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## **CROSSTEC Group Holdings Limited**

### **易緯集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 3893)**

## **CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT**

### **MASTER SERVICES AGREEMENT**

On 11 August 2017, CROSSTEC International (contracting for itself and all other members of the Group) as service provider and Mr. Lee (contracting for Lee Group) as service recipient entered into the Master Services Agreement in respect of the provision of interior design proposal and interior design solutions by the Group for the restaurants of Lee Group in Hong Kong, which shall be for a term commencing from the date of the Company's obtaining the Independent Shareholders' approval on the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps and ending on 30 June 2020. The Continuing Connected Transactions will be subject to the proposed Annual Caps in respect of the three years ending 30 June 2020.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Lee is the chairman, executive Director and chief executive officer of the Company and is a controlling shareholder of the Company, through CGH (BVI), controls 75% of the issued share capital of the Company. As such, each of Mr. Lee and his associates is a connected person of the Company for the purposes of the Listing Rules. The transactions between the members of the Group and members of Lee Group under the Master Services Agreement will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in relation to the proposed Annual Caps are expected to exceed 25%, the Continuing Connected Transactions will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps for each of the three years ending 30 June 2020.

An Independent Board Committee, comprising all three independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) details of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 September 2017, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **THE MASTER SERVICES AGREEMENT**

On 11 August 2017, CROSSTEC International (contracting for itself and all other members of the Group) as service provider and Mr. Lee (contracting for Lee Group) as service recipient entered into the Master Services Agreement in respect of the provision of interior design proposal and interior design solutions by the Group for the restaurants of Lee Group in Hong Kong, which shall be for a term commencing from the date of the Company's obtaining the Independent Shareholders' approval on the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps and ending on 30 June 2020.

**Principal terms of the Master Services Agreement are set out below.**

**Date:** 11 August 2017

**Parties:** *Service provider:*  
CROSSTEC International (contracting for itself and all other members of the Group)

*Service recipient:*  
Mr. Lee (contracting for Lee Group)

**Continuing Connected Transactions:** Pursuant to the Master Services Agreement, the parties agreed that the detailed descriptions of the Services to be provided by the Group to Lee Group shall be defined in the statement of work, which shall be signed by the relevant member of the Group providing the Services and the relevant member of Lee Group receiving such Services to confirm the detail of work at each order in accordance with the principles set out in the Master Services Agreement. The transactions under the Master Services Agreement and further agreements to be entered into pursuant to the Master Services Agreement in respect of each engagement will be subject to the proposed Annual Caps, detailed terms of which shall be on normal commercial terms and on terms no more favourable to Lee Group than those available to the Independent Third Parties from the Group

**Term:** The Master Services Agreement is for a term commencing from the date of the Company's obtaining the Independent Shareholders' approval on the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps and ending on 30 June 2020, unless terminated earlier in accordance with the Master Services Agreement

**Pricing:** The prices payable by Lee Group will be agreed between the relevant member of the Group and the relevant member of Lee Group from time to time on an arm's length basis, which shall be determined by reference to:

- (i) Interior solutions (fit-out)

The Group adopts cost-plus pricing model for the determination of total quotation sum, the percentage of mark-up will be in line with other interior design solutions projects of the Group

(ii) Design services

For project where the Group is engaged for both interior design proposal (concept design) and interior design solution (including fit-out construction services, millworks provision and façade development and fabrication services), total quotation sum for the interior design proposal project represents 5-10% of the total quotation sum for the interior design solutions project

**Payment Schedule:**

In consideration for the Services to be provided by the Group under the Master Services Agreement, Lee Group shall pay to the Group the service fee in the following manner, subject to further negotiation and agreement by the parties (if necessary):

(i) *Interior solutions (fit-out)*

- 50% deposit upon confirmation of a quotation
- 20% upon 50% completion of the project
- 20% upon practical completion
- 5% payment after completion of all rectification work
- 5% as retention money which will be paid after one year of full completion of project

(ii) *Design services*

- 50% deposit upon confirmation of a quotation
- 50% upon the sign off (final agreement) of the drawing

**Penalty:**

5% interest per month of the invoice amount will be charged for any outstanding balance overdue for more than 30 days

**Internal Control**

In order to ensure that the prices and terms of the transactions under the Master Services Agreement will be no more favourable to Lee Group than those entered into between the Group and Independent Third Parties, the Group will conduct checks as to pricing and payment terms prior to the entering into any new transaction with Lee Group to review and assess whether the Services provided are in accordance with the terms of the relevant agreement and is no more favourable to Lee Group than those available to Independent Third Parties from the Group. In addition, the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps, and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Group. The

independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Continuing Connected Transactions.

### **Proposed Annual Caps**

The Group proposes that the below Annual Caps be set for the Continuing Connected Transactions in respect of each of the three years ending 30 June 2020:-

	<b>For the year ending 30 June</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Proposed Annual Caps	<b><u>31,000,000</u></b>	<b><u>29,000,000</u></b>	<b><u>32,000,000</u></b>

The proposed Annual Caps set out above were determined by reference to a number of factors including, among other things, (a) the transaction amount under the HFL Quotations, (b) expansion plan of Lee Group's business which increases the need for the Services from the Group, and (c) it is also expected the cost of production will increase steadily, which in turn increase fees payable by Lee Group under the Master Service Agreement.

### **REASONS FOR AND BENEFIT OF THE MASTER SERVICES AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS**

The Group is a provider of bespoke and total interior design solutions which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Each of these services may be provided on its own or collectively with other services to its clients according to their specific demand and requirement for each individual project.

Mr. Lee is the chairman, executive Director, chief executive officer of the Company and the controlling shareholder of the Company and Lee Group is principally engaged in the operation of restaurants in Hong Kong. By providing the Services to Lee Group, the Group will be able to develop its relevant advantages and increase operating revenue.

The terms and conditions of the Master Services Agreement were negotiated between the parties to it on an arm's length basis. The Directors (other than the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) are of the view that the terms and conditions (including the pricing mechanism and payment schedule) of the Master Services Agreement are on normal commercial terms and are fair and reasonable and the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (other than the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) are also of the view that the proposed Annual Caps for the Continuing Connected Transactions for each of the three years ending 30 June 2020 respectively are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Lee is the chairman, executive Director and chief executive officer of the Company and is a controlling shareholder of the Company, through CGH (BVI), controls 75% of the issued share capital of the Company. As such, each of Mr. Lee and his associates is a connected person of the Company for the purposes of the Listing Rules. The transactions between the members of the Group and members of Lee Group under the Master Services Agreement will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in relation to the proposed Annual Caps are expected to exceed 25%, the Continuing Connected Transactions will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps for each of the three years ending 30 June 2020.

An Independent Board Committee, comprising all three independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In view of the interest of Mr. Lee in the Continuing Connected Transactions, Mr. Lee and his associates shall abstain from voting at the EGM on the resolutions in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps. The votes to be taken at the EGM will be taken by poll in accordance with the Listing Rules, the results of which will be announced after the EGM.

A circular containing, among others, (i) details of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 September 2017, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **DEFINITION**

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Annual Cap(s)”	the maximum aggregate transaction amount of the Services which may be provided by the Group to Lee Group pursuant to the Master Services Agreement of HK\$31,000,000, HK\$29,000,000 and HK\$32,000,000 for each of the three years ending 30 June 2020 respectively as referred to in the section headed “The Master Services Agreement – Proposed Annual Caps” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CGH (BVI)”	CGH (BVI) Limited, a company established in the British Virgin Islands with limited liability, which is owned by each of Mr. Lee and Ms. Leung as to 50%
“Company”	CROSSTEC Group Holdings Limited (易緯集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the non-exempt continuing connected transactions and the proposed Annual Caps contemplated under the Master Services Agreement and further agreements to be entered into pursuant to the Master Services Agreement in respect of each engagement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“CROSSTEC International”	CROSSTEC International Limited (易緯國際有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for, among others, considering, and if thought fit, approval by the Independent Shareholders of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps for each of the three years ending 30 June 2020
“Group”	the Company and its subsidiaries from time to time
“HFL”	HFL Limited, a company incorporated in Hong Kong with limited liability and is owned as to 45% by ANT Investment Holdings Limited, a company incorporated in Hong Kong and is owned as to 50% by Mr. Lee and 50% by Ms. Leung, and its remaining 55% shareholding interest are held by two Independent Third Parties as to 45% and 10% respectively
“HFL Quotations”	the three quotations prepared by the Group which were agreed and confirmed by HFL on 20 April 2017 for the provision of interior design proposal, project management, and interior design solutions (including fit-out construction services, millworks provision and façade development and fabrication services) by the Group to HFL, as disclosed in the announcement of the Company dated 8 May 2017
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps

“Independent Shareholder(s)”	Shareholder(s) other than Mr. Lee and his associates, and all other Shareholders interested in the Master Services Agreement
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons
“Lee Group”	all companies owned or controlled by Mr. Lee from time to time including all companies which become associates of Mr. Lee after the date of and during the subsistence of the Master Services Agreement, except for the Group, which are mainly engaged in the operation of restaurants, without engaged in business which may compete directly or indirectly with the core business of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Master Services Agreement”	the master services agreement entered into between CROSSTEC International (contracting for itself and all other members of the Group) as service provider and Mr. Lee (contracting for Lee Group) as service recipient on 11 August 2017 for the provision of interior design proposal and interior design solutions by the Group for the restaurants of Lee Group in Hong Kong, which shall be for a term commencing from the date of the Company’s obtaining the Independent Shareholders’ approval on such agreement, the Continuing Connected Transactions and the proposed Annual Caps and ending on 30 June 2020.
“Mr. Lee”	Mr. Lee Wai Sang (李偉生), the chairman, executive Director and chief executive officer of the Company, the spouse of Ms. Leung and a controlling shareholder of the Company
“Ms. Leung”	Ms. Leung Mo Shan Jackie (梁慕珊), the spouse of Mr. Lee and a controlling shareholder of the Company
“Services”	the interior design proposal and interior design solution services
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

the Stock Exchange of Hong Kong Limited

“0%”

per cent.

By Order of the Board  
**CROSSTEC Group Holdings Limited**  
**Lee Wai Sang**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 August 2017

*As at the date of this announcement, the Board comprises Mr. Lee Wai Sang, Mr. Lau King Lok, Mr. Leung Pak Yin and Mr. Lai Hon Lam Carman as executive Directors; and Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin as independent non-executive Directors.*