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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in CROSSTEC Group Holdings Limited (“**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” on pages 1 to 3 of this circular.

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 12 and pages 13 to 26 of this circular respectively.

A notice convening the EGM to be held at 7/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong on Friday, 20 October 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend and/or vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event not later than 10:00 a.m. on Wednesday, 18 October 2017 or not less than 48 hours before the time for holding any adjourned meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

29 September 2017

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“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
“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 as to 50% by each of Mr. Lee and Ms. Leung
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 issued 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 and held at 7/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong on Friday, 20 October 2017 at 10:00 a.m. 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, notice of which is set out on pages EGM-1 to EGM-2 of this circular

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## DEFINITIONS

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“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”	the independent committee of the Board, comprising all three independent non-executive Directors, being Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin, which has been established to advise the Independent Shareholders in respect of the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise 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
“Latest Practicable Date”	26 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“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 the Services 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 solutions (fit-out) and design services (interior design proposals and interior design solutions)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Lee Wai Sang

*(Chairman and Chief Executive Officer)*

Mr. Lau King Lok

Mr. Leung Pak Yin

Mr. Lai Hon Lam Carman

*Registered office:*

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

*Independent Non-executive Directors:*

Mr. So Chi Hang

Mr. Lau Lap Yan John

Mr. Heng Ching Kuen Franklin

*Headquarter and principal place of business in*

*Hong Kong:*

20th Floor

625 King's Road

North Point

Hong Kong

29 September 2017

*To the Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT

### INTRODUCTION

Reference is made to the announcement of the Company dated 11 August 2017 in respect of the Continuing Connected Transactions which are contemplated under the Master Services Agreement.

The Independent Board Committee has been constituted to advise the Independent Shareholders in connection with the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

The text of the letter of the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 26 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps; (ii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps; and (iv) the notice of the EGM.

### CONTINUING CONNECTED TRANSACTIONS

#### 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 the Services 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.**

<b>Date:</b>	11 August 2017
<b>Parties:</b>	<i>Service provider:</i> CROSSTEC International (contracting for itself and all other members of the Group)  <i>Service recipient:</i> Mr. Lee (contracting for Lee Group)
<b>Continuing Connected Transactions:</b>	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

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## LETTER FROM THE BOARD

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**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 proposals (concept design) and interior design solutions (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



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## LETTER FROM THE BOARD

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

For details of the pricing policy, please refer to the paragraph headed “Pricing Policy” below.

### 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:

	For the year ending 30 June		
	2018	2019	2020
	HK\$	HK\$	HK\$
Proposed Annual Caps	31,000,000	29,000,000	32,000,000

### Basis for determination of the proposed Annual Caps

In arriving at the proposed Annual Caps for the transactions contemplated under the Master Services Agreement for the three years ending 30 June 2020, the Company has taken into account of a number of factors including, among other things, (a) the balance amount of HFL Quotations of approximately HK\$1.5 million to be recognised during the year ending 30 June 2018, and the estimate amount of variation order to be added to HFL Quotations of approximately HK\$1.8 million; (b) expansion plan of business of the Lee Group of opening approximately 5, 5 and 5 new restaurants with a total area of approximately 14,500 square feet, 15,500 square feet and 15,500 square feet for each of the three years ending 30 June 2020 respectively, with the range of expected project price per square feet between HK\$1,500 and HK\$2,000, and a buffer of 10% on top of the total estimated transaction amount for the year ending 30 June 2020, which in turn 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 the Lee Group under the Master Services Agreement.

### Pricing Policy

(i) Interior solutions (fit-out)

The Group will estimate the resources (e.g. number of staff, approximate time required, material and quotation from subcontractors) to be used to determine the cost and a percentage mark-up will be made based on the resources estimate to finalise the tender for interior solutions (fit-out). The percentage mark-up will vary case-by-case based on the resources to be allocated and the management of the Group will compare the level of mark-up of the project to the Lee Group with other level of mark-up to Independent Third Parties to make sure the mark-up will be in line with other interior solutions projects of the Group and the transaction will be conducted on normal commercial terms or better.

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## LETTER FROM THE BOARD

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(ii) Interior design proposals (concept design)

The Group will estimate the resources (e.g. number of staff and approximate time required) to be used to determine the cost and a percentage mark-up will be made based on the resources estimate to finalise the quotation for interior design proposals (concept design). The percentage mark-up will vary case-by-case based on the resources to be allocated and the management of the Group will compare the level of mark-up of the project to the Lee Group with other level of mark-up to Independent Third Parties to make sure the mark-up will be in line with other interior design proposals (concept design) of the Group and the transaction will be conducted on normal commercial terms or better.

(iii) Design services

Based on Directors' past experience, in general, where the Group is engaged in both interior design proposals and interior design solutions to Independent Third Party clients, the design service charge would contribute about 5 to 10% of the total quotation sum for the interior design solutions projects. It is expected that the transactions with the Lee Group will be in the similar basis in the event that the Lee Group engages the Group in providing both interior design proposal and interior design solutions. As such, the Directors are of the view that the design service charged at 5 to 10% of the total quotation sum for the interior design solutions projects is on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders as a whole.

### Internal Control Measures

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. When the Group is going to be engaged for providing interior design proposals and interior design solutions under the Master Services Agreement, the quotation (including the proposed service fee to be charged) for each of the transaction between the Group and the Lee Group shall be prepared by the project team manager and shall be reviewed and approved by head of project team of the Company prior to the entering into each of the relevant transaction. The head of project team will compare (i) at least three agreements and costing sheets of the Group with Independent Third Parties by which the relative projects have been recently completed with; and (ii) the quotation and project budget cost with the Lee Group in assessing the quotation, to ensure that the pricing and payment terms to be agreed between the Group and the Lee Group are no more favourable to the Lee Group than those entered into between the Group and Independent Third Parties, and the profit margin of transactions contemplated under the Master Services Agreement is no more favourable to the Lee Group than similar transactions with Independent Third Parties. 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 agreements 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.

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## LETTER FROM THE BOARD

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### 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 and chief executive officer of the Company and is a controlling shareholder of the Company who, through CGH (BVI), controls 75% of the issued share capital of the Company as at the Latest Practicable Date. 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 that the Group has taken an initiative to expand its clientele by including food and beverage industry players and total revenue of the Group

The terms and conditions of the Master Services Agreement were negotiated between the parties to it on an arm's length basis. Given the aforesaid and after taking into account the terms of the Master Services Agreement, the Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser, but excluding Mr. Lee who the Board considered to have a material interest in the Continuing Connected Transactions) are of the view that the terms and conditions (including the pricing mechanism and payment schedule) of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further, as Mr. Lee has a material interest in the Master Services Agreement, he did not participate in the Board's deliberations on the same (including the fairness and reasonableness of the Master Services Agreement) and had abstained from voting on the resolution of the Board to approve the Master Services Agreement and the transactions contemplated thereunder (including the proposed Annual Caps). Except Mr. Lee, none of the Directors has a material interest in the Continuing Connected Transactions, and accordingly none of them was required to abstain from voting on the Board resolution for considering and approving the Continuing Connected Transactions including the proposed Annual Caps.

### IMPLICATIONS UNDER THE LISTING RULES

Mr. Lee is the chairman, executive Director and chief executive officer of the Company and is a controlling shareholder of the Company who, through CGH (BVI), controls 75% of the issued share capital of the Company as at the Latest Practicable Date. As such, each of Mr. Lee and his associates is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

In view of the above, the transactions between the members of the Group and members of Lee Group contemplated under the Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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

By virtue of Mr. Lee's interest in the Master Services Agreement, Mr. Lee and his associates are required to abstain from voting at the EGM in respect of the resolution in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps to be proposed at the EGM. Mr. Lee is deemed to be interested in 1,800,000,000 Shares (representing 75% of the voting rights of the Company) as at the Latest Practicable Date. To the best of the Directors' knowledge and information, no Shareholders other than Mr. Lee and his associates have a material interest in the Master Services Agreement and no other Shareholders shall have to abstain from voting on the ordinary resolution in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps to be proposed at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, there existed no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM in respect of the resolution approving the transactions contemplated under the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps.

### EGM

The EGM is convened to be held at 7/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong on Friday, 20 October 2017 at 10:00 a.m. for the Independent Shareholders to approve by way of poll the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

You will find enclosed a form of proxy for use at the EGM. Whether or not you intend to attend and/or vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 10:00 a.m. on Wednesday, 18 October 2017 or not less than 48 hours before the time for holding any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 October 2017 to Friday, 20 October 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfers of Shares accompanied by the relevant shares certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 October 2017.

### RECOMMENDATION

The 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 and Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps, and the letter of advice from the Independent Financial Adviser set out on pages 13 to 26 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser, but excluding Mr. Lee who the Board considered to have a material interest in the Continuing Connected Transactions) are of the opinion that the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the Appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**CROSSTEC Group Holdings Limited**  
**Lee Wai Sang**  
*Chairman and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

29 September 2017

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT

We refer to the circular of the Company to the Shareholders dated 29 September 2017 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Master Services Agreement and not having any interest in the transactions contemplated under the Master Services Agreement, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Red Sun has been appointed by the Company as the independent financial adviser to advise us in relation thereto. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 13 to 26 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 11 of the Circular and the additional information set out in the Appendix to the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Red Sun as stated in its letter of advice, we consider the terms of the Master Services Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps.

Yours faithfully

**Independent Board Committee**

**Mr. So Chi Hang**  
*Independent*  
*Non-executive Director*

**Mr. Lau Lap Yan John**  
*Independent*  
*Non-executive Director*

**Mr. Heng Ching Kuen Franklin**  
*Independent*  
*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Shareholders for inclusion in this circular.*



红日资本有限公司

RED SUN CAPITAL LIMITED

29 September 2017

*To: The Independent Board Committee and the Independent Shareholders of  
CROSSTEC Group Holdings Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT

#### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions contemplated under the Master Services Agreement and the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 29 September 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement in relation to the Continuing Connected Transactions contemplated under the Master Services Agreement between CROSSTEC International (contracting for itself and all other members of the Group) as service provider and Mr. Lee (contracting for the Lee Group) as service recipient dated 11 August 2017.

Mr. Lee is currently the chairman, executive Director and chief executive officer of the Company and the controlling shareholder of the Company who, 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 the Lee Group under the Master Services Agreement will therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As set out in the Board Letter, 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 transactions contemplated under the Master Services Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will therefore be subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Board Letter, Mr. Lee was considered to have material interests by virtue of being the ultimate beneficial owner of the Lee Group, and had thus abstained from voting on the board resolution in respect of the Master Services Agreement and the proposed Annual Caps.

An Independent Board Committee comprising three of the independent non-executive Directors, namely Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin, has been established to advise the Independent Shareholders regarding whether the Master Services Agreement (including the Continuing Connected Transactions contemplated thereunder and the proposed Annual Caps) is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and whether the transactions with the Lee Group contemplated under the Master Services Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Master Services Agreement and the proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and whether the transactions with the Lee Group contemplated under the Master Services Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the proposed resolution relating to the entering into of the Master Services Agreement and the respective transactions contemplated thereunder at the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we did not act as the Independent Financial Adviser to the independent board committee and the independent shareholders of the Company apart from acting as the Independent Financial Adviser in relation to the Master Services Agreement, the Continuing Connected Transactions and the proposed Annual Caps.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Lee Group, and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Services Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Master Services Agreement, we have taken into consideration the following principal factors and reasons:

#### **1. Background and reasons for the entering into of the Master Services Agreement**

##### ***1.1 Principal business and the financial information of the Group***

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 30 June 2016 (the “**Annual Report 2016**”) and the interim report of the Company for the six months ended 31 December 2016 (the “**Interim Report 2017**”):

	For the year ended 30 June			For the six months ended 31 December		
	2015 HK\$'000 (Audited)	2016 HK\$'000 (Audited)	Change %	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	Change %
Revenue	130,578	132,719	1.6	59,768	64,864	8.5
Gross Profit	44,202	47,294	7.0	20,376	14,938	(26.7)
Profit/(loss) before income tax expense	28,632	16,293	(43.1)	10,467	(9,651)	N/A
Profit/(loss) for the year and attributable to owners of the Company	23,783	11,508	(51.6)	8,794	(9,808)	N/A

As shown in the table above, the Group’s revenue increased by approximately 1.6% from approximately HK\$130.6 million for the year ended 30 June 2015 to approximately HK\$132.7 million for the year ended 30 June 2016, and increased by approximately 8.5% from approximately HK\$59.8 million for the six months ended 31 December 2015 to approximately HK\$64.9 million for the six months ended 31 December 2016. According to the Interim Report 2017, the increase in revenue was primarily due to the revenue from large lump sum contracts of interior solutions projects and millwork and furniture projects.

Gross profit of the Group increased by approximately 7.0% from approximately HK\$44.2 million for the year ended 30 June 2015 to approximately HK\$47.3 million for the year ended 30 June 2016, and the gross profit margin increased from approximately 33.8% for the year ended 30 June 2015 to approximately 35.6% for the year ended 30 June 2016. Gross profit of the Group decreased by approximately 26.7% from approximately HK\$20.3 million for the six months 31 December 2015 to approximately HK\$14.9 million for the six months 31 December 2016, and the gross profit margin decreased from approximately 34.1% for the six months 31 December 2015 to approximately 23.0% for the six months 31 December 2016. According to the Interim Report 2017, the decrease was mainly due to the change of the Group’s revenue mix to a higher proportion of interior solutions projects during the six months ended 31 December 2016.

Profit attributable to the owners of the Company decreased by approximately 51.6% from approximately HK\$23.8 million for the year ended 30 June 2015 to approximately HK\$11.5 million for the year ended 30 June 2016. For the six months ended 31 December 2015, profit attributable to the owners of the Company was approximately HK\$8.8 million, while for the six months ended 31 December 2016, loss attributable to the owners of the Company was approximately HK\$9.8 million, mainly due to the increase in non-recurring expenses in relation to the listing Shares on the main board of the Stock Exchange, the increase in administrative expenses, and the decrease of the gross profit of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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A summary of the audited financial position of the Group as at 30 June 2015, 30 June 2016 and 31 December 2016 respectively, as extracted from the Annual Report 2016 and Interim Report 2017, is set out below:

	As at 30 June			As at 31 December	
	2015	2016	Change	2016	Change
	HK\$'000	HK\$'000	%	HK\$'000	%
	(Audited)	(Audited)		(Unaudited)	
Non-current assets	561	1,151	105.2	1,016	(11.7)
Current assets	48,525	47,292	(2.5)	111,424	135.6
Non-current liabilities	49	103	110.2	103	0.0
Current liabilities	39,578	39,457	(0.3)	32,738	(17.0)
Net assets	9,459	8,883	(6.1)	79,599	796.1
Equity attributable to owners of the Company	9,459	8,883	(6.1)	79,599	796.1

The non-current assets of the Group remained stable at approximately HK\$1.2 million and HK\$1.0 million as at 30 June 2016 and 31 December 2016 respectively, while its current assets increased by approximately 135.6% from approximately HK\$47.3 million as at 30 June 2016 to approximately HK\$111.4 million as at 31 December 2016. The non-current liabilities of the Group, which is the deferred tax, remained stable at approximately HK\$103,000 as at 30 June 2016 and 31 December 2016 respectively, while the current liabilities of the Group decreased by approximately 17.0% from approximately HK\$39.5 million as at 30 June 2016 to approximately HK\$32.7 million as at 31 December 2016. As at 31 December 2016, the net asset value of the Group and equity attributable to owners of the Company amounted to approximately HK\$79.6 million, due to the issue of 600,000,000 new ordinary Shares of the Company at HK\$0.15 per Share in connection with the Company's Shares were listed on the Main Board of the Stock Exchange.

### ***1.2 Background, business and financial information of the Lee Group***

Mr. Lee is currently the chairman, executive Director, chief executive officer of the Company and the controlling shareholder of the Company who, through CGH (BVI), controls 75% of the issued share capital of the Company and the Lee Group is principally engaged in the operation of restaurants in Hong Kong.

The Lee Group are 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***1.3 Reasons for and benefits of the entering into of the Master Services Agreement***

As discussed in the Board Letter, by providing the Services to the Lee Group, the Group will be able to develop its relevant advantages and increase operating revenue.

As discussed with the Management, we noted that the provision of the interior design proposal and interior design solutions contemplated under the Master Services Agreement are in the ordinary and usual course of business of the Group. The Directors are of the view that the Continuing Connected Transactions will increase the total revenue of the Group.

Having considered that (i) the provision of the interior design proposal and interior design solutions are the principal business activities of the Group, (ii) the entering into of the Master Services Agreement would allow flexibility of the provision of interior design proposal and interior design solutions of the Group to the Lee Group, especially as an initiative to expand its clientele by including food and beverage industry players and (iii) the potential revenue from the Lee Group which can enhance revenue portfolio of the Group, we consider that the entering into of the Master Services Agreement would provide the Group with additional opportunity to maximize its revenue, and are therefore of the opinion that the entering into of the Master Services Agreement is conducted in the ordinary and usual course of business of the Company, and is in the interest of the Company and the Shareholders as a whole.

## **2. Principal terms of the Master Services Agreement**

### ***2.1 Principal terms***

Set out below are the major terms of the Master Services Agreement:

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 the Lee Group)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- 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 the 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 the 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 the 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 the Lee Group will be agreed between the relevant member of the Group and the relevant member of the 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) Design services

For project where the Group is engaged for both interior design proposals (concept design) and interior design solutions (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, the 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 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 service

- 50% deposit upon confirmation of 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 more than 30 days

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Board Letter, in order to ensure that the prices and terms of the transactions under the Master Services Agreement will be no more favourable to the 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 the Lee Group to review and assess whether the Services provided are in accordance with the terms of the relevant agreement and are no more favourable to the Lee Group than those available to Independent Third Parties from the Group. When the Group is going to be engaged for providing interior design proposals and interior design solutions under the Master Services Agreement, the quotation (including the proposed service fee to be charged) for each of the transaction between the Group and the Lee Group shall be prepared by the project team manager and shall be reviewed and approved by head of project team of the Company prior to the entering into each of the relevant transaction. The head of project team will compare (i) at least three agreements and costing sheets of the Group with Independent Third Parties by which the relative projects have been recently completed with; and (ii) the quotation and project budget cost with the Lee Group in assessing the quotation, to ensure that the pricing and payment terms to be agreed between the Group and the Lee Group are no more favourable to the Lee Group than those entered into between the Group and Independent Third Parties, and the profit margin of transactions contemplated under the Master Services Agreement is no more favourable to the Lee Group than similar transactions with Independent Third Parties. 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 to assess whether such transactions have been carried out in accordance with the relevant terms of the Master Services 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.

As stated in the Board Letter, the terms and conditions of the Master Services Agreement were negotiated between the parties to it on an arm's length basis. The Directors are of the view that the terms and conditions (including the pricing mechanism and 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.

### ***2.2 Pricing policies***

As stated in the Board Letter, the prices and terms of the transactions under the Master Services Agreement shall be on normal commercial terms and on terms no more favourable to the Lee Group than those available to the Independent Third Parties from the Group. As discussed with the Management, we understood that for interior solutions, the price will be determined based on the cost-plus pricing model for the determination of total quotation sum, and the percentage of mark-up will be in line with other interior design solutions projects of the Group, and for design services, for project where the Group is engaged for both interior design proposal (concept design) and interior solution (including fit-out construction services, millworks provision and facade 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Board Letter, for interior solution (fit-out), the Group will estimate the resources (e.g. number of staff, approximate time required, material and quotation from subcontractors) to be used to determine the cost and a percentage mark-up will be made based on the resources estimate to finalise the tender for interior solutions (fit-out). The percentage mark-up will vary case-by-case based on the resources to be allocated and the management of the Group will compare the level of mark-up of the project to the Lee Group with other level of mark-up to Independent Third Parties to make sure the mark-up will be in line with other interior solutions projects of the Group and the transaction will be conducted on normal commercial terms or better.

For interior design proposals (concept design), the Group will estimate the resources (e.g. number of staff and approximate time required) to be used to determine the cost and a percentage mark-up will be made based on the resources estimate to finalise the quotation for interior design proposals (concept design). The percentage mark-up will vary case-by-case based on the resources to be allocated and the management of the Group will compare the level of mark-up of the project to the Lee Group with other level of mark-up of the project to Independent Third Parties to make sure the mark-up will be in line with other interior design proposals (concept design) of the Group and the transaction will be conducted on normal commercial terms or better.

For the design services, as stated in the Board Letter, based on Directors' past experience, in general, where the Group is engaged in both interior design proposals and interior design solutions to Independent Third Parties, the design service charge would contribute about 5 to 10% of the total quotation sum for the interior design solutions projects. It is expected that the transactions with the Lee Group will be in the similar basis in the event that the Lee Group engages the Group in providing both interior design proposal and interior design solutions. As such, the Directors are of the view that the design service charged at 5 to 10% of the total quotation sum for the interior design solutions projects is on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders as a whole.

For our due diligence purpose, we have obtained and reviewed 3 sample agreements and costing sheet of the Group with Independent Third Parties for the provision of each of interior solutions (fit-out), design service, and interior design solution and found that the prices and terms (including the charge of design services of 5-10% on the total quotation sum for the interior design solutions project) agreed between the Group and the Lee Group were no more favourable to the Lee Group than those entered into between the Group and Independent Third Parties, and the profit margin of transactions contemplated under the Master Services Agreement was no more favourable to the Lee Group than similar transactions with Independent Third Parties.

### **2.3 Internal Control**

As discussed with the Directors and according to the continuing connected transaction policy of the Group, we noted that, to ensure that the prices and terms of the transactions under the Master Services Agreement will be no more favourable to the Lee Group than those entered into between the Group and Independent Third Parties for similar transactions, the quotation (including the proposed service fee to be charged) for each of the transactions between the Group and the Lee Group under the Master Services Agreement shall be prepared by the project team manager and shall be reviewed and approved by head of project team of the Company prior to the entering into



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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each of the relevant transaction, based on the resources (e.g. number of staff, approximate time required, material and quotation from subcontractors) estimated to be used to determine the cost and a percentage mark-up to finalise the tender. The percentage mark-up will vary case-by-case based on the resources to be allocated and the head of project team of the Company would compare the level of mark-up of the project to the Lee Group with other level of mark-up of the project to Independent Third Parties to make sure the mark-up will be in line with other similar projects of the Group. Detailed payment terms will be specified in the individual contract governing the particular transactions. In addition, the finance department of the Company will monitor the actual transaction amounts against any excess of the approved annual caps. Furthermore, the auditors of the Group will also conduct annual review of the Continuing Connected Transactions such that the Group could be able to ensure compliance with the Group's pricing policy.

While assessing the effectiveness of above mentioned internal control imposed by the Group, we have obtained and reviewed 3 sample agreements and costing sheets of the Group with Independent Third Parties and all the agreements and the costing sheets of the Group with the Lee Group. We noted that the prices and terms agreed between the Group and the Lee Group were no more favourable to the Lee Group than those entered into between the Group and Independent Third Parties, and the profit margin of transactions contemplated under the Master Services Agreement was no more favourable to the Lee Group than similar transactions with Independent Third Parties.

Based on the aforesaid, we are of the view that the terms in relation to the transactions contemplated under the Master Services Agreement are on normal commercial terms, fair and reasonable insofar the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

### 3. Proposed Annual Caps

The table below sets forth the proposed Annual Caps for the transactions contemplated under the Master Services Agreement with the Lee Group for the three years ending 30 June 2020:

	For the year ending 30 June		
	2018	2019	2020
Proposed Annual Caps (HK\$'000)	31,000	29,000	32,000
Growth in proposed Annual Caps (%)	N/A	(6.5)	10.3

As stated in the Board Letter, in arriving at the proposed Annual Caps for the transactions contemplated under the Master Services Agreement for the three years ending 30 June 2020, the Company has taken into account of a number of factors including, among other things, (a) the balance amount of HFL Quotation of approximately HK\$1.5 million to be recognised during the year ending 30 June 2018, and the estimate amount of variation order to be added to HFL Quotations of approximately HK\$1.8 million; (b) expansion plan of business of the Lee Group which in turn 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 the Lee Group under the Master Services Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to assess the fairness and reasonableness of the proposed Annual Caps, we noted that there are the balance amount of HFL Quotation of approximately HK\$1.5 million and the estimate amount of variation order to be added to HFL Quotations of approximately HK\$1.8 million, both of which the Management believes will be recognised in the year ending 30 June 2018. In addition, having discussed with the Management and considered the expansion plan of HFL of opening approximately 5, 5 and 5 new restaurants with a total area of approximately 14,500 square feet, 15,500 square feet and 15,500 square feet for each of the three years ending 30 June 2020 respectively, with the range of expected project price per square feet between HK\$1,500 and HK2,000, and a buffer of 10% on top of the total estimated transaction amount for the year ending 30 June 2020.

In addition, we have also considered the change in the proposed Annual Caps for the three years ending 30 June 2020. The decrease in the proposed Annual Caps from HK\$31.0 million for the year ending 30 June 2018 to HK\$29.0 million for the year ending 30 June 2019 was mainly due to the inclusion of amount of the balance amount of HFL Quotation of approximately HK\$1.5 million and the estimate amount of variation order to be added to HFL Quotations of approximately HK\$1.8 million for the calculation of the proposed Annual Caps for the year ending 30 June 2018, which is absent for the year ending 30 June 2019. Excluded the sum of these two HFL Quotation-related items of approximately HK\$3.3 million, there is a growth of proposed Annual Caps for the two years ending 30 June 2020 of approximately 4.7% (i.e.  $(\text{HK\$}29.0 \text{ million} / (\text{HK\$}31.0 \text{ million} - \text{HK\$}3.3 \text{ million}) - 1)$ ) and 10.3% respectively, which is generally in line with the increase in the revenue of the Group of approximately 1.6% and 8.5% for the year ended 30 June 2015 and the six months ended 31 December 2016 respectively, and justifiable after taking into account of the increase in the cost of production, which mainly consists of costs of material and subcontracting.

Taking into account of factors as mentioned above, we are of the view that the proposed Annual Caps for the transactions contemplated under the Master Services Agreement with the Lee Group for the three years ending 30 June 2020 are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Measures to ensure compliance with the Listing Rules**

In compliance with the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules, the Company will continue to comply with the following during the three years ending 30 June 2020 for the Continuing Connected Transactions:

- (i) each year the independent non-executive Directors will review the transactions with the Lee Group and confirm in the Company's annual report whether the transactions have been entered into:
  - in the ordinary and usual course of business of the Group;
  - on normal commercial terms or better; and
  - according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) each year the auditors of the Company will provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions with the Lee Group:
- have not been approved by the Board;
  - were not, in all material respects, in accordance with the pricing policies of the Group;
  - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - have exceeded the proposed Annual Caps;
- (iii) the Company will allow, and will ensure that the Lee Group will allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the transactions with the Lee Group; and
- (iv) the Company will promptly notify the Stock Exchange and will publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters required.

Pursuant to Rule 14A.54 of the Listing Rules, in the event that the transaction amounts of the transactions with the Lee Group exceed the proposed Annual Caps, or that there is any material change to the terms of the Master Services Agreement, the Company, as confirmed by the Directors, will comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions with the Lee Group and the proposed Annual Caps and hence the interest of the Independent Shareholders would be safeguarded.

### OPINION AND RECOMMENDATION

Having taken into account of the above factors and reasons, we are of the view that the terms of Master Services Agreement and the proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions with the Lee Group are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM and we recommend the Independent Shareholders to vote in favour of the relevant resolution in this regard.

Yours faithfully,

For and on behalf of

**Red Sun Capital Limited**

**Robert Siu**

**Idy Cheung**

*Managing Director*

*Associate Director*

*Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in the corporate finance industry.*

*Ms. Idy Cheung is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 11 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

#### *Long Position*

Name of Director	The Company/ Name of associated corporation	Capacity/ Nature of interest	Name and class of shares held/interested in the Company/ associated corporation	Percentage of shareholding
Mr. Lee	The Company	Interest in a controlled corporation and interest of spouse	1,800,000,000 Shares ( <i>Note</i> )	75%
	CGH (BVI)	Beneficial owner and interest of spouse	100 ordinary shares of US\$1 each ( <i>Note</i> )	100%

*Note:* Such Shares were registered in the name of CGH (BVI), a company owned as to 50% and 50% by Mr. Lee and Ms. Leung. By virtue of the provisions of Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by CGH (BVI). Besides, Mr. Lee is the spouse of Ms. Leung. By virtue of the provisions of Part XV of the SFO, Mr. Lee is deemed to be interested in the same number of Shares in which Ms. Leung is deemed to be interested. Each of Mr. Lee and Ms. Leung is a director of CGH (BVI). Mr. Lee is also deemed to be interested in the shares of CGH (BVI) held by Ms. Leung.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and/or chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

#### **Substantial Shareholders' interests in Shares and underlying shares of the Company**

As at the Latest Practicable Date, to the best knowledge of the Directors and the senior management of the Company, the table below listed out the persons (other than the Directors or chief executives of the Company), who had interests in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

##### *Long Position*

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/ interested in</b>	<b>Percentage of shareholding</b>
CGH (BVI)	Beneficial Owner	1,800,000,000 ( <i>Note</i> )	75%
Ms. Leung	Interest in a controlled corporation and interest of spouse	1,800,000,000 ( <i>Note</i> )	75%

*Note:* Such Shares were registered in the name of CGH (BVI), which is owned as to 50% and 50% by each of Mr. Lee and Ms. Leung. By virtue of the provisions of Part XV of the SFO, Ms. Leung is deemed to be interested in all the Shares held by CGH (BVI). Besides, Ms. Leung is the spouse of Mr. Lee. By virtue of the provisions of Part XV of the SFO, Ms. Leung is deemed to be interested in the same number of Shares in which Mr. Lee is deemed to be interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

**3. COMPETING INTERESTS**

The Directors were not aware that any of the Directors and their respective close associates had, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**4. MATERIAL ADVERSE CHANGE**

Reference is made to the profit warning announcement of the Company dated 3 February 2017 in relation to the expected consolidated net loss for the six months ended 31 December 2016, the interim results announcement of the Company dated 24 February 2017 and the interim report of the Company published on the websites of the Stock Exchange and the Company on 17 March 2017 for the same period. As disclosed in such announcements and the interim report, the decline in the financial performance of the Group was mainly due to (i) the increase of non-recurring expenses, which mainly comprised of expenses related to the listing of the Shares on the Stock Exchange; (ii) the increase in staff costs because of the increase in headcount and remuneration restructuring; (iii) the increase in legal and consultancy fees and sales and marketing expenses; and (iv) the decrease of gross profit, which was primarily due to the change of the Group's revenue mix as a result of certain clients of the Group delay in implementing their business strategies.

Reference is also made to the profit warning announcement of the Company dated 23 May 2017 in relation to the expected substantial consolidated net loss for the year ended 30 June 2017. As disclosed in such announcement, the expected decline in the financial performance of the Group was mainly due to (i) the increase of non-recurring expenses, which mainly comprised of expenses related to the listing of the Shares on the Stock Exchange; (ii) the increase in staff costs because of the increase in headcount and remuneration restructuring; (iii) the increase in legal and consultancy fees and sales and marketing expenses due to the formation of overseas subsidiaries; and (iv) the decrease of revenue and gross profit, which was primarily due to the change of the Group's revenue mix as a result of certain clients of the Group delay in implementing their business strategies.

Please refer to the relevant announcements and interim report of the Company for further details. Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest published audited consolidated accounts of the Company were made up.

**5. LITIGATION**

As at the Latest Practicable Date, none of the Company or any of its subsidiaries was engaged in any litigations or claims and no litigations or claims of material importance is pending or threatened against the Company or any member of the Group.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which will not expire or may not be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

**7. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 30 June 2016 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

**8. EXPERT'S QUALIFICATION AND CONSENT**

Set out below is the qualification of Red Sun (the “**Expert**”) who has given its letter of advice for inclusion in this circular:

<b>Name</b>	<b>Qualifications</b>
Red Sun	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Expert was not beneficially interested in the securities of any members of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, the Expert did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any members of the Group or are proposed to be acquired or disposed of by or leased to any members of the Group since 30 June 2016, being the date to which the latest published audited consolidated accounts of the Company were made up.

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and references to its name, in the form and context in which they appear.



**9. GENERAL**

- (a) The company secretary of the Company is Mr. Lau King Lok who is an associate member of the Institute of Chartered Accountants in England and Wales, an associate member of the Taxation Institute of Hong Kong and a certified tax adviser and a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is located at 20th Floor, 625 King's Road, North Point, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**10. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the principle place of business of the Company at 20th Floor, 625 King's Road, North Point, Hong Kong during normal business hours on any business day up to and including 20 October 2017:

- (i) the Master Services Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (iii) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 13 to 26 of this circular;
- (iv) the written consent from the Independent Financial adviser referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Meeting**”) of CROSSTEC Group Holdings Limited (“**Company**”) will be held at 7/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong on Friday, 20 October 2017 at 10:00 a.m. to consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the master services agreement dated 11 August 2017 (the “**Master Services Agreement**”) entered into between CROSSTEC International Limited, an indirect wholly-owned subsidiary of the Company, (contracting for itself and all other members of the Company and its subsidiaries (the “**Group**”)) as service provider and Mr. Lee Wai Sang (“**Mr. Lee**”) (contracting for 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 (the “**Lee Group**”)) as service recipient for the provision of the services as described in the Master Services Agreement by the Group for the restaurants of Lee Group in Hong Kong (a copy of which is tabled at the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Annual Caps (as defined and detailed in the circular of the Company dated 29 September 2017) for the three years ending 30 June 2020 as contemplated under the Master Services Agreement be and are hereby approved; and

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## NOTICE OF EGM

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- (c) any one of the directors of the Company be hereby authorised to do all such acts and things and execute such documents (with or without the affixation of the common seal of the Company but to be countersigned by another director of the Company if it is required to affix the common seal of the Company thereto) and take all steps which, in his opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Master Services Agreement for and on behalf of the Company.”

On behalf of the Board  
**CROSSTEC Group Holdings Limited**  
**Lau King Lok**  
*Company Secretary*

Hong Kong, 29 September 2017

*Principal place of business in Hong Kong:*

20th Floor  
625 King's Road  
North Point  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, at the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on Wednesday, 18 October 2017 or not less than 48 hours before the time for holding any adjourned meeting.
3. In order to ascertain the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 16 October 2017 to Friday, 20 October 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant shares certificate(s) must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 October 2017.
4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. The resolution as set out in this notice to be put to vote at the Meeting will be decided by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*As at the date hereof, the board of directors of the Company comprises Mr. Lee Wai Sang (Chairman and Chief Executive Officer), Mr. Lau King Lok, Mr. Leung Pak Yin and Mr. Lai Hon Lam Carman as executive directors of the Company; and Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin as independent non-executive directors of the Company.*