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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)

SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Reference is made to the announcements of annual report for the year ended 31 March 2023 on 14 May 2024 (the “Annual Report”). Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as those defined in the Annual Report.

The Board would like to provide the following additional information in respect of the impairment of properties under development for sale and construction in progress under hotel operations segment in the Annual Report.

The Company had impairment losses amounted to HK\$286,782,000 and HK\$110,064,000 recognised under properties under development for sale (the “PUD”) and construction in progress under hotel operations segment (the “CIP”) respectively (together the “Properties”), the Company would like to supplement additional information as follows:

INPUTS AND ASSUMPTIONS USED IN THE VALUATION REPORTS

According to the Valuation Report, in the valuation of the Properties as at 31 March 2023 (the “Date of Valuation”), the residual method was adopted. Firstly, the gross development value was assessed. The gross development value represents the total capital value assuming the proposed development is completed at the valuation date at current market prices. The assessed value of the Properties is the residual value after deducting the estimated gross development costs (including construction costs, marketing fees, finance costs and related costs) to be incurred, as well as the developer’s profit and profit provisions from the gross development value.

In assessing the gross development value, on the basis that the Properties will be developed and completed in accordance with the company's latest development proposals, the direct comparison approach was adopted by making reference to comparable sales evidences which possess the similar characteristics as available in the relevant market. The gross development value was calculated by multiplying the adjusted unit rate of respective portion by the gross floor area of respective portion. As at the Date of Valuation, the gross development value was arrived at approximately RMB1,642,000,000. The marketing costs on gross development value, finance costs and tax fees were taken into account and excluded from the gross development value. As at the Date of Valuation, the gross development value after deducting the fore-mentioned costs and fees was arrived at approximately RMB1,404,300,000.

The Properties comprises retail, apartment, car parking spaces and hotel portions. In assessing the gross development value, various relevant sales asking evidences which satisfied the criteria on time, usage, and location were identified, including (i) sales asking evidences which are recent to the Valuation Date; (ii) the comparable properties are retail, apartment, car parking spaces, hotel; and (iii) the comparable properties are located in the same district as the Properties. The comparable properties market value were ranging from 10 February 2023 to 10 October 2023.

In assessing the value of retail portion, two relevant comparable units were identified, the details of the comparable properties adopted are as follows:

Comparables	A	B
Listed date	3 May 2023	19 April 2023
Address	Xihe Yuan, Weigao Garden, Gao District, Weihai City	Imperial Palace, Wenhua West Road, Gao District, Weihai City
Type of property	retail	retail
Approximate gross floor area (<i>sq.m.</i>)	100	106
Listed price (<i>RMB</i>)	1,280,000	1,560,000
Listed unit Rate (<i>RMB/sq.m.</i>)	12,800	14,717

In arriving at the adjusted unit rates, appropriate adjustments and analysis were considered to reflect the differences in several aspects including but not limited to nature, location and other physical characteristics between the property and the comparable properties. The general basis of adjustment was that if the property was better than the comparable property, an upward adjustment was applied. Alternatively, if the property was inferior than the comparable property, a downward adjustment was applied. The adjustments applied to arrive at the valuation included but not limited to:

Adjustment factors	Range
Nature	-5%
Location	-6% to -2%
Total adjustments	-11% to -7%

In terms of nature, downward adjustments were applied as all the prices of comparable properties were asking prices.

In terms of location, downward adjustments were applied as the locations of the comparable properties were superior or better than the property.

The adjusted unit rates for retail portion are as follows:

Comparables	A	B
Adjusted unit rate (<i>RMB/sq.m.</i>)	11,392	13,687
Average of the adjusted unit rate (<i>RMB/sq.m.</i>)		12,539
Rounded and adopted (<i>RMB/sq.m.</i>)		12,500

Due adjustments including the nature and location factors have been considered in the valuation to come up with the unit rate of approximately RMB12,500 per square meter on gross floor area.

In assessing the value of apartment portion, two relevant comparable units were identified, the details of the comparable properties adopted are as follows:

Comparables	A	B
Listed date	28 March 2023	19 October 2023
Address	Yinfeng International Apartment, Wenhua West Road, Gao District, Weihai City	Oriental Xintiandi Shopping Centre, Gao District, Weihai City
Type of property	apartment	apartment
Approximate gross floor area (<i>sq.m.</i>)	49.56	149
Listed price (<i>RMB</i>)	495,000	1,680,000
Listed unit rate (<i>RMB/sq.m.</i>)	9,988	11,275

In arriving at the adjusted unit rates, appropriate adjustments and analysis were considered to reflect the differences in several aspects including but not limited to nature, location and other physical characteristics between the property and the comparable properties. The general basis of adjustment was that if the property was better than the comparable property, an upward adjustment was applied. Alternatively, if the property was inferior than the comparable property, a downward adjustment was applied. The adjustments applied to arrive at the valuation included but not limited to:

Adjustment factors	Range
Nature	-5%
Location	-6% to -5%
Total adjustments	-11% to -10%

In terms of location, downward adjustments were applied as the locations of the comparable properties were superior or better than the property.

The adjusted unit rates for apartment portion are as follows:

Comparables	A	B
Adjusted unit rate (<i>RMB/sq.m.</i>)	8,989	10,035
Average of the adjusted unit rate (<i>RMB/sq.m.</i>)		9,512
Rounded and adopted (<i>RMB/sq.m.</i>)		9,500

Due adjustments including the nature and location factors have been considered in the valuation to come up with the unit rate of approximately RMB9,500 per square meter on gross floor area.

In assessing the value of car parking spaces portion, two relevant comparable units were identified, the details of the comparable properties adopted are as follows:

Comparables	A	B
Listed date	10 February 2023	3 April 2023
Address	No. 1 Haixin Haijing, Gao District, Weihai City	Weigao Garden, Gaoqu District, Weihai City
Type of property	car parking space	car parking space
Listed price (<i>RMB/car parking space</i>)	110,000	100,000

In arriving at the adjusted unit rates, appropriate adjustments and analysis were considered to reflect the differences in several aspects including but not limited to nature, location and other physical characteristics between the property and the comparable properties. The general basis of adjustment was that if the property was better than the comparable property, an upward adjustment was applied. Alternatively, if the property was inferior than the comparable property, a downward adjustment was applied. The adjustments applied to arrive at the valuation included but not limited to:

Adjustment factors	Range
Nature	-5%
Location	-20% to -17%
Total adjustments	-25% to -22%

In terms of location, downward adjustments were applied as the locations of the comparable properties were superior or better than the property.

The adjusted unit rates for retail portion are as follows:

Comparables	A	B
Adjusted unit rate (RMB/car parking space)	82,500	78,000
Average of the adjusted unit rate (RMB/car parking space)		80,250
Rounded and adopted (RMB/car parking space)		80,000

Due adjustments including the nature and location factors have been considered in the valuation to come up with the unit rate of approximately RMB80,000 per car parking space.

In assessing the value of hotel portion, two relevant comparable units were identified, the details of the comparable properties adopted are as follows:

Comparables	A	B
Listed date	9 November 2023	7 May 2023
Address	Lotte Century City, Economic Zone, Weihai City	No. 177, Wenhua West Road, Gao District, Weihai City
Type of property	hotel	hotel
Approximate gross floor area (sq.m.)	660	1,750
Listed price (RMB)	9,860,000	15,800,000
Listed unit rate (RMB/sq.m.)	14,939	9,029

In arriving at the adjusted unit rates, appropriate adjustments and analysis were considered to reflect the differences in several aspects including but not limited to nature, location and other physical characteristics between the property and the comparable properties. The general basis of adjustment was that if the property was better than the comparable property, an upward adjustment was applied. Alternatively, if the property was inferior than the comparable property, a downward adjustment was applied. The adjustments applied to arrive at the valuation included but not limited to:

Adjustment factors	Range
Nature	-5%
Location	-18% to 0%
Total adjustments	-23% to -5%

In terms of location, downward adjustment was applied if the location of the comparable property was superior than the property, no adjustment was applied if the location of the comparable property was similar to the property.

The adjusted unit rates for apartment portion are as follows:

Comparables	A	B
Adjusted unit rate (<i>RMB/sq.m.</i>)	11,503	8,577
Average of the adjusted unit rate (<i>RMB/sq.m.</i>)		10,040
Rounded and adopted (<i>RMB/sq.m.</i>)		10,000

Due adjustments including the nature and location factors have been considered in the valuation to come up with the unit rate of approximately RMB10,000 per square meter on gross floor area.

In assessing the outstanding construction costs, the construction costs, finance costs and profit on construction costs that will be expended to complete the developments to reflect the quality of the completed development were taken into account in the valuation. As at the Date of Valuation, the outstanding construction costs to be incurred was arrived at approximately RMB445,100,000.

After excluded the assumed developer's profit on site value at approximately RMB159,900,000. In arriving at the developer's profit, 20% developer's profit on site value was adopted by considering the site conditions and the stage of construction of the development of the Properties. The percentage of developer's profit was considered by the construction stages and situations and assumed 20% of developer's profit to reflect the nature of the development and related risks. As at the Date of Valuation, the assessed value of the Properties was arrived at approximately RMB800,000,000, which comprised the assessed value for PUD portion of the Properties was approximately RMB638,000,000 and the assessed value for CIP portion of the Properties was approximately RMB162,000,000 respectively and thereby arrived by gross development value net of the gross development costs and the developer's profit.

According to the statistics from "ehconsulting" on 26 April 2023 and published by "international financial news" on 5 May 2023, the average gross profit margin for year 2022 of China's 50 real estate companies was approximately 18%. There were 15 companies with gross profit margins between approximately 18% and 30%.

With reference to above market available information, 20% profit was within the reasonable range. Therefore, 20% profit allowed for the Property of a mixed-use development was a reasonable assumption.

Save as disclosed above, other information in the English and Chinese versions of the Announcement remains unchanged. This supplemental announcement should be read in conjunction with the Annual Report.

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

Hong Kong, 16 July 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 Mr. Xiao Ganghua, Mr. Ng Ki Man and Ms. Lo Lai Lai Samantha.