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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 5% SHARES IN TARGET COMPANY
INVOLVING THE ISSUE OF
NOTE AS CONSIDERATION**

THE ACQUISITION

Share Purchase Agreement

On 20 February 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor, the Vendor Warrantor, and the Company as the Purchaser's warrantor entered into the Share Purchase Agreement, pursuant to which and subject to the terms and conditions thereof, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 5% of the entire issued share capital of the Target Company, at the consideration of HKD20,000,000.

The Target Company shall at and after Completion be and remain the sole shareholder of the HK Company. Pursuant to the terms of the Share Purchase Agreement, if after Completion the HK Company fails to meet any of the Redemption Conditions, the Purchaser shall be entitled to require the Vendor to repurchase the Sale Shares at the consideration of HKD20,000,000, which shall be satisfied in full by the surrender of the Note by the Vendor to the Purchaser.

Issue of the Note

The consideration of the Acquisition shall be satisfied in full by the issue of the Note, which does not bear any interest, by the Company at Completion.

If, as at the date of the Audited Accounts for FY2025, the HK Company meets the Redemption Conditions, the Vendor shall be entitled to, within 20 business days after the date of receipt by the Purchaser of the Audited Accounts for FY2025, require the Company to redeem the Note in accordance with its conditions. If any of the Redemption Conditions is not fulfilled, the Purchaser may deliver a Repurchase Notice, in which case the Vendor shall, in full satisfaction of the consideration of his repurchase of the Sale Shares, surrender the Note to the Purchaser, in which case the Note shall not be redeemed but shall be cancelled by the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 20 February 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor, the Vendor Warrantor, and the Company entered into the Share Purchase Agreement, pursuant to which and subject to the terms and conditions thereof, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 5% of the entire issued share capital of the Target Company, at the consideration of HKD20,000,000. The principal terms of the Share Purchase Agreement are summarized as follows.

The Share Purchase Agreement***Date***

20 February 2023 (after trading hours)

Parties involved

- (1) the Purchaser, as purchaser;
- (2) the Vendor, as vendor;
- (3) the Vendor Warrantor, as the Vendor's warrantor; and
- (4) the Company, as the Purchaser's warrantor.

Subject Matter

As at the date of this announcement, the Target Company is wholly-owned by the Vendor, while the HK Company is wholly-owned by the Target Company.

Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 5% of the entire issued share capital of the Target Company.

Consideration

The consideration for the Acquisition shall be HKD20,000,000, which shall be satisfied in full by the issue of the Note by the Company at Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the valuation of HKD89,500,000 of the Sale Shares based on the Valuation Report; (ii) the prospects of the business activities of the HK Company by utilising the Patents; and (iii) the benefits that would be brought to the Company as a result of the Acquisition as described in the paragraph headed "Reasons for and Benefits of the Acquisition".

Conditions Precedent

Completion is conditional upon the following:

- (a) the Board, by passing a resolution, having approved the Share Purchase Agreement and the transactions thereunder;
- (b) the board of directors of the Vendor Warrantor, by passing a resolution, having approved the Share Purchase Agreement; and
- (c) the Vendor having granted the Patent Licences to the HK Company.

Completion

Completion for the Acquisition shall take place on the fifth (5th) business day after the date of the Share Purchase Agreement.

Upon the completion of the Acquisition, the Target Company will be owned as to 5% by the Purchaser.

Post-Completion undertakings

The Obligors have given a number of post-Completion undertakings to the Purchaser, including without limitation:

- (a) the Vendor shall remain a director of the Target Company and the HK Company;
- (b) the Vendor shall be responsible for the operation management of the HK Company, the business focus of which shall be mass manufacturing and sale of the Device and shall not be changed without unanimous consent of the Vendor and the Purchaser;
- (c) the Vendor shall, within three (3) months after the Completion, complete (i) the absolute assignment of all his rights in the Patents to the HK Company irrevocably, unconditionally and at nil consideration; and (ii) the renewal of the expired short-term Patent registered in Hong Kong or registration of the same as a standard patent;
- (d) the HK Company shall remain a wholly-owned subsidiary of the Target Company, and the Target Company shall not have any other business, own any other assets or incur any liabilities; and

- (e) the Vendor shall not dispose of the shares in the Target Company unless such shares are first offered to the Purchaser at the same price, and shall procure the Target Company shall not issue any new shares without the Purchaser's prior written consent.

Audited Accounts

After Completion, the Vendor shall procure the HK Company to engage a firm of auditors approved by the Vendor and the Purchaser in writing, to complete the Audited Accounts for that Financial Year in accordance with Hong Kong Financial Reporting Standards within three (3) months after the end of each Financial Year, for the determination of the amount of:

- (a) in respect of each Financial Year, the net profit of the HK Company; and
- (b) in respect of FY2025 only, the net assets and the cash balance of the HK Company respectively.

Repurchase of the Sale Shares

Pursuant to the terms of the Share Purchase Agreement, if as at the date of the Audited Accounts for FY2025, any of the Redemption Conditions is not met, then the Purchaser is entitled to, within 20 business days of the date of receipt by it of the Audited Accounts, by delivering a Repurchase Notice to the Vendor require the Vendor to repurchase all Sale Shares from the Purchaser at the consideration of HKD20,000,000, which shall be satisfied in full by the surrender of the Note by the Vendor to the Purchaser.

Issue of the Note

At Completion, the Company shall issue the Note to the Vendor in full satisfaction of the total consideration of the Acquisition.

The principal terms of the Note shall be as follows:

Issuer of the Note

The Company

Principal amount

HKD20,000,000

Issue price

The Note shall be issued at 100% of its principal amount.

Interest

The Note shall not bear any interest.

Status of the Note

The Note shall constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Company.

Transferability

The Note shall not be transferrable by its holder without the prior written consent of the Company.

Listing

No application will be made for the listing of, or permission to deal in, the Note on the Stock Exchange or any other stock exchange.

Redemption

If, the Audited Accounts for FY2025 indicates that all of the following Redemption Conditions have been met:

- (a) the aggregate of the net profit of the HK Company as stated in the Audited Accounts of all Financial Years is equal to or more than HKD400,000,000;
- (b) the net assets of the HK Company as stated in the Audited Accounts for FY2025 is equal to or more than HKD400,000,000; and

(c) the cash balance of the HK Company as stated in the Audited Accounts for FY2025 is equal to or more than HKD20,000,000,

then the Company shall, within 20 business days after the date of receipt of the Audited Accounts for FY2025 by the Purchaser, redeem the Note in full. At redemption of the Note, the Company shall pay the Vendor the sum of HKD20,000,000 in cash.

If any of the Redemption Conditions is not fulfilled, the Company shall not be liable to redeem the Note.

Surrender and cancellation

If the Audited Accounts for FY2025 indicates that any of the Redemption Conditions is not fulfilled, the Purchaser may deliver a Repurchase Notice in accordance with the Share Purchase Agreement, in which case, the Vendor shall surrender the Note in full to the Purchaser in full satisfaction of the consideration payable by it for its repurchase of the Sale Shares. Upon surrender by the Vendor, the Note shall not be redeemable and shall be cancelled by the Company.

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the businesses of property investment, property development, hotel operations, and provision of comprehensive healthcare planning and management services.

The Purchaser

The Purchaser is an investment holding company. It is a direct wholly-owned subsidiary of the Company.

The Vendor and the Vendor Warrantor

The Vendor is the sole legal and beneficial owner of all issued shares in the Target Company, and the sole director of each of the Vendor Warrantor, the Target Company and the HK Company. He is also the father of Ms. Chan Wing Yan, the sole legal and beneficial owner of the issued shares in the Vendor Warrantor.

The Vendor Warrantor is principally engaged in investment holding. It was the sole legal and beneficial owner of all issued shares in the HK Company until 30 January 2023, when the Vendor Warrantor transferred all its shareholding in the HK Company to the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of (a) the Vendor; and (b) the Vendor Warrantor and Ms. Chan Wing Yan, its ultimate beneficial owner, is an Independent Third Party.

INFORMATION OF THE TARGET COMPANY AND THE HK COMPANY

The Target Company is a company newly incorporated under the laws of Samoa with limited liability in January 2023. As at the date of this announcement, its entire issued share capital is legally and beneficially owned by the Vendor. As at the date of this announcement, it has no assets, no business and no liabilities. Pursuant to the terms of the Share Purchase Agreement, as at Completion, the Target Company shall have:

- (i) no assets, except legal and beneficial ownership over all the issued shares in the HK Company; and
- (ii) no liabilities. In this regard, each of the Vendor and the Vendor Warrantor must, prior to Completion, have unconditionally waived all amounts owed to him or it by the Target Company.

The HK Company is a private company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, all its issued shares are legally and beneficially owned by the Target Company. The HK Company is engaged in the business of utilisation and application of the Patents for the production (mainly in Hong Kong) of the Device and sale of the Device in the PRC.

For the two financial years of the HK Company ended 31 March 2022 and since 1 April 2022 to date, the HK Company has not commenced any operation, and therefore has no revenue, gross profit, or net profit before or after tax.

As at 30 November 2022, the unaudited consolidated net liabilities of the HK Company was approximately HKD3,498,557, comprising amounts owed by the HK Company to the Vendor.

Pursuant to the terms of the Share Purchase Agreement, as at Completion, the HK Company shall have:

- (a) no assets, except the Patent Licences; and
- (b) no liabilities. In this regard, each of the Vendor and the Vendor Warrantor must, prior to Completion, have unconditionally waived all amounts owed to him or it by the HK Company.

The Patents

As at the date of this announcement, the Patents are owned by the Vendor solely. It is a term of the Share Purchase Agreement that the Vendor shall, within three (3) months after the Completion, complete (i) the assignment of all his titles and rights in the Patents to the HK Company; and (ii) the renewal of the expired short-term Patent registered in Hong Kong or registration of the same as a standard patent.

The Patents are registered in Hong Kong, Japan and the PRC respectively in relation to Device. The Patent registered in Hong Kong was a short-term patent which has expired, and the Vendor has applied for a registration of the same as a standard patent.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As part of its efforts to develop in the comprehensive healthcare sector, the Group seeks for business opportunities that would directly or indirectly improve human health.

The Patents, which have been registered in Hong Kong, Japan and the PRC respectively, will be licensed by the Vendor to the HK Company prior to Completion, and assigned to the HK Company after Completion. Based on an inspection report obtained by the Vendor on 27 June 2015, the hexachloroethane, carbon monoxide and nitrogen monoxide emission by a motor vehicle could be materially reduced after the Device was connected to the engine of such motor vehicle. By improving the efficiency of fuel burning, the Device can reduce the toxic fumes emitted by such motor vehicles, hence contribute to the improvement of air quality and health of the population as well as energy saving.

The HK Company intends to mass-produce the Device. Based on the abovementioned inspection report and the Valuation Report, the Board considers the Device is a product with significant potential in the motor vehicle parts market, as it can reduce fuel consumption and emission, and help older generation motor vehicles extend their life-cycle by complying with updated emission standards set by governments in various jurisdictions from time to time.

Therefore, the Board considers it is fair and reasonable and in the interest of the Shareholders for the Company to acquire a minority stake of the Target Company and preserve this investment opportunity, without paying out any cash or incurring any interest-bearing external financing until the HK Company proves to be successful in selling the Device by fulfilling the Redemption Conditions.

LISTING RULES IMPLICATIONS

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DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Acquisition”	the proposed purchase of the Sale Shares by the Purchaser from the Vendor at Completion in accordance with the terms and conditions of the Share Purchase Agreement
“Audited Accounts”	for each Financial Year, the audited financial statements of the HK Company to be prepared by its auditors
“Board”	the board of Directors
“Company”	Crown International Corporation Limited (皇冠環球集團有限公司), a company incorporated in Hong Kong, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the issue of the Note in accordance with the terms and conditions of the Share Purchase Agreement
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Device”	a fuel saving and carbon emission reduction device (一種發動機省油減排裝置) for automobiles developed by the Vendor based on the Patents, which shall be installed to engines and emission systems of motor vehicles
“Directors”	the directors of the Company
“Financial Years”	the three (3) successive twelve (12)-month periods ending on 31 December 2023, 2024 and 2025 respectively, and “Financial Year” shall be construed accordingly

“FY2025”	the last Financial Year
“Group”	the Company and its subsidiaries
“HK Company”	Lightning Energy Technology Group Limited (雷電能科技集團有限公司), a private company limited by shares incorporated in Hong Kong
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person who, together with its ultimate beneficial owner(s) in the case of a corporate entity, is/are person(s) independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Note”	the promissory note in the principal amount of HKD20,000,000 and at nil interest rate to be issued by the Company to the Vendor at Completion pursuant to the terms of the Share Purchase Agreement
“Obligors”	the Vendor and the Vendor Warrantor collectively, and “Obligor” means any of them
“Patent Licences”	the exclusive and permanent licences to be granted by the Vendor to the HK Company irrevocably, unconditionally and at nil consideration in relation to the use of the Patents in the manufacturing and selling of the Device under the HK Company’s business
“Patents”	a total of three (3) patents, registered in Hong Kong (being a short-term patent which has expired on 10 December 2022), Japan and the PRC respectively, in relation to the Device

“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Crown Finance Holdings Limited (皇冠金融控股有限公司), an international company incorporated in Samoa with limited liability, and a direct wholly-owned subsidiary of the Company
“Redemption Conditions”	the conditions set out in paragraphs (a) to (c) of the section headed “Redemption” in this announcement, all of which must be satisfied before the Vendor may require the Company to redeem the Note
“Repurchase Notice”	the written notice to be given by the Purchaser to the Vendor whereby the Purchaser requires the Vendor to repurchase the Sale Shares
“Sale Shares”	the 500 issued shares in the Target Company held by the Vendor, representing five per cent. (5%) of the entire issued share capital of the Target Company
“Share Purchase Agreement”	the share purchase agreement (股份買賣協議書) entered into on 20 February 2023 (after trading hours) by and among the Vendor as vendor, the Purchaser as purchaser, the Vendor Warrantor as the Vendor’s warrantor, and the Company as the Purchaser’s warrantor governing the terms of the Acquisition
“Share(s)”	ordinary shares in issue in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Lightning Energy Technology Holdings Limited (雷電能科技控股有限公司), an international company incorporated in Samoa with limited liability
“Valuation Report”	the valuation report prepared for the Board by an independent valuer on the value of shares in the HK Company as at 31 December 2022 using income approach and discounted cash flow method
“Vendor”	Mr. Chan Yuk Charm (陳煜湛)
“Vendor Warrantor”	C Y C Green Holdings Limited (煜湛企業集團有限公司), a private company limited by shares incorporated in Hong Kong
“%”	per cent.

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

Hong Kong, 20 February 2023

As at the date of this announcement, the executive Director is Mr. Meng Jin Long; and the independent non-executive Directors are Mr. Chen Fang, Mr. Ren Guo Hua and Dr. Cheung Ka Yue.