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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of Crown International Corporation Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Current Interim Period**”) together with the relevant comparative figures for the six months ended 30 September 2021 (the “**Last Interim Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

		(Unaudited) Six months ended 30 September	
	Notes	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	3	421,165	2,113
Cost of sales		(709,743)	—
Gross loss		(288,578)	—
Other loss, net	4	(275)	—
Other income	5	194	156
Fair value loss on investment properties		(464,495)	—
Staff costs		(16,391)	(12,667)
Depreciation on property, plant and equipment		(2,625)	(2,736)
Other operating expenses, net		(15,579)	(5,234)
Operating loss		(787,749)	(18,368)
Finance income		3	19
Finance costs		(881)	(324)
Finance costs, net		(878)	(305)
Loss before income tax	6	(788,627)	(18,673)
Income tax credit/(expense)	7	385,354	(2,254)
Loss from continuing operations		(403,273)	(20,927)
Loss for the period		(403,273)	(20,927)

		(Unaudited)	
		Six months ended	
		30 September	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss:			
	Currency translation differences	(195,488)	44,158
	Other comprehensive (loss)/income for the period, net of tax	<u>(195,488)</u>	<u>44,158</u>
	Total comprehensive (loss)/income for the period	<u>(598,761)</u>	<u>23,231</u>
Loss attributable to:			
	Owners of the Company	<u>(403,273)</u>	<u>(20,927)</u>
		(403,273)	(20,927)
	Non-controlling interests	<u>–</u>	<u>–</u>
		<u>(403,273)</u>	<u>(20,927)</u>
Total comprehensive (loss)/income attributable to:			
	Owners of the Company	(598,761)	23,231
	Non-controlling interests	<u>–</u>	<u>–</u>
		<u>(598,761)</u>	<u>23,231</u>
Loss per share			
(expressed in HK cent per share)			
	From continuing and discontinued operations		
	– Basic and diluted	<u>(11.41)</u>	<u>(0.61)</u>
	From continuing operations		
	– Basic and diluted	<u>(11.41)</u>	<u>(0.61)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		278,653	303,564
Investment properties	10	–	1,253,728
Other receivables, prepayments and deposits	11	1,251	1,251
		279,904	1,558,543
Current assets			
Trade receivables	12	435,455	14,650
Other receivables, prepayments and deposits	11	262,737	271,861
Properties under development for sale		1,044,832	1,119,630
Restricted bank balances		2,077	7,307
Cash and cash equivalents		206	714
		1,745,307	1,414,162
Total assets		2,025,211	2,972,705
LIABILITIES			
Current liabilities			
Trade payables		–	2,000
Other payables and accruals	13	685,718	762,374
Borrowings		578,351	644,375
Lease liabilities		5,713	7,686
Income tax payable		27,052	4,427
		1,296,834	1,420,862
Net current assets/(liabilities)		448,473	(6,700)
Total assets less current liabilities		728,377	1,551,843

	(Unaudited)	(Audited)
	30 September	31 March
	2022	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	4,077	6,991
Deferred income tax liabilities	<u>8,670</u>	<u>232,412</u>
	<u>12,747</u>	<u>239,403</u>
Net assets	<u>715,630</u>	<u>1,312,440</u>
EQUITY		
Capital and reserves		
Share capital	1,998,309	1,979,067
Other reserves	<u>(1,282,897)</u>	<u>(666,103)</u>
Equity attributable to owners of the Company	715,412	1,312,964
Non-controlling interests	<u>218</u>	<u>(524)</u>
Total equity	<u>715,630</u>	<u>1,312,440</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

The principal activities of the Group are (i) property investment, (ii) property development, (iii) hotel operations, (iv) provision of financial consultancy service and (v) provision of comprehensive healthcare planning and management services.

The Company is a limited liability company incorporated in Hong Kong Special Administrative Region (“**Hong Kong**”). The address of its registered office is Room 2707, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information of the Group have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS(s)**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022. These condensed consolidated interim financial information are unaudited but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

The financial information relating to the year ended 31 March 2022 included in this condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor had reported on those financial statements. The auditor's report was unqualified but included a reference to the matter of material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

In preparing the condensed consolidated interim financial information of the Group, the Directors have given consideration to the operations of the Group can continue as going concerns notwithstanding that the following matters which may cast significant doubt about the Group's ability to generate sufficient cash flows to meet its liquidity needs:

- (i) the operations of the Group has deteriorated due to the Novel Coronavirus (“COVID-19”) pandemic as one of the main operations of the Group is sales of properties in the People's Republic of China (the “PRC”). Even though the lockdown measures were released after the pandemic situation improved, economic conditions have not returned to the level before COVID-19 pandemic. As a result, properties sales of the Group has been affected significantly.

The Group incurred a loss of HK\$403,273,000 for the period ended 30 September 2022. In addition, the current liabilities included an entrusted loan of HK\$551,577,000 and these amounts were 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. Further, as at 30 September 2022, the Group had cash and cash equivalents of HK\$206,000 only.

The condensed consolidated interim financial information were prepared based on the assumption that the Group can be operated as a going concern. The Directors are of the view that the Group will have sufficient working capital to finance their operations in the next twelve months from 30 September 2022, after taking into consideration of the following:

- (i) the Group is actively negotiating with the financial institutions to remedy the late payment issue and to restructure the payment terms for the remaining amount of the entrusted loans. As a result of the outbreak of COVID-19, the PRC government was encouraging banks to help enterprises to resolve their liquidity problem. The Directors consider the Group will be able to reach an agreement with the financial institutions to defer the loan repayment schedule;

- (ii) as at 30 September 2022, the Group had trade receivables with net carrying amount of approximately HK\$435,455,000, that are available for the Group; and
- (iii) the estimated proceeds from the pre-sale of properties under development in respect of the projects in Weihai.

The Directors, after making due enquiries and considering the basis of management's assumptions, believe that, taking into account the above mentioned actions and planned measures and their progress, the Group will have sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next twelve months from 30 September 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on the going concern basis. There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the condensed consolidated interim financial information be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the condensed consolidated interim financial information.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the current accounting period:

Amendment to HKFRS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets: onerous contracts – Cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. Revenue and segment information

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

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;
- (iii) the hotel operations segment engages in hotel rental and food and beverage business in Weihai city;
- (iv) the financial consultancy service segment engages in the provision of financial consultancy service to assist customers to obtain financing (discontinued operation);
- (v) the comprehensive healthcare planning and management services segment engages in the provision of comprehensive healthcare planning and management services to the healthcare operators; 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.

The segment results, depreciation, fair value gains on investment properties and capital expenditures based on reportable segments for the six months ended 30 September 2022 and 2021 are as follows:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2022							
(Unaudited)							
Segment revenue:							
Revenue from external customers	420,940	-	-	-	225	-	421,165
Segment results	(766,886)	(953)	(238)	-	(386)	(19,286)	(787,749)
Finance income							3
Finance costs							(881)
Profit/(loss) before income tax							(788,627)
Income tax expense							385,354
Profit/(loss) after income tax							(403,273)
Loss on disposal of a subsidiary							-
Loss for the period							(403,273)
Other segment information							
Depreciation on property, plant and equipment	-	(255)	-	-	-	(2,370)	(2,625)
Fair value gains on investment properties	-	-	-	-	-	-	-
Additions to							
- property, plant and equipment	-	-	-	-	-	-	-
- investment properties	-	-	-	-	-	-	-

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <i>HK\$'000</i>	Comprehensive healthcare planning and management services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2021 (Unaudited)							
Segment revenue:							
Revenue from external customers	1,423	-	-	-	690	-	2,113
Segment results	558	(1,363)	(299)	-	1,253	(18,517)	(18,368)
Finance income							19
Finance costs							(324)
Profit/(loss) before income tax							(18,673)
Income tax expense							(2,254)
Profit/(loss) after income tax							(20,927)
Loss on disposal of a subsidiary							-
Profit/(loss) for the period							<u>(20,927)</u>
Other segment information							
Depreciation on property, plant and equipment	(122)	(265)	(12)	-	(252)	(2,085)	(2,736)
Fair value gains on investment properties	-	-	-	-	-	-	-
Additions to							
- property, plant and equipment	-	-	-	-	-	-	-
- investment properties	-	-	-	-	-	-	-

3 customers (six months ended 30 September 2021: 4) contributed more than 10% of the Group.

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	Property investment segment	Property investment segment
	HK\$'000	HK\$'000
Customer A	112,157	–
Customer B	60,545	–
Customer C	46,339	–
Customer D	–	1,053
Customer E	–	371
Customer F	–	302
Customer G	–	387
Others	202,124	–
Total	421,165	2,113

The segment assets and liabilities based on reportable segments as at 30 September 2022 and 31 March 2022 are as follows:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial consultancy service <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 30 September 2022							
(Unaudited)							
Segment assets	433,321	1,286,186	274,271	-	15,091	16,136	2,025,005
Cash and cash equivalents	8	-	-	-	1	197	206
Total assets	433,329	1,286,186	274,271	-	15,092	16,333	2,025,211
Segment liabilities	(111,240)	(849,096)	(283,032)	-	(2,669)	(63,544)	(1,309,581)
Total liabilities	(111,240)	(849,096)	(283,032)	-	(2,669)	(63,544)	(1,309,581)
At 31 March 2022							
(Audited)							
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 six months ended 30 September 2022 and 2021 and non-current assets other than financial instruments, deposit paid for corporate asset and deferred income tax assets as at 30 September 2022 and 31 March 2022 based on geographical area are as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
PRC	<u>421,165</u>	<u>2,113</u>
	(Unaudited)	(Audited)
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	1,549	3,920
PRC	<u>277,104</u>	<u>1,553,372</u>
	<u>278,653</u>	<u>1,557,292</u>

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

4. Other loss, net

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Others	<u>(275)</u>	<u>–</u>
	<u>(275)</u>	<u>–</u>

5. Other income

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	–	15
Others	<u>194</u>	<u>141</u>
	<u>194</u>	<u>156</u>

6. Loss before income tax

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Auditors' remuneration	813	700
Staff costs	<u>16,391</u>	<u>12,667</u>

7. Income tax expense

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax – PRC	–	2,254
Deferred taxation – PRC	385,354	–
	<u>385,354</u>	<u>2,254</u>

8. Loss per share

Basic and diluted loss per ordinary share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
Loss for the period attributable to owners of the Company, HK\$'000	(403,273)	(20,927)
Weighted average number of ordinary shares in issue	3,532,900,000	3,430,000,000
Basic and diluted loss per ordinary share, HK cent	<u>(11.41)</u>	<u>(0.61)</u>

For the six months ended 30 September 2022, diluted loss per share was the same as basic loss per share as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share presented for the six months ended 30 September 2022.

For the six months ended 30 September 2021, the calculation of diluted earnings per ordinary share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per share above, as the Company did not have any dilutive potential ordinary shares arising from share options.

9. Dividend

The Board do not recommend payment of interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

10. Investment properties

	(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
At beginning of period/year	1,253,728	1,992,545
Addition	–	57,816
Fair value loss, net	(464,495)	(771,370)
Disposal of subsidiaries	–	103,757
Transfer to Inventory	(709,743)	–
Exchange difference	(79,490)	78,494
	<hr/>	<hr/>
At end of period/year	–	1,253,728
	<hr/> <hr/>	<hr/> <hr/>

11. Other receivables, prepayments and deposits

	(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
Non-current		
Rental deposits	1,251	1,251
	<hr/>	<hr/>
	1,251	1,251
	<hr/>	<hr/>
Current		
Other receivables	–	676
Prepayments and deposits	262,737	271,185
	<hr/>	<hr/>
	262,737	271,861
	<hr/>	<hr/>
	263,988	273,112
	<hr/> <hr/>	<hr/> <hr/>

12. Trade receivables

	(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
Trade receivables	<u>435,455</u>	<u>14,650</u>

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

	(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
1 to 3 months	420,805	–
4 to 6 months	–	14,650
7 to 12 months	<u>14,650</u>	<u>–</u>

13. Other payables and accruals

	(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
Non-current		
Leasehold improvements payable	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Current		
Construction and development cost payables	441,654	424,266
Contract liabilities	127,501	142,762
Interest payable	105,071	154,512
Others	<u>11,492</u>	<u>40,834</u>
	<u>685,718</u>	<u>762,374</u>
	<u>685,718</u>	<u>762,374</u>

14. Approval of the financial information

The unaudited condensed consolidated interim financial information was approved for issue by the Board on 30 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

The Group was principally engaged in the business of property investment, property development, hotel operations, financial consultancy service and comprehensive healthcare business in the PRC.

Property investment

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**”) was transferred to Inventory and sold during the period.

Property development

The Group’s current investment in property development comprises approximately 1,400 service 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 project is 100% owned by the Group.

Hotel operations

The Group’s current investments 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 managed by a world-renowned hotel group as hotel manager under the management agreement between the Group and the said hotel group. The hotel is currently under construction.

Financial consultancy service

Due to the stagnant economic conditions in the PRC, the Group’s business of providing financial consultancy services to property developers in the PRC for financing recorded no revenue in the current period.

Comprehensive healthcare business

The comprehensive healthcare business segment was just established in the financial year of 2019/20. Currently, this new business segment includes mainly provision of comprehensive healthcare planning and management services to healthcare business operators, including preliminary planning, research, establishment, staff training and post-establishment operation and management.

A. The Group's investment in Property Development

The Weihai Property

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

威海國盛潤禾置業有限公司 (“**Weihai Runhe**”), an indirect wholly-owned subsidiary of the Company, obtained the Commodity Housing Pre-sale Permit in the third quarter of 2018, after which pre-sale of the serviced apartments of Weihai Property started.

As at the date of this announcement, the total pre-sales by Weihai Runhe amounted to approximately RMB207 million, and the total saleable area pre-sold is approximately 17,000 square meters. The relevant pre-sale amounts are expected to be recognised as revenue in the financial year of 2023/24, as the construction and renovation works of the serviced apartment units are currently expected to be completed in 2023/2024.

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 acquisition of the offshore holding company of the PRC company for development of the Weihai Property) for development of the Weihai Property will exceed RMB1.0 billion. Part of the Group's plan to finance the development of the Weihai Property is pre-sale of the serviced apartment units as disclosed above.

In November 2018, Weihai Runhe entered into an entrusted debt investment agreement (the “**Asia Alliance Asset Loan**”) with 亞聯盟資產管理有限公司, through Harbin Bank Tianjin Branch, pursuant to which Weihai Runhe obtained a loan facility of RMB660 million (equivalent to HK\$772 million) for a term of 3 years, bearing interest at 6.6% per annum. The final drawdown amount by Weihai Runhe was RMB500 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 Group's management considered that the Weihai Property would be sufficiently financed through (i) the cash flow generated from pre-sale of the serviced apartments; (ii) loan facilities such as the facilities mentioned above; (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.

B. The Group's Hotel Operations

The Weihai Property

Among the three buildings of the Weihai Property, the highest one of which would partially be built into a hotel in the future. Affected by the outbreak of COVID-19, the construction progress was severely hindered. The estimated completion time will be postponed from 2021 to 2023/2024. The main building of the Weihai Property is expected to stand approximately 149.8 metres in height, making it a landmark along the Golden Beach in Weihai. It is 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 operation of the hotel premises upon completion. The hotel is expected to achieve a 5-star international standard and target high-end business and leisure travelers.

The hotel complex is under construction at the moment. Upon completion of the construction and renovation works (expected to be in 2023/2024), the hotel is expected to provide about 200 luxury suites and rooms.

C. The Group's Financial Consultancy Service

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

D. The Group's Comprehensive Healthcare Business

The business segment, comprehensive healthcare planning and management services was established in recent years. The Group successfully engaged in attracting professional teams with extensive experience in these sectors and has comprehensive project resources with customer network. This business is aiming to operate with the goal of building the brand of "Grandlife Healthcare Group". Currently, this segment services mainly focus on 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.

FINANCIAL REVIEW

Key Performance Indicators

	For the six months ended	
	30 September	
	(Unaudited)	(Unaudited)
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	421,165	2,113
Loss attributable to owners of the Company	(403,273)	(20,927)
	(403,273)	(20,927)
Loss per share (HK Cent)	(11.41)	(0.61)
	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross assets	2,025,211	2,972,705
Net assets attributable to owners of the Company	715,412	1,312,964
Cash and bank balances	206	714
Borrowings	578,351	644,375
Net borrowings/net assets attributable to owners of the Company ratio	80.8%	48.0%

Revenue

Revenue of the Group amounted to approximately HK\$421.2 million for the Current Interim Period, representing a significant increase of approximately HK\$419 million or approximately 19,800% as compared to that of approximately HK\$2.1 million for the Last Interim Period. The significant increase in revenue was that for the Current Interim Period, the sales of properties.

Other operating expenses

Other operating expenses of the Group amounted to approximately HK\$15.6 million for the Current Interim Period, representing a significant increase of approximately HK\$10.3 million or approximately 198% as compared to that of approximately HK\$5.2 million for the Last Interim Period. The increase in other operating expenses was related to increase in other taxes.

Loss attributable to owners of the Company

For the Current Interim Period, the Group recorded loss attributable to owners of the Company of approximately HK\$403.0 million, as compared to loss of approximately HK\$20.9 million for the Last Interim Period. The loss was mainly due to the increase in revaluation loss and the loss on disposal of properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the Current Interim Period, the Group's sources of fund primarily included income generated from business operations and borrowing 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 period. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns on projects and stringently control the cost and various expenses. Besides, the Group will continue to look for opportunities to cooperate with foreign and domestic investors, in order to provide other sources of funding for the expansion of projects and business development.

As at 30 September 2022, the Group had bank balances and cash of approximately HK\$2.3 million as compared to the bank balances and cash of approximately HK\$8 million as at 31 March 2022.

The Group had net current assets amounting to approximately HK\$448 million as at 30 September 2022, against approximately net current liabilities HK\$6.7 million as at 31 March 2022. The Group's current ratio (i.e. current assets divided by current liabilities) was approximately 1.34 as at 30 September 2022, as compared to approximately 1.00 as at 31 March 2022.

Gearing Ratio

As at 30 September 2022, the Group's net debt gearing ratio (i.e. net debt divided by equity attributable to owners of the Company) was approximately 80.8% (31 March 2022: approximately 48%). Net debt comprises total borrowings less cash and cash equivalents and restricted bank balances.

CAPITAL EXPENDITURE

During the Current and Last Interim Period, there was no capital expenditure of the Group on fixed assets, and there was no capital expenditure of the Group on investment properties during the Current and Last Interim Period.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2022,

- (a) the Group did not have any material contingent liabilities or guarantees (31 March 2022: Nil); and
- (b) the Group has capital expenditure on hotel properties contracted for but not provided in the condensed consolidated interim financial information in the amount of approximately HK\$124.9 million (31 March 2022: approximately HK\$124.9 million) in respect of the construction of the hotel properties.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2022 and 31 March 2022, the Group's interests in the Weihai Property, and the equity interests in a PRC subsidiary which control the Weihai Property were pledged to an independent third party as security for borrowings with outstanding amount of approximately RMB500 million (equivalent to approximately, 30 September 2022: HK\$551.6 million, 31 March 2022: HK\$611.1 million).

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 in the Current Interim Period.

Save as disclosed above, as at 30 September 2022, the Group did not hold any significant investments (31 March 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2022, the Group had a total of 24 employees (31 March 2022: 31 employees), including executive Directors. The remuneration and staff cost for the Current Interim Period were approximately HK\$16.4 million (Last Interim Period: approximately HK\$6.6 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 and management services in the PRC.

For the property development, the apartment units of the Golden Beach No. 1 Project phase I located in Weihai, Shandong province, the key project of the Group, is still under pre-sale. Affected by the COVID-19 pandemic, the construction progress is hindered and the latest estimated completion time will be in the second half year of 2023. The Group will then be able to recognise sales revenue from the Golden Beach No. 1 Project phase I in the financial year of 2023/2024. In addition, the Group is conducting research on the Golden Beach No. 1 Project phase II in Weihai, next to its phase I, to explore the possibilities of development of the Phase II. The Group believes that these two projects can create enormous synergies.

For the hotel operations, the Golden Beach No. 1 Project phase I located in Weihai, Shandong province is still under construction. Also affected by the COVID-19 pandemic, the hotel is expected to be completed and start business in the second half year of 2024. The hotel portion of the Golden Beach No. 1 Project phase I, becoming a new landmark and the highest building of Weihai city, Shandong province, will be managed by a world renowned hotel management company, making it the first international five-star hotel of the city.

Suffering from the 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 is 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 network. The Group is under the development to cooperate 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.

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.

The Group is fully confident in its future development.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: 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 six months ended 30 September 2022, 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 six months ended 30 September 2022	No. of share options exercised/ cancelled/ lapsed during the six months ended 30 September 2022	No. of share options outstanding as at 30 September 2022	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 issued capital of the Company after completion of the Listing on the Stock Exchange. 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 immediately after the completion of the Listing. 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.

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

During the Current Interim Period, the Company did not redeem any of its shares listed on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of its shares.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Model Code

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

Changes of Directors' Information

The following are the changes in the information of Directors since the disclosure was made in the 2021/22 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Lee Chi Shing Caesar has been appointed as executive Director, member of Executive Committee with effect from 23 August 2022 and resigned with effect from 1 October 2022.

Mr. Ip Ka Ki has been appointed as an independent non-executive Director, Chairman of the Audit Committee and member of Remuneration, Quality and Nomination (RON) Committee with effect from 23 August 2022 and resigned with effect from 1 October 2022.

Mr. Li Yong Jun retired as an executive Director and ceased to be vice chairman and member of the executive committee with effect from 30 September 2022.

Mr. Lui Ha Nam Dennis resigned as an executive Director and ceased to be Chairman of the board, chairman of executive committee and member of RON committee with effect from 30 September 2022.

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

Audit Committee

The Audit Committee comprises all the independent non-executive Directors who possess appropriate business, legal, engineering, financial experience and skills to undertake the review of the financial statements in accordance with good practice of financial reporting. The Audit Committee comprise Mr. CHEN Fang and Mr. REN Guo Hua. The unaudited interim results for the Current Interim Period and this announcement have been reviewed by the Audit Committee. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

The Company only has two Independent Non-executive Directors, thus the number of the Independent Non-executive Directors falls below the minimum number (i.e. at least three Independent Non-executive Directors) required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and (ii) the Audit Committee of the Company only has two Independent Non-executive Directors, thus the number of the members falls below the minimum number (i.e. at least three members) as required under Rule 3.21 of the Listing Rules.

The Company will endeavour to identify suitable candidate(s) to fill up the vacancy of (i) Independent Non-executive Director and in any event within three months from the date of resignation of latest Independent Non-executive Director as required under Rule 3.11 of the Listing Rules and (ii) members of the Audit Committee of the Company in accordance to Rule 3.21 of the Listing Rules, and will make further announcement as and when appropriate.

By order of the Board
Crown International Corporation Limited
Meng Jin Long
Executive Director

Hong Kong, 30 November 2022

As at the date of this announcement, the Board comprises one executive Director, namely Mr. MENG Jin Long; and two independent non-executive Directors, namely Mr. REN Guo Hua and Mr. CHEN Fang.