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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 2024

Reference is made to the announcements of annual report for the year ended 31 March 2024 on 2 July 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.

In addition to the information contained in the Annual Report, the board (the "Board") of directors of the Company would like to provide the following supplementary information to the shareholders and potential investors of the Company.

AUDIT QUALIFICATIONS

Going concern – Disclaimer opinion

The following is the basis for disclaimer opinion provided by the auditors of the Company in the Annual Report. As stated in the independent auditors' report in the Annual Report, as disclosed in Note 2.1(a) of the consolidated financial statements, for the year ended 31 March 2024, the Group recorded a net loss of approximately HK$127,200,000. As at 31 March 2024, the Group's financial obligations approximately HK$1,316,506,000, which are due for repayment within the next twelve months. Among these obligations, approximately HK$806,726,000 bank borrowings are repayable on demand as the Group had failed to make certain instalments of principal and interest when they became due and these amounts remained unsettled up to the date of approval of these consolidated financial statements, while the Group's available cash and cash equivalents amount to approximately HK$177,587,000.

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

Management's position and basis on major judgmental areas

Refer to pages 106 of the 2023/2024 Annual Report, the Directors have considered as to whether the Group will be able to achieve the plans and measures as mentioned in Note 2.1 to the consolidated financial statements for the Year.

The Directors consider that assuming the success of all assumptions, plans and measures, mentioned in Note 2.1 to the consolidated financial statements for the Year which included amongst other things, (i) the Group has been communicating with the bank to remedy the late repayment issue and to restructure the payments terms for the remaining amount of the loan. Given the loan is secured by the Weihai Runhe construction-in-progress ("Weihai Project"), on 28 March 2024, the bank has agreed to allow the Group to repay the outstanding amounts using the proceeds from the pre-sales of the Weihai Project within three years. Based on current progress of the Weihai Project, the directors of the Company are expected the pre-sales will be processed by 2025; (ii) the successful negotiations with the property constructors for the renewal or extension of repayment for those construction payables that are already overdue; (iii) the successful obtaining of additional new source of finance as and when needed; and (iv) to diversify and expand into other profitable business ventures beyond property development. Accordingly, the consolidated financial statements for the Year have been prepared on a going concern basis.

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

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

Audit committee's view

The audit committee of the Company (the "Audit Committee") has discussed with the Auditors and the Management regarding the going concern issue, and having considered the Management's assessments, the Audit Committee concurred with the Management's position and assessments that the Group has the ability to continue as a going concern.

The Board together with the Audit Committee agreed that the above action plans of the Group are effective in resolving the Disclaimer Opinion.

The Company's plans to address the audit qualifications

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient cash resources to continue as a going concern. Save as mentioned in Note 2.1 to the consolidated financial statements for the Year, the Company has taken and intends to continue to implement the following measures, including but not limited to:

(i) The Company has negotiated and agreed with the bank to restructure the payments terms for the remaining amount of the loan. The bank has agreed to allow the Group to repay the outstanding amounts using the proceeds from the pre-sales of the Weihai Project.

(ii) The Group has high-quality assets on hand, out of which the fair value of the assets was valued at approximately RMB800 million as at 31 March 2024.

(iii) New source of funds are available to the Company amounted to not less than HK$300 million from an independent third party.

Based on the foregoing, the Auditors and the Board (including the audit committee of the Board) consider that the Company's plan is effective to resolve the Audit Qualification given the foreseeable timeline for the removal of the Audit Qualification.

The above additional information does not affect other information contained in the 2023/2024 Annual Results Announcement and the 2023/2024 Annual Report. Save as disclosed above, all other information in the 2023/2024 Annual Results Announcement and the 2023/2024 Annual Report remains unchanged.

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

Hong Kong, 29 October 2024

As at the date of this announcement, the executive Directors are Mr Wei Zhenming, Mr Chan Yuk Charm and Mr Deng Jianguo; and the independent non-executive Directors are Ms Lo Lai Lai Samantha, Ms Hu Ruixuan and Mr Wong Wai Kit.