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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)

DISCLOSEABLE TRANSACTION IN RELATION TO MOBILE APPLICATION DISTRIBUTION AGREEMENT

THE DISTRIBUTION AGREEMENT

On 19 June 2024 (after trading hours), the Distributor, an indirect wholly-owned subsidiary of the Company, entered into the Distribution Agreement with the Licensor, pursuant to which the Licensor granted the Distributor an exclusive license to reproduce, distribute and publish the Licensed Game in the Territory for a term of five (5) years.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction under the Distribution Agreement are more than 5% but less than 25%, the entering into of the Distribution Agreement constitutes a discloseable transaction on the part of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISTRIBUTION AGREEMENT

On 19 June 2024 (after trading hours), the Distributor, an indirect wholly-owned subsidiary of the Company, entered into the Distribution Agreement with the Licensor. The key terms of which are set out below.

Date : 19 June 2024

Parties : (i) the Licensor
(ii) the Distributor

Subject matter : The grant of an exclusive license by the Licensor to the Distributor to reproduce, distribute and publish the Licensed Game in the Channels in the Territory, and to take other related actions including to promote and market the Licensed Game in the Territory.

The Licensed Game is an idle RPG (role-playing game) with pixelated graphics developed by the Licensor. The Licensed Game has been released online in certain countries in exclusion of the Territory.

Term : Save if terminated earlier pursuant to the terms of the Distribution Agreement, an initial term of five (5) years from the date on which the Licensed Game is first launched on a Channel in the Territory, which shall be extended automatically for one (1) year unless either party notifies the other party of its unwillingness to extend (the “**Term**”).

License fees : (i) Minimum guarantee

The Distributor shall pay the Licensor a fixed license fee in the form of a minimum guarantee in the sum of USD500,000 (the “**Minimum Guarantee**”) within 10 working days after receiving the invoice for the same from the Licensor.

(ii) Monthly license fee

The Distributor shall pay the Licensor a monthly license fee equivalent to 15% of the Gross Revenue generated by the Distributor from the distribution of the Licensed Game for each calendar month (the “**Monthly License Fee**”).

The Monthly License Fee for a calendar month shall be agreed based on a statement specifying the Gross Revenue to be provided by the Distributor within 20 days after the end of the month. The Licensor shall issue an invoice for payment within 40 days after the end of the month, and the Distributor shall make payment within 60 days after the end of the month.

The Monthly License Fee payable during the Term will first be set off against the Minimum Guarantee paid, until the total Monthly License Fee payable exceeds the Minimum Guarantee.

If the Licensor breaches the Distribution Agreement or terminates the Distribution Agreement without any reasonable cause prior to the expiry of the Term, any remaining amount of the Minimum Guarantee yet to be set off shall be fully refunded to the Distributor.

Termination : The Distributor may terminate the Distribution Agreement with immediate effect upon giving written notice.

Both parties may terminate the Distribution Agreement with immediate effect by giving written notice to the other (the “**Defaulting Party**”) at any time after the happening of any of the following events:

- (i) the Defaulting Party commits a material breach of any of the terms and conditions of the Distribution Agreement, provided that where such breach is capable of remedy, the Defaulting Party has been advised in writing of the breach and has not rectified it within thirty (30) days of receipt of such advice;
- (ii) the Defaulting Party ceases to do business at any time for thirty (30) consecutive days or threatens to cease business; and
- (iii) the Defaulting Party becomes unable to pay its debts.

The terms of the Distribution Agreement, including the license fees, were determined after arm’s length negotiations between the parties with reference to (i) the current development status of the Licensed Game; (ii) the sales and popularity of the Licensed Game worldwide in exclusion of the Territory; (iii) the future prospects of the development and commercialisation of the Licensed Game in the Territory; and (iv) the prevailing license fee arrangements and pricing terms in respect of licensing of comparable online games in the industry.

The Company expects to finance the payment of the license fee under the Distribution Agreement by the internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DISTRIBUTION AGREEMENT

The Company is an investment holding company and the Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores and property facilities of global luxury brands, which covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions, design, maintenance and project consultancy.

As disclosed in the latest financial reports of the Company, whilst the Group intends to maintain the continual operation of its existing principal businesses, the Company has recently been exploring and identifying other potential business and investment opportunities, with the hopes of developing and diversifying the Group's existing business portfolio in order to broaden its income sources. By doing so, the Company aims to achieve sustainable growth in the long run, thereby maximising the Shareholders' return.

A suitable investment opportunity has arisen and the Group intends to expand its principal businesses by engaging in online game distribution business in the Territory and overseas markets, through distribution and licensing collaboration with game developers.

According to publicly available information, the global mobile gaming market was valued at approximately USD118.34 billion in 2023 and is projected to grow annually at a compound annual growth rate (CAGR) of approximately 17.1% during the period from 2024 to 2031. In the last few years, mobile games have accounted for more than 50% of the global gaming market revenue, surpassing both console and personal computer gaming. Asia-Pacific is the largest market for mobile games, with China and India leading in terms of the number of users and revenue generated. Taking into consideration, among other factors, (i) the forecasted growth in the global mobile online game industry; (ii) the continuous increase in use of smartphones worldwide; and (iii) the increasing popularity of augmented reality and virtual reality gaming, the Board considers that it is in the interests of the Company and the Shareholders as a whole for the Group to expand into the online game distribution business.

In view of the above, the Directors consider that the terms of the Distribution Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Licensor

The Licensor is a company incorporated in the Republic of Korea with limited liability, and is principally engaged in and renowned in the business of design, development and marketing of online games, currently with a portfolio of over 20 mobile games.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Licensor and its ultimate beneficial owner(s) are Independent Third Parties. The Licensor is directly owned by nine different shareholders. The largest shareholder is an individual, Mr. Seung Eun Park, holding more than 25% equity interest in the Licensor.

The Distributor

The Distributor is a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company.

The Distributor has been one of the Hong Kong operating subsidiaries of the Group, and principally engaged in the provision of facade management services. Moving forward, the Group shall operate its online game distribution business through the Distributor.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Channel(s)”	the permitted digital channels in the Territory on which the Licensed Game can be run, including but not limited to Apple App Store and Android platform
“Company”	CROSSTEC Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Distribution Agreement”	the Application Distribution Agreement dated 19 June 2024 entered into between the Licensor and the Distributor
“Distributor”	Crosstec Network Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Gross Revenue”	all revenues generated from the end users of the Licensed Game (including the real money equivalents for purchases of virtual currency, such as coins and the revenues generated from in-game advertisements) in the Territory, reduced by applicable consumption taxes and any other reductions upon which the parties mutually agree
“Group”	the Company and its subsidiaries
“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 Parties”	any individual or company not being the connected persons of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associates
“Licensed Game”	Airship Knights, the online mobile game developed by the Licensor, licensed to the Distributor to be reproduced, distributed and published through in the Territory in accordance with the Distribution Agreement
“Licensor”	Super Planet corp., a company incorporated in the Republic of Korea with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Mainland China, which for the purposes of the Distribution Agreement shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan

“USD”

United States dollars, the lawful currency of the United States of America

By Order of the Board
CROSSTEC Group Holdings Limited
WANG Rong
Executive Director

Hong Kong, 19 June 2024

As at the date of this announcement, the Board comprises Mr. Wang Rong and Mr. Cui Qingbo as executive Directors; Mr. Tsang Ho Yin as a non-executive Director; Ms. Lee Kwai Sheung, Mr. Tse Kwok Hing Henry and Mr. Ma Jian as independent non-executive Directors.