) *White Spirit Business*

In 2023 and 2024, the Group had developed the branding namely “一品江山” and recorded HK\$203 million of sales up to January 2024.

The Group started generating sales of premium white spirit in 2023. The Directors were in the view that China property market was going to collapsed based on their experiences few years ago as the Company's property being unsold for many years.

The management is expert in premium white spirit and discovered a premium white spirit from Chengdu, Sichuan, the PRC, the taste and quality are over 90% similar to another famous brand in the PRC. However, the cost for the premium white spirit is much lower and therefore, the Directors resolved to commence the business of premium white spirit.

The Company and the Factory cooperate and developed the brand namely “一品江山” and started marketing in the PRC since 2023. The Company started exploring the sales networks in the PRC and distribute the white spirit to its distributors. The brand is owned 50% by a joint venture partner of the Group, which is a third party independent from the Group, and 50% owned by the Company. The Company further acquired the sole distribution right from 1 May 2023 to 30 April 2033 for a term of 10 years. Subsequent to the completion of the first 10 years sole distribution right, the Company has rights to further extend the terms.

The Company mainly focus on the distribution network and marketing of the brand. The Company receives sales order from its sales network and through marketing events in the PRC to generate sales and place order to factory for productions. There are 4 large marketing events which have been successfully launched in the PRC and attracted over 50 potential customers. There were also over 3,000 attendants joining the events in total. The Company used internal funding with nil external debts on premium white spirit business and does not expect any extra funding needs. The expected annual turnover for the 2024/2025 financial year is RMB1 billion at this stage.

There are currently 10 staffs working on the premium white spirit business and over 50 potential distributors located in the PRC, all of them are independent third parties of the Group. The source of supply is solely from our cooperated factory located at Chengdu, Sichuan, PRC.

At the latest practicable date of the interim results (i.e. 22 April 2024), the Company had already received in full the amount of prepayment recovered from the proceeds of selling the premium white spirit. In particular, the Group generated income from sales of premium white spirit, being HK\$175,300 in November 2023 and HK\$203,308,400, and a further sales of RMB22 million was made up to date of this announcement.

The Company arranged the deposits and waiting for the Factory's production and therefore no inventory recorded in the FY2022/23 annual results and FY2023/24 interim results. After 30 September 2023, upon the quality check passed, we have received the inventory and therefore the inventory will be shown in the FY2023/2024 annual results.

The Group had arranged RMB220 million deposits to supplier for the premium white spirit, the full amount was arranged to supplier on 31 March 2023. During the year ended 31 March 2024, full amount of deposits have been utilized and converted to inventory and RMB120 million of inventory were sold in November 2023 and January 2024, generating a total of RMB180 million of sales. As at 31 March 2024, the Group recorded inventory on hand amounted to RMB100 million representing 1,250,000 bottles of premium white spirit.

The reasons why the Company paying a large sum of deposits are: (i) the taste and quality of the premium white spirit are over 90% similar to those of another famous brand in the PRC but the cost for the premium white spirit is much lower than that; and (ii) for the purpose of cooperating with the Factory, the Factory required the Company to order over RMB200 million of white spirit. The Directors considers that this is a profitable business opportunity for the Group and in the best interest of the shareholders of the Company since the long recovery process following the collapse of the PRC property market. The Directors are in the view that the Company should diversify its principal activities in order to generate above market return for the Shareholders.

(c) *Healthcare Business*

The segment of comprehensive healthcare planning and management service in both FY2022/23 and first half of FY2023/24 were nil. As a result of Covid-19 and the collapse of the PRC property market, the Company has decided to halt the healthcare business and will closely monitor the market for any viable business opportunity.

The Company has recorded a revenue of HK\$15.4 million for the comprehensive healthcare planning and management services segment in FY2021/22 but nil revenue was recorded in FY2022/23. The relevant sales was mainly related to sales of healthy wine which the Company had classified under the segment of comprehensive healthcare planning and management services. However, during the FY2023/24, as mentioned that the Company had developed another brand of premium white spirit “一品江山” and due to the nature and size of the business, the Board considered to add another segment namely trading and developing of premium white spirit rather than included under the comprehensive healthcare segment. The trading and developing of premium white spirit were originated from the healthy wine under the healthcare segment.

3. Resumption Condition (3) – Announce all material information for the Company’s shareholders and investors to appraise its position

The Company is of the view that there is no other undisclosed information that is material for the Shareholders and other potential investors to appraise the Company’s position in accordance with the Listing Rules and other applicable regulatory requirements. Accordingly, the Company is of the view that it has fulfilled Resumption Condition (3).

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 3 July 2023. As the Resumption Guidance has been fully fulfilled to the Stock Exchange’s satisfaction, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 10 May 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Crown International Corporation Limited
Wei Zhenming
Executive Director

Hong Kong, 9 May 2024

As at the date of this announcement, the executive Directors are Mr. Wei Zhenming and Mr. Chan Yuk Charm; and the independent non-executive Directors are Ms. Liu Ting, Mr. Xiao Ganghua and Mr. Ng Ki Man.

** for identification purpose only*