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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of CROSSTEC Group Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2022 (the “**Year**”), together with the comparative figures for the year ended 30 June 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

		<b>For the year ended 30 June</b>	
	<i>Notes</i>	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
<b>Revenue</b>	4	<b>40,006</b>	86,601
Direct costs		<u>(28,355)</u>	<u>(67,918)</u>
<b>Gross profit</b>		<b>11,651</b>	18,683
Other income	4	<b>1,353</b>	2,225
(Decrease)/increase in fair value of investment property		<b>(90)</b>	40
Reversal of impairment on financial assets, net		–	19
(Impairment loss)/reversal of impairment on property, plant and equipment, net		<b>(3,321)</b>	16
Other (loss)/gain, net	4	<b>(488)</b>	241
Administrative expenses		<b>(29,797)</b>	(32,131)
Finance costs	5	<u><b>(1,196)</b></u>	<u>(870)</u>
<b>Loss before income tax</b>	6	<b>(21,888)</b>	(11,777)
Income tax expense	7	<u>–</u>	<u>(21)</u>
<b>Loss for the year and attributable to owners of the Company</b>		<b>(21,888)</b>	(11,798)
<b>Item that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		<u><b>613</b></u>	<u>(26)</u>
<b>Other comprehensive income for the year and attributable to owners of the Company, net of tax</b>		<u><b>613</b></u>	<u>(26)</u>
<b>Total comprehensive income for the year and attributable to owners of the Company</b>		<u><b>(21,275)</b></u>	<u>(11,824)</u>
<b>Loss per share</b>			(re-presented)
Basic and diluted (HK cents)	8	<u><b>(30.40)</b></u>	<u>(16.39)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		–	6,841
Investment property		<b>8,050</b>	8,140
Deposits	10	<b>33</b>	1,752
		<u>8,083</u>	<u>16,733</u>
<b>Current assets</b>			
Trade and other receivables	10	<b>16,560</b>	12,903
Income tax recoverable		<b>200</b>	200
Pledged bank deposits		<b>2,000</b>	6,795
Cash and cash equivalents		<b>21,629</b>	11,980
		<u>40,389</u>	<u>31,878</u>
<b>Total assets</b>		<u><b>48,472</b></u>	<u>48,611</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>12,437</b>	19,782
Contract liabilities		<b>13,307</b>	2,814
Lease liabilities		<b>6,038</b>	6,643
Bank borrowings	12	<b>8,000</b>	6,000
		<u>39,782</u>	<u>35,239</u>
<b>Net current assets/(liabilities)</b>		<u><b>607</b></u>	<u>(3,361)</u>
<b>Total assets less current liabilities</b>		<u><b>8,690</b></u>	<u>13,372</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>391</b>	6,101
Shareholder's loan	13	<b>20,723</b>	–
		<u>21,114</u>	<u>6,101</u>
<b>Total liabilities</b>		<u><b>60,896</b></u>	<u>41,340</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><b>(12,424)</b></u>	<u>7,271</u>
<b>Capital and reserves</b>			
Share capital	14	<b>28,800</b>	28,800
Reserves		<b>(41,224)</b>	(21,529)
<b>(CAPITAL DEFICIENCY)/TOTAL EQUITY</b>		<u><b>(12,424)</b></u>	<u>7,271</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2016 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business in Hong Kong is located at 20th Floor, 625 King’s Road, North Point, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy, maintenance and interior solutions services.

### 2.1 BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

#### (b) Basis of measurement and going concern assumption

##### (i) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for investment property which is measured at fair value.

##### (ii) *Going concern assumption*

The Group incurred a loss of approximately HK\$21,888,000 for the year ended 30 June 2022, and as of that date, the Group had total current bank borrowings amounted to approximately HK\$8,000,000. Also, the Company had capital deficiencies of approximately HK\$12,424,000. However, the Company had cash and cash equivalents of approximately HK\$21,629,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the Directors have prepared a cash flow forecast covering a period up to September 2023. The directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following considerations have been taken into account in the cash flow forecast:

- As at the approval date of these consolidated financial statements, the Group had unutilised banking facilities of HK\$9,000,000. The management has been in the process of negotiating the renewal of the banking facilities with the bank and it is considered that the renewal will be successful;
- As disclosed in notes 13 and 15, the Group had total facility line granted by its shareholder of HK\$39,000,000 based on the facility letters dated 22 December 2021 and 7 September 2022 respectively. As at the approval date of these consolidated financial statements, the unutilised loan facility available for drawdown amounted to HK\$10,000,000; and
- The Group will continue its efforts to enhance its operation to improve its cash flow from operations to strengthen its working capital.

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group would be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through (a) renewing the facilities from the bank; (b) drawing down the unutilised facilities of the shareholder's loan as and when needed; and (c) generating operating cash flows based on its forecasted revenue. The Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their realisable amounts, to provide for liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(c) **Functional and presentation currency**

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

**2.2 ADOPTION OF HKFRS**

(a) **Adoption of amended HKFRS – effective 1 July 2021**

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2  
HKFRS 7, HKFRS 4 and HKFRS16

The adoption of the amendments to standards and framework has no significant impact on the Group’s results and financial position or any substantial changes in Group’s accounting policies.

(b) **New/amended HKFRS that have been issued but are not yet effective**

The following new/amended HKFRS, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

		<b>Effective Date</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	(Note (i))
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(Note (ii))
Annual Improvements to HKFRSs 2018-2020		1 January 2022

Notes:

- (i) Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
- (ii) The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these new/amended HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

### 3. SEGMENT INFORMATION

#### Operating segments

The Group is principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy, maintenance and interior solutions services. Information reported to the Group's chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

#### Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following main geographical segments:

#### (a) Revenue from external customers by locations of customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>18,279</u>	<u>45,816</u>
Dubai	–	2,146
Japan	39	3,416
People's Republic of China ("PRC") (excluding Hong Kong)	13,302	28,837
United Kingdom	8,332	2,648
United States ("US")	–	3,717
Others	<u>54</u>	<u>21</u>
	<u>21,727</u>	<u>40,785</u>
	<u>40,006</u>	<u>86,601</u>

(b) Specified non-current assets by locations of assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	8,050	14,882
PRC (excluding Hong Kong)	–	11
Germany	–	88
	<u>8,050</u>	<u>14,981</u>

(c) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Client A	4,685	–
Client B	4,581	–
Client C	4,115	–
Client D	–	19,810
Client E	–*	9,793
	<u>13,381</u>	<u>29,603</u>

\* Revenue from relevant customer was less than 10% of the Group's total revenue for the reporting period.

In the following table, revenue is disaggregated by primary geographical markets of customers, major products and service lines and timing of revenue recognition.

### Disaggregation of revenue from contracts with customers

	Sales of millwork and furniture		Sales of facade fabrication		Interior solutions projects		Maintenance services		Design and project consultancy services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets of customers												
- Hong Kong	1,030	2,666	-	37	15,799	40,195	497	356	953	2,562	18,279	45,816
- Dubai	-	1,586	-	560	-	-	-	-	-	-	-	2,146
- Japan	39	3,416	-	-	-	-	-	-	-	-	39	3,416
- PRC (excluding Hong Kong)	223	3,818	-	3,468	10,185	19,274	191	244	2,703	2,033	13,302	28,837
- United Kingdom	8,332	2,648	-	-	-	-	-	-	-	-	8,332	2,648
- US	-	3,717	-	-	-	-	-	-	-	-	-	3,717
- Others	32	12	-	-	-	-	-	9	22	-	54	21
Total	<u>9,656</u>	<u>17,863</u>	<u>-</u>	<u>4,065</u>	<u>25,984</u>	<u>59,469</u>	<u>688</u>	<u>609</u>	<u>3,678</u>	<u>4,595</u>	<u>40,006</u>	<u>86,601</u>
Timing of revenue recognition under HKFRS 15												
- At a point in time	9,656	17,863	-	4,065	-	-	-	-	-	-	9,656	21,928
- Over time	-	-	-	-	25,984	59,469	688	609	3,678	4,595	30,350	64,673
	<u>9,656</u>	<u>17,863</u>	<u>-</u>	<u>4,065</u>	<u>25,984</u>	<u>59,469</u>	<u>688</u>	<u>609</u>	<u>3,678</u>	<u>4,595</u>	<u>40,006</u>	<u>86,601</u>

#### 4. REVENUE, OTHER INCOME AND OTHER (LOSS)/GAIN, NET

Revenue includes the net invoiced value of goods sold, design and project consultancy service and maintenance service rendered and contract revenue earned from the interior solutions projects by the Group. The amounts of each significant category of revenue recognised are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Time of revenue recognition		
<b>Revenue – at a point in time</b>		
Sales of products		
– Millwork and furniture	9,656	17,863
– Facade fabrication	–	4,065
<b>Revenue – over time</b>		
Income from interior solutions projects	25,984	59,469
Maintenance service income	688	609
Design and project consultancy service income	3,678	4,595
	<u>40,006</u>	<u>86,601</u>

An analysis of the Group's other income and other (loss)/gain, net, recognised is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	18	22
Management income	453	427
Government subsidies ( <i>Note</i> )	518	1,508
Rental income	198	172
Others	166	96
	<u>1,353</u>	<u>2,225</u>
<b>Other (loss)/gain, net</b>		
Exchange (loss)/gain, net	<u>(488)</u>	<u>241</u>

*Note:*

The HKSAR Government has launched the “Employment Support Scheme” to provide time-limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

## 5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	258	183
Interest on lease liabilities	413	687
Interest on shareholder's loan	525	–
	<u>1,196</u>	<u>870</u>

## 6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation:		
– Owned property, plant and equipment	727	913
– Right-of-use assets	3,205	3,338
Auditor's remuneration	638	618
Impairment loss/(reversal of impairment) on property, plant and equipment, net	3,321	(16)
Reversal of impairment on financial assets, net	–	(19)
Exchange loss/(gain), net	488	(241)
Short-term leases expenses	482	217
Expense relating to variable lease payments not included in the measurement of lease liabilities	-*	-*
Gross rental income from investment property	(198)	(172)
Less: Direct operating expenses arising from investment property that generated rental income during the year	<u>63</u>	<u>36</u>
Net rental income	(135)	(136)
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	16,097	17,576
Post-employment benefits - contribution to defined contribution retirement plan <sup>#</sup>	488	488
Long service payment	300	–
Other benefits	<u>2,173</u>	<u>2,228</u>

<sup>#</sup> As at 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2021: Nil).

\* Represent amount of less than HK\$1,000.

## 7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – overseas profits tax		
– tax for the year	–	(19)
– under-provision in respect of prior years	–	(2)
	<hr/>	<hr/>
Income tax expense	–	(21)
	<hr/> <hr/>	<hr/> <hr/>

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year and the prior year.

Taxes on assessable profits of overseas subsidiaries are calculated at the rates applicable in the respective jurisdictions.

## 8. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 72,000,000 (2021: (re-presented) 72,000,000).

The Group had no dilutive potential ordinary shares in issue during the years ended 30 June 2022 and 2021.

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(21,888)</u>	<u>(11,798)</u>
	<b>Number of shares</b>	
	2022	2021
	<i>'000</i>	<i>'000</i>
		(re-presented)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ( <i>Note</i> )	<u>72,000</u>	<u>72,000</u>

*Note:*

The weighted average number of ordinary shares in issue and basic and diluted loss per share were adjusted after taking into account the effect of the share consolidation completed on 23 August 2022 under which every ten ordinary shares of par value HK\$0.04 each in the share capital of the Company being consolidated into one share of par value HK\$0.40 each in the share capital of the Company. Comparative figures have been retrospectively adjusted on the assumption that the above-mentioned share consolidation and the share consolidation completed on 24 November 2020 as set out in Note 14 had been effective since the beginning of the prior year.

## 9. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 30 June 2022 (2021: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables ( <i>Note</i> )	3,583	6,074
Retention receivables	2,555	3,546
Deposits and other receivables	2,722	2,197
Prepayments	<u>7,733</u>	<u>2,838</u>
 Total	 <b>16,593</b>	 14,655
Less: Non-current portion		
Deposits	<u>(33)</u>	<u>(1,752)</u>
 Total current portion	 <b><u>16,560</u></b>	 <b><u>12,903</u></b>

*Note:*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	3,583	6,577
Less: Loss allowance	<u>–</u>	<u>(503)</u>
	<b><u>3,583</u></b>	<b><u>6,074</u></b>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted to trade customers is within 30 days in general and up to 60 days upon the issue of the invoice, which is considered on a case-by-case basis. Application for progress payments of projects is made on a regular basis.

The following is an analysis of trade receivables (net of impairment losses) by age, presented based on the invoice dates:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	3,510	4,794
1 to 3 months	73	438
3 to 6 months	–	482
More than 6 months but less than 1 year	<u>–</u>	<u>360</u>
	<b><u>3,583</u></b>	<b><u>6,074</u></b>

## 11. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables ( <i>Note</i> )	3,831	6,500
Other payables and accruals	8,472	13,275
Accrued interest	134	7
	<u>12,437</u>	<u>19,782</u>
Total	<u><u>12,437</u></u>	<u><u>19,782</u></u>

*Note:*

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	906	81
1 to 3 months	423	2,194
3 to 6 months	185	1,927
More than 6 months but less than 1 year	869	1,540
More than 1 year	1,448	758
	<u>3,831</u>	<u>6,500</u>
	<u><u>3,831</u></u>	<u><u>6,500</u></u>

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 90 days.

## 12. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current - Secured		
Bank loan due for repayment within one year ( <i>Note</i> )	8,000	6,000
	<u>8,000</u>	<u>6,000</u>
	<u><u>8,000</u></u>	<u><u>6,000</u></u>

*Note:*

As at 30 June 2022, the Group has banking facilities for revolving loan of HK\$15,000,000 (2021: HK\$15,000,000) with interest rate of 2.85% plus Hong Kong Inter-bank Offered Rate, of which HK\$8,000,000 (2021: HK\$6,000,000) of the banking facilities has been utilised. The bank borrowings bore an effective interest rate of 3.4% (2021: 2.9%).

The banking facilities are supported by the corporate guarantees given by the Company and a subsidiary of the Company and are secured by a charge over the pledged bank deposits amounted to approximately HK\$2,000,000 (2021: HK\$6,795,000) and investment property amounted to approximately HK\$8,050,000 (2021: Nil). The Group shall also maintain a minimum deposit balance of HK\$4,000,000 with the bank during the entire period of the banking facilities.

The banking facilities letter contains clauses which give the bank the right at their sole discretion to demand immediate repayment at any time irrespective of whether the covenants has complied with and scheduled repayment obligations were met.

Management regularly monitors its compliance with the covenants. The Group is up to date with the scheduled repayments of the loan and management does not consider it is probable that the bank will exercise their discretion to demand repayment so long as these requirements were continued to be met. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached (2021: None).

### 13. SHAREHOLDER'S LOAN

On 27 August 2021, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 5% per annum amounted to HK\$15,000,000 from its shareholder for two years from the date of loan facility ("**Loan Facility I**"). During the year ended 30 June 2022, amount of HK\$6,000,000 was drawn down by the Group and was fully repaid.

On 22 December 2021, the Group obtained another unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK\$26,000,000 from its shareholder for two years from the date of loan facility in which Loan Facility I was superseded. During the year ended 30 June 2022, amount of HK\$22,000,000 was drawn down by the Group. Subsequent to 30 June 2022, the Group has further drawn down HK\$4,000,000 of the facility. The amortised cost of the shareholder's loan was determined with the effective interest rate of 6%.

In the opinion of the Directors, the Group obtained the loan from its shareholder and the loan was not on market terms. As a result, the Group has recognised the non-market terms of the loan of approximately HK\$1,580,000 as deemed contribution and included as capital reserve in equity.

## 14. SHARE CAPITAL

Ordinary shares of HK\$0.04 (2021: HK\$0.04) each

	Ordinary share per unit HK\$	Number of shares ( '000)	HK\$'000
Authorised:			
At 1 July 2020	0.01	10,000,000	100,000
Share consolidation ( <i>Note</i> )	–	<u>(7,500,000)</u>	<u>–</u>
At 30 June 2021, 1 July 2021 and 30 June 2022	0.04	<u>2,500,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 July 2020	0.01	2,880,000	28,800
Share consolidation ( <i>Note</i> )	–	<u>(2,160,000)</u>	<u>–</u>
At 30 June 2021, 1 July 2021 and 30 June 2022	0.04	<u>720,000</u>	<u>28,800</u>

*Note:*

On 24 November 2020, the Company implemented the share consolidation on the basis that every four issued and unissued then existing shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value HK\$0.04 each in the share capital of the Company. The share consolidation was duly passed by the shareholders of the Company by way of poll on 20 November 2020. Further details were set out in the Company's circular dated 16 October 2020 and the Company's announcements dated 23 September 2020 and 20 November 2020.

## 15. EVENTS AFTER REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group has following significant events after reporting period:

- (i) On 23 August 2022, the Company implemented the share consolidation on the basis that every ten issued and unissued then existing shares of par value HK\$0.04 each in the share capital of the Company be consolidated into one consolidated share of par value HK\$0.40 each in the share capital of the Company. The share consolidation was duly passed by the shareholders of the Company by way of poll on 19 August 2022. Further details were set out in the Company's circular dated 29 July 2022 and the Company's announcements dated 8 July 2022 and 19 August 2022 respectively.
- (ii) On 7 September 2022, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK\$13,000,000 from its shareholder for two years from the date of loan facility. As at the approval date of the consolidated financial statements, the Group has drawn down HK\$3,000,000 and the unutilised loan facility available for drawdown amounted to HK\$10,000,000.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is the extract of the independent auditor's report from the external auditor of the Company:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2.1(b)(ii) in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$21,888,000 for the year ended 30 June 2022, and as of that date, the Group had total current bank borrowings amounted to approximately HK\$8,000,000. Also, the Company had capital deficiencies of approximately HK\$12,424,000. However, the Company had cash and cash equivalents of approximately HK\$21,629,000. As stated in Note 2.1(b)(ii), these conditions, along with other matters as set forth in Note 2.1(b)(ii) in the consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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. The Group has been conducting its business since 1999 and has been developing its business in the PRC, US, Europe, Middle East and other Asian countries.

For the Year, the Group's revenue, gross profit and net loss were approximately HK\$40.0 million (2021: approximately HK\$86.6 million), approximately HK\$11.7 million (2021: approximately HK\$18.7 million) and approximately HK\$21.9 million (2021: approximately HK\$11.8 million) respectively, representing a decrease of approximately 53.8%, 37.4% and an increase of approximately 85.6% over the Year.

The widespread of the COVID-19 pandemic remains volatile and keeps leading to the suspension or delay of business activities around the world. In addition, the fears from the growing threat of the global recession led to a drastic drop in the consumer sentiment, especially in the luxury market. As a result, the slowdown in implementing the business strategies in relation to renovation and new shops/outlets roll out of certain customers of the Group was noted and thus some projects originally scheduled to be performed during the Year have been delayed until further notice. As such, the severe global situation had adversely affected the Group's revenue during the Year to a significant extent.

In order to stay competitive in the market, the management of the Company has put huge resources and emphasized on developing the local business in the PRC market (including Hong Kong and Macau) in recent years. In addition to maintaining good business relationship with the existing large luxury brand customers, the Group has well established new business relationships with certain internationally recognized luxury brands and property developers for their sizeable projects mainly in the PRC. Considering the huge development potential of the luxury brands in the PRC, we are confident our exposure in the PRC market will be very promising upon the recovery from the COVID-19 pandemic.

Upon the gradual relaxation of the COVID-19 related restriction policy in the western countries, the Group's exposure to the business in these countries, especially in the European countries, is expected to have a speedy recovery. During the Year, a significant increase of approximately 216% in revenue in the European countries as compared with that in 2021 was recorded as a result of the resume of certain large luxury hotel projects in the United Kingdom which were previously delayed.

Also, the Group kept monitoring the expense structure and did implement cost reduction exercise to reduce the operating costs to upkeep its competitiveness.

The increase in consolidated net loss of the Group was due to (i) the decrease in the Group's revenue and gross profit because of the difficult situation during the widespread of the COVID-19 pandemic as well as the growing threat of the global recession as mentioned above; and (ii) recognition of impairment loss on certain property, plant and equipment of the Group of approximately HK\$3.3 million (the "**Impairment Loss**") due to the deteriorated economic environment and uncertain outlook of the Group's business following the outbreak of the COVID-19 pandemic (2021: Nil).

The increase in gross profit margin to 29.1% in 2022 as compared with that of approximately 21.6% in 2021 was due to the continuous strengthening of the projects cost control and higher proportion of the high profit margin business from design and project consultancy services over the total revenue being recorded in 2022 (2022: approximately 9.2%; 2021: approximately 5.3%) since certain large project consultancy projects with the international luxury brands were awarded during the Year. In the long run, the Group's strategy is still focusing on increasing our market share and maintaining the competitiveness and profitability in the market.

The management of the Company would emphasize that the Impairment Loss is primarily non-cash and non-recurring in nature and does not have any adverse impact on the Group's business operations and cash flow.

## **BUSINESS STRATEGIES AND OUTLOOK**

As mentioned above, due to the widespread of the COVID-19 pandemic and the growing threats of the deteriorated economic environment, the slowdown in implementing the business strategies in relation to renovation and new shops/outlets roll out of certain customers of the Group was noted and thus some projects originally scheduled to be performed during the Year have been delayed until further notice. As such, the total revenue had been significantly decreased by HK\$46.6 million (2022: approximately HK\$40.0 million; 2021: approximately HK\$86.6 million) during the Year.

Despite the uncertainties of the global situation, it is on the right track that the Group is putting more effort to resume the overseas business as well as strengthen the competitive advantage of the local business. The management of the Company will continue to monitor the development of the COVID-19 pandemic and its impact on the operations and results of the Group, if any. The Company will also keep the shareholders of the Company (the "**Shareholders**") updated and informed by way of announcement(s) as and when appropriate.

Regarding the core business, upon the establishment and expansion of business to the luxury hotel market over the years, the Company has gained rich experience and connections in this field all over the world. Up to the date of this announcement, several large projects in relation to the provision of millworks and interior solutions services to the hotels of a top-tier luxury hotel group all over the world have been awarded.

Geographically speaking, as the Group is dedicated to putting more resources and efforts on exploring the business opportunities in relation to the interior solutions projects in the PRC market, very positive results have been received recently. We have established numerous business relationship with new clients who are internationally recognized luxury brands and property developers and we have also been working closely with them for their expansion projects in the PRC in recent years. Considering the gradual recovery of the COVID-19 pandemic and the huge development potential of the luxury brands in the PRC, we believe that the Group's business in the PRC will be very promising in the coming years. Also, as mentioned above, upon the gradual relaxation of the COVID-19 related restriction policy in the western countries, the Group's exposure to the business in these countries, especially in the European countries, is expected to have a speedy recovery soon.

Based on the high qualities of products and services provided by the Group, the management of the Company is confident that long-term business relationships will be built up and more projects will be undergoing in the near future.

In addition to the core business, in order to broaden the income sources, the Company has been exploring business opportunities for developing the online game business. Up to the date of this announcement, the Company is still exploring the suitable business partner to co-operate in a form of strategic co-operation alliance or other possible way of development. The Company will keep the Shareholders updated and informed by way of announcement(s) as and when appropriate. The management of the Company is confident that such a move is creating strong values to the stakeholders of the Group.

Last but not least, the Group has been making efforts to solicit potential acquisition targets which may have synergy with the existing business of the Group for its ongoing strategic growth and such strategy remains unchanged in the coming year.

## **REVIEW**

### **Revenue**

The Group generated revenue principally from providing four major categories of sales and services, mainly including: (i) sales of millwork, furniture and facade fabrication (2022: approximately HK\$9.6 million; 2021: approximately HK\$21.9 million), (ii) interior solutions services (2022: approximately HK\$26.0 million; 2021: approximately HK\$59.5 million), (iii) design and project consultancy services (2022: approximately HK\$3.7 million; 2021: approximately HK\$4.6 million) and (iv) maintenance services (2022: approximately HK\$0.7 million; 2021: approximately HK\$0.6 million).

Revenue of the Group decreased by approximately 53.8% from approximately HK\$86.6 million in 2021 to approximately HK\$40.0 million in 2022. The decrease in revenue was mainly due to the uncertain global economic environment following the widespread of the COVID-19 pandemic.

During the Year, the aggregate revenue derived from the five largest brands was approximately HK\$28.8 million (representing approximately 72.0% of total revenue) as compared with that of approximately HK\$51.3 million (representing approximately 59.2% of total revenue) in 2021.

### **Direct cost**

Direct cost of the Group primarily consisted of costs of material and subcontracting charges. Direct cost decreased by approximately 58.3% from approximately HK\$67.9 million in 2021 to approximately HK\$28.3 million in 2022, representing approximately 78.4% and 70.8% to the revenue of the Group in 2021 and 2022 respectively. The decrease in direct cost was in line with the decrease in revenue during the Year.

### **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately 37.4% from approximately HK\$18.7 million in 2021 to approximately HK\$11.7 million in 2022 which was in line with the decrease in revenue during the Year.

The increase in gross profit margin to 29.1% in 2022 as compared with that of approximately 21.6% in 2021 was due to the continuous strengthening of the projects cost control and higher proportion of the high profit margin business from design and project consultancy services over the total revenue being recorded in 2022.

### **Administrative expenses**

Administrative expenses of approximately HK\$29.8 million (2021: approximately HK\$32.1 million) mainly consisted of operating expenses such as employee benefits, marketing expenses and legal and professional fees, etc. The decrease in administrative expenses by approximately HK\$2.3 million was mainly due to (i) the decrease in total employee remuneration (2022: approximately HK\$19.1 million; 2021: approximately HK\$20.3 million); (ii) the decrease in depreciation on owned property, plant and equipment (2022: approximately HK\$3.9 million; 2021: approximately HK\$4.3 million); and (iii) the decrease in legal and professional fees (2022: approximately HK\$2.0 million; 2021: approximately HK\$2.4 million).

### **Income tax expense**

Income tax expense mainly represented current tax paid/payable for overseas profits tax and deferred tax credit, if any. There was no income tax expense recorded during the Year (2021: income tax expense of approximately HK\$21,000).

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the Year.

Taxes on assessable profits of overseas subsidiaries were calculated at the rates applicable in the respective jurisdictions.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group derived cash inflow mainly from operating activities primarily through provision of services including millwork and furniture provision, facade development and fabrication, interior solutions services and design, maintenance and project consultancy services. Cash outflow from operating activities primarily comprises direct costs, administrative expenses and other operating expenses. Our net cash used in operating activities reflects our profit or loss before income tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment and the effects of changes in working capital items.

As at 30 June 2022, the cash and bank balances amounted to approximately HK\$23.6 million (2021: approximately HK\$18.8 million) which were mainly denominated in HK\$, US dollar (“USD”), Renminbi (“RMB”) and Euro (“EUR”).

As at 30 June 2022, the Group has a bank facility of HK\$15.0 million (2021: HK\$15.0 million) with Hang Seng Bank of which a bank borrowing of HK\$8.0 million had been drawn down as at 30 June 2022 (2021: HK\$6.0 million).

In view of the Group’s current level of cash and bank balances, funds generated internally from operations and the bank borrowing, the Board believes the Group is in a relatively healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures in the coming year.

## CAPITAL STRUCTURE

As at 30 June 2022, the authorised share capital of the Company was HK\$100,000,000 divided into 2,500,000,000 shares of the Company with par value of HK\$0.04 each and the issued share capital was HK\$28,800,000 divided into 720,000,000 shares.

### Share Consolidation and Change in Board Lot Size

Subsequent to the end of the Year, at the extraordinary general meeting of the Company held on 19 August 2022, an ordinary resolution in relation to the share consolidation (the “**Share Consolidation**”) of every 10 issued and unissued ordinary shares at par value of HK\$0.04 each in the share capital of the Company into 1 consolidated share at par value of HK\$0.4 each in the share capital of the Company was duly passed by the then Shareholders by way of poll. The Share Consolidation took effect on 23 August 2022. Upon the Share Consolidation took effect, the board lot size of the shares of the Company for trading on the Stock Exchange had also been changed from 20,000 shares to 4,000 shares (the “**Change in Board Lot Size**”).

Relevant disclosure was made in the Company’s announcements dated 8 July 2022 and 19 August 2022 and the Company’s circular dated 29 July 2022.

## **BORROWINGS AND GEARING RATIO**

As at 30 June 2022, the Group had bank borrowings of HK\$8.0 million (2021: HK\$6.0 million) and shareholder's loan of approximately HK\$20.7 million (2021: Nil).

The gearing ratio (calculated as bank and other borrowings divided by total equity) was negative 2.31 as at 30 June 2022 (2021: positive 0.83). The Group's gearing ratio was negative as the Group's equity was in deficit position as at 30 June 2022.

## **CHARGE ON ASSETS**

As at 30 June 2022, the Group's banking facility was secured by pledged bank deposits of approximately HK\$2.0 million (2021: approximately HK\$6.8 million) and investment property of approximately HK\$8.1 million (2021: Nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2022 and 30 June 2021, the Group had no significant contingent liabilities.

## **SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have any significant investment held as at 30 June 2022 nor any plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the Year, there was no material acquisition or disposal of subsidiaries, associated companies or joint ventures by the Group.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on 22 August 2016 (the "**Share Option Scheme**"). The Company had not granted any share options under the Share Option Scheme up to 30 June 2022.

## **HUMAN RESOURCES AND EMPLOYEES' REMUNERATION**

As at 30 June 2022, the Group had 36 employees (2021: 39 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK\$19.1 million (2021: approximately HK\$20.3 million). The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. Apart from basic remuneration, share options may be granted under the Share Option Scheme to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group. In order to achieve a standard and quality production of works and to develop individual's potential, the Group's employees are encouraged to attend monthly sharing sessions, lectures and training courses which related to the nature of their duties. In addition to internal trainings, the Group also encourages employees to enroll in courses organised by external organisations and institutes.

## **CAPITAL COMMITMENTS**

As at 30 June 2022, the Group had no material capital commitment (2021: Nil).

## **FOREIGN EXCHANGE RISK**

The Group adheres to prudent financial management principle to control and minimise financial and operational risks. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in USD, RMB, EUR and Great Britain Pound. The management of the Company is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and EUR and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. Presently, there is no hedging policy with respect to the foreign exchange exposure.

## **EVENTS AFTER REPORTING PERIOD**

As disclosed in the sub-section headed “Share Consolidation and Change in Board Lot Size” above, the Share Consolidation and Change in Board Lot Size took effect on 23 August 2022.

Subsequent to the end of the Year, the Group has further drawn down HK\$4,000,000 from the loan facility from its shareholder.

On 7 September 2022, the Group further obtained an unsecured and unguaranteed loan facility with interest of 2% per annum amounted to HK\$13,000,000 from its shareholder for two years from the date of loan facility. Up to the date of this announcement, the Group had drawn down HK\$3,000,000 and the unutilised loan facility available for drawdown amounted to HK\$10,000,000.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 in the new CG Code that came into effect on 1 January 2022) (“**Code Provision A.2.1**”) as described below, the Board considers that the Company has fully complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the Year.

Code Provision A.2.1 requires the roles between the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lee Wai Sang (“**Mr. Lee**”) assumes the roles of both the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”). In view of Mr. Lee’s extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Lee continues to act as both the Chairman and the Chief Executive Officer. The Board believes that vesting both the roles of Chairman and Chief Executive Officer in the same person has the benefit of providing a strong and consistent leadership to the Group and allows for more effective planning and management of the Group. In addition, the Board is of the view that the balanced composition of executive and the independent non-executive Directors on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company’s affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

#### **MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Having made specific enquiry to all Directors, all of them had confirmed that they had complied with the required standards set out in the Model Code during the Year.

The Group’s senior management who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the Year.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the Year.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of this announcement of the Group's results for the Year have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

## **AUDIT COMMITTEE**

The Company has established an audit Committee of the Company (the "**Audit Committee**") on 22 August 2016 with written terms of reference in compliance with the Listing Rules and the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information. The Audit Committee comprises all three independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Heng Ching Kuen Franklin and Mr. Tsang Ho Yin. The Audit Committee has reviewed the Group's consolidated annual results for the Year and is of the opinion that the preparation of such results has complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosure has been made.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 16 December 2022 (the "**2022 AGM**"), the register of members of the Company will be closed from Tuesday, 13 December 2022 to Friday, 16 December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfers of shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 December 2022.

## **DIVIDEND**

The Board has resolved not to recommend the payment of any dividend for the Year (2021: Nil).

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.crosstec.com.hk](http://www.crosstec.com.hk)) respectively. The annual report of the Company for the Year containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

The Company would like to take this opportunity to thank all our valued Shareholders and various stakeholders of the Company for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

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

Hong Kong, 27 September 2022

*As at the date of this announcement, the Board comprises Mr. Lee Wai Sang, Mr. Leung Pak Yin, Ms. Leung Mo Shan Jackie and Mr. Lam Wing Hung as executive Directors; and Mr. So Chi Hang, Mr. Heng Ching Kuen Franklin and Mr. Tsang Ho Yin as independent non-executive Directors.*