

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

(1) DISCLOSEABLE TRANSACTION RELATING TO THE ACQUISITION OF A PROPERTY IN HONG KONG;

AND

(2) CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

ACQUISITION OF A PROPERTY IN HONG KONG

The Board announces that the Purchaser (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Provisional S&P Agreement with the Vendor on 18 April 2019 (after trading hours of the Stock Exchange) for the acquisition of the Property at a consideration of HK\$8.5 million.

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

Having considered the reasons for and benefits of establishment of a new R&D center in Hong Kong and the re-assessment of the funding needs for the overseas R&D activities, the Board has decided to re-allocate approximately HK\$10.6 million, representing approximately 16.4% of the net proceeds from the Share Offer, for the purpose of financing the establishment of a new R&D center in Hong Kong including the payment of the Consideration.

(I) THE ACQUISITION

The Board announces that the Purchaser (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Provisional S&P Agreement with the Vendor on 18 April 2019 (after trading hours of the Stock Exchange) for the acquisition of the Property at a cash consideration of HK\$8.5 million. Particulars of which are set out below:

Date: 18 April 2019 (after trading hours of the Stock Exchange)

Parties: Vendor:
New China Advertisement, Production And Trading Company Limited. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an investment holding company incorporated in Hong Kong and each of the Vendor and its ultimate beneficial owner(s) is an Independent Third Party.

Purchaser:
Trinity Facade Sustainability Technology Limited, an indirect wholly-owned subsidiary of the Company.

Property: The Property is located at Workshop 1 on 13th Floor of Technology Plaza, No. 651 King's Road, Hong Kong, which is an industrial / commercial property with the gross floor area of approximately 708 square feet. The Property will be sold with vacant possession.

Consideration and payment terms: The Consideration of HK\$8.5 million has been determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the prevailing market price of adjacent properties within the accessible distance.

The Consideration shall be payable by the Purchaser to the Vendor in cash in the following manner:-

- (i) an initial deposit in the sum of HK\$425,000 has been paid upon signing of the Provisional S&P Agreement;
- (ii) a further deposit in the sum of HK\$425,000 shall be paid on or before 6 May 2019; and
- (iii) the remaining balance of the Consideration in the sum of HK\$7,650,000 shall be paid upon Completion.

The Consideration will be financed by the net proceeds from the Share Offer.

Formal Agreement: Pursuant to the Provisional S&P Agreement, the Vendor shall sell the Property to the Purchaser free from encumbrances. The Vendor and the Purchaser shall enter into the Formal Agreement on or before 6 May 2019.

Completion: Completion shall take place on or before 18 July 2019.

Agency fee: In consideration of the services rendered by a property agency company to the Purchaser, the Purchaser shall pay to the property agency company an agency fee of HK\$85,000 (representing 1% of the Consideration) on or before 18 July 2019. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, such property agency company and its ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company, which, along with its subsidiaries, 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.

As disclosed in the paragraph headed "Reason for the Change in Use of Proceeds" under the section headed "(II) Change in Use of Proceeds from Share Offer" of this announcement, the Board finds that it is of the benefit of the Group to build a R&D center in Hong Kong so as to strengthen the R&D capabilities of the Group. The Property is intended to be held by the Group for the establishment of a new R&D center in Hong Kong in its own property and the existing R&D center in Hong Kong which was established in February 2017 will be closed after the establishment of the new R&D center. This new R&D center will serve as a centralized hub for product and material application testing, developing new technologies and design prototypes, as well as building special lighting and security systems. The ultimate goal is to enhance the Group's competitive edges in the industry and complement the Group's future development. The Group decided to enter into the Provisional S&P Agreement because of the good and convenience location of the Property for both the Company and its clients and the commercial terms, including the Consideration, which the Board considers reasonable. Taking into account the above factors, the Board considers that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

(II) CHANGE IN USE OF PROCEEDS FROM SHARE OFFER

Reference is made to the Prospectus, the announcements of the Company dated 18 May 2018 and 26 February 2019 in relation to, among others, the change in use of proceeds from the Share Offer and the interim report of the Company for the six months ended 31 December 2018 in relation to the updates regarding use of proceeds from the Share Offer.

As disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the Company intended to apply, among others, approximately 17% of the net proceeds from the Share Offer for financing the establishment of R&D center in Hong Kong (the “**Intended Use**”). Based on the offer price of HK\$0.15 per offer share, the net proceeds from the Share Offer, after deducting the underwriting commissions and expenses in connection with the Share Offer, were approximately HK\$64.6 million. The net proceeds from the Share Offer allocated to the Intended Use amounted to approximately HK\$11.0 million.

As disclosed in the announcement of the Company dated 18 May 2018, as of 31 December 2017, the Company had utilised approximately HK\$0.4 million of the net proceeds from the Share Offer for the Intended Use and approximately HK\$10.6 million remained unutilised as of 31 December 2017 (the “**Unutilised Net Proceeds**”). On 18 May 2018, the Board has resolved to change the use of proceeds and proposed to apply the Unutilised Net Proceeds in the amount of approximately HK\$10.6 million for the purpose of financing the establishment of overseas R&D centers.

Reasons for the Change in Use of Proceeds

The Company has attempted to identify suitable overseas properties as R&D center since May 2018. However, the Company has not yet entered into any binding commitment or agreement in respect of any acquisition or lease of overseas properties due to failure to agree and/or conclude on commercial terms, and therefore, the net proceeds re-allocated to the purpose of financing the establishment of overseas R&D centers amounted to approximately HK\$10.6 million remains unutilized as at the date of this announcement. While the Group remains committed to continue to devote its efforts to enhance its innovation and R&D capabilities in order to maintain its competitiveness and support long term growth and the Company has successfully recruited a director of re-engineering division and identified the Property which is suitable for establishment of R&D center in Hong Kong, the Board therefore considers it is appropriate to re-allocate the Unutilised Net Proceeds for the purpose of financing the establishment of a new R&D center in Hong Kong including the payment of the Consideration accordingly.

The Board is of the view that the above change in use of proceeds is in line with the Group's business strategy to enhance the Group's innovation and R&D capabilities and will result in a more efficient use of the net proceeds from the Share Offer.

DEFINITION

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

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the terms and conditions of the Provisional S&P Agreement and the Formal Agreement
“Board”	the board of Directors
“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
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Provisional S&P Agreement and the Formal Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$8.5 million, being the total consideration payable by the Purchaser to the Vendor in respect of the Acquisition
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Purchaser and the Vendor on or before 6 May 2019 in relation to the Acquisition
“Group”	the Company and its subsidiaries from time to time
“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 Third Party(ies)”	third party(ies) independent of the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Property”	Workshop 1 on 13th Floor of Technology Plaza, No. 651 King’s Road, Hong Kong
“Prospectus”	the prospectus dated 30 August 2016 issued by the Company relating to the Share Offer
“Provisional S&P Agreement”	the provisional agreement for sale and purchase dated 18 April 2019 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Purchaser”	Trinity Facade Sustainability Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“R&D”	research and development
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer”	the public offering and the placing of the Shares for the listing on the Main Board of the Stock Exchange on 12 September 2016
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	New China Advertisement, Production And Trading Company Limited
“%”	per cent.

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

Hong Kong, 18 April 2019

As at the date of this announcement, the Board comprises Mr. Lee Wai Sang, Mr. Lau King Lok and Mr. Leung Pak Yin as executive Directors; and Mr. So Chi Hang, Mr. Heng Ching Kuen Franklin and Mr. Shing Wai Yip as independent non-executive Directors.