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 2023

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 2023 (the "**Year**"), together with the comparative figures for the year ended 30 June 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**48,004**	40,006
Direct costs		**(59,422)**	(28,355)
Gross (loss)/profit		**(11,418)**	11,651
Other income	*4*	**1,047**	1,353
Decrease in fair value of investment property		**(160)**	(90)
Impairment losses on property, plant and equipment		**(8,738)**	(3,321)
Other gain/(loss), net	*4*	**369**	(488)
Administrative expenses		**(30,329)**	(29,797)
Finance costs	*5*	**(4,326)**	(1,196)
Loss before income tax	*6*	**(53,555)**	(21,888)
Income tax expense	*7*	**(1)**	–
Loss for the year and attributable to owners of the Company		**(53,556)**	(21,888)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(466)**	613
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**(466)**	613
Total comprehensive income for the year and attributable to owners of the Company		**(54,022)**	(21,275)
			(restated)
Loss per share			
Basic and diluted (HK cents)	*8*	**(58.39)**	(25.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**–**	–
Investment property		**7,890**	8,050
Deposits	*10*	**886**	33
		8,776	8,083
Current assets			
Trade and other receivables	*10*	**19,496**	16,560
Income tax recoverable		**201**	200
Pledged bank deposits		**–**	2,000
Cash and cash equivalents		**30,996**	21,629
		50,693	40,389
Total assets		**59,469**	48,472
Current liabilities			
Trade and other payables	*11*	**20,251**	12,437
Contract liabilities		**6,782**	13,307
Lease liabilities		**2,372**	6,038
Bank and other borrowings	*12*	**25,474**	8,000
Provisions		**7,941**	–
		62,820	39,782
Net current (liabilities)/assets		**(12,127)**	607
Total assets less current liabilities		**(3,351)**	8,690
Non-current liabilities			
Lease liabilities		**4,534**	391
Loan from a former shareholder		**–**	20,723
Bank and other borrowings	*12*	**45,413**	–
Provisions		**799**	–
		50,746	21,114
Total liabilities		**113,566**	60,896
NET LIABILITIES		**(54,097)**	(12,424)
Capital and reserves			
Share capital	*13*	**34,560**	28,800
Reserves		**(88,657)**	(41,224)
CAPITAL DEFICIENCY		**(54,097)**	(12,424)

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 9th Floor, Olympia Plaza, 255 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$53,556,000 for the year ended 30 June 2023, and as of that date, the Group had total bank and other borrowings amounted to approximately HK$70,887,000, of which the current bank and other borrowings amounted to approximately HK$25,474,000. Also, the Group had net current liabilities and capital deficiency of approximately HK$12,127,000 and HK$54,097,000 respectively. However, the Group had cash and cash equivalents of approximately HK$30,996,000. 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 December 2024. The Directors 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 disclosed in note 14(i), the Company completed a rights issue of ordinary shares on 21 July 2023. The gross proceeds from the rights issue of approximately HK$17,280,000 were received in July 2023 accordingly;

– The Group has been actively negotiating with the relevant lender, in respect of outstanding other borrowings with a total nominal amount of HK$50,000,000 as at 30 June 2023 and, in August 2023, the lender has expressed its intention to extend the borrowings of HK$20,000,000 and HK$30,000,000 originally due on 27 October 2024 and 20 November 2024, respectively for 1 year with annual interest rate being increased from 2% to 15%;

– As disclosed in note 14(ii), the Group has total facility line granted by its shareholder of HK$30,000,000 based on the facility letter dated 8 August 2023. As at the approval date of these consolidated financial statements, the Group has drawn down all the loan facility amounted to HK$30,000,000; 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) extending the repayment dates of the other borrowings from the lender successfully; (b) maintaining the facility of the shareholder's loan; 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 2022

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020

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 and amended HKFRS that have been issued but are not yet effective

The following new and 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.

		Effective Date
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(Note)

Note:

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 and 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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**12,462**	18,279
Japan	**12**	39
Monaco	**2,233**	–
People's Republic of China ("**PRC**") (excluding Hong Kong)	**24,913**	13,302
Thailand	**622**	–
United Kingdom	**6,449**	8,332
United States ("**US**")	**784**	–
Vietnam	**204**	–
Others	**325**	54
	35,542	21,727
	48,004	40,006

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**7,890**	8,050

(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:

	2023	2022
	HK$'000	*HK$'000*
Client A	**10,099**	4,115
Client B	**6,054**	–
Client C	**6,053**	–
Client D	**5,137**	–*
Client E	**–***	4,685
Client F	**–***	4,581
Total	**27,343**	13,381

* 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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**651**	1,030	**–**	–	**10,052**	15,799	**565**	497	**1,194**	953	**12,462**	18,279
– Japan	**–**	39	**–**	–	**–**	–	**12**	–	**–**	–	**12**	39
– Monaco	**1,138**	–	**575**	–	**494**	–	**–**	–	**26**	–	**2,233**	–
– PRC (excluding Hong Kong)	**55**	223	**–**	–	**23,625**	10,185	**279**	191	**954**	2,703	**24,913**	13,302
– Thailand	**622**	–	**–**	–	**–**	–	**–**	–	**–**	–	**622**	–
– United Kingdom	**6,436**	8,332	**–**	–	**–**	–	**13**	–	**–**	–	**6,449**	8,332
– US	**698**	–	**–**	–	**–**	–	**–**	–	**86**	–	**784**	–
– Vietnam	**38**	–	**–**	–	**–**	–	**–**	–	**166**	–	**204**	–
– Others	**162**	32	**–**	–	**–**	–	**–**	–	**163**	22	**325**	54
Total	**9,800**	9,656	**575**	–	**34,171**	25,984	**869**	688	**2,589**	3,678	**48,004**	40,006
Timing of revenue recognition under HKFRS 15												
– At a point in time	**9,800**	9,656	**575**	–	**–**	–	**–**	–	**–**	–	**10,375**	9,656
– Over time	**–**	–	**–**	–	**34,171**	25,984	**869**	688	**2,589**	3,678	**37,629**	30,350
	9,800	9,656	**575**	–	**34,171**	25,984	**869**	688	**2,589**	3,678	**48,004**	40,006

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

	2023	2022
	HK$'000	*HK$'000*
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	**9,800**	9,656
– Facade fabrication	**575**	–
Revenue – over time		
Income from interior solutions projects	**34,171**	25,984
Maintenance service income	**869**	688
Design and project consultancy service income	**2,589**	3,678
	48,004	40,006

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

	2023	2022
	HK$'000	*HK$'000*
Other income		
Bank interest income	**91**	18
Management income	**316**	453
Government subsidies *(Note)*	**248**	518
Rental income	**204**	198
Others	**188**	166
	1,047	1,353
Other gain/(loss), net		
Gain on disposal of property, plant and equipment	**50**	–
Gain on lease modifications	**140**	–
Exchange gain/(loss), net	**179**	(488)
	369	(488)

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

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**136**	258
Interest on other borrowings	**1,358**	–
Interest on lease liabilities	**301**	413
Interest on loan from a former shareholder	**2,531**	525
	4,326	1,196

6. LOSS BEFORE INCOME TAX

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

	2023	2022
	HK$'000	*HK$'000*
Expected loss on onerous contracts (included in direct costs)	**7,941**	–
Depreciation:		
– Owned property, plant and equipment	**71**	727
– Right-of-use assets	**923**	3,205
Auditor's remuneration	**670**	638
Impairment losses on property, plant and equipment	**8,738**	3,321
Exchange (gain)/loss, net	**(179)**	488
Short-term leases expenses	**481**	482
Expense relating to variable lease payments not included in the measurement of lease liabilities	**–***	–*
Gross rental income from investment property	**(204)**	(198)
Less: Direct operating expenses arising from investment property that generated rental income during the year	**37**	63
Net rental income	**(167)**	(135)
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**16,735**	16,097
Post-employment benefits – contribution to defined contribution retirement plan#	**461**	488
Long service payment	**–**	300
Other benefits	**2,349**	2,173

As at 30 June 2023, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2022: Nil).

* Represented 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:

	2023	2022
	HK$'000	*HK$'000*
Current tax – overseas profits tax		
– under-provision in respect of prior years	**1**	–
Income tax expense	**1**	–

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 approximately 91,717,000 (2022: (restated) 84,742,000).

The Group had no dilutive potential ordinary shares in issue during the years ended 30 June 2023 and 2022.

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

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(53,556)**	(21,888)

	Number of shares	
	2023	2022
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**91,717**	84,742

Note:

The weighted average number of ordinary shares in issue and basic and diluted loss per share were adjusted after taking into account the following events:

(i) The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of shares completed on 23 August 2022 with details as set out in note 13(i); and

(ii) Bonus elements arising from the issue of shares on placement completed on 12 January 2023 and the rights issue completed on 21 July 2023 at the price lower than market value has been adjusted on the determination of weighted average number of shares. Further details are set out in notes 13(ii) and 14(i), respectively. Weighted average number of shares for the year ended 30 June 2022 has been restated accordingly.

9. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 30 June 2023 (2022: Nil).

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**4,648**	3,583
Retention receivables	**1,538**	2,555
Deposits and other receivables	**3,358**	2,722
Prepayments	**10,838**	7,733
Total	**20,382**	16,593
Less: Non-current portion		
Refundable deposits	**(886)**	(33)
Total current portion	**19,496**	16,560

Note:

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**4,648**	3,583
Less: Loss allowance	**–**	–
	4,648	3,583

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, based on the invoice dates:

	2023	2022
	HK$'000	*HK$'000*
Less than 1 month	**1,457**	3,510
1 to 3 months	**887**	73
3 to 6 months	**1,851**	–
More than 6 months but less than 1 year	**453**	–
	4,648	3,583

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables *(Note)*	**3,240**	3,831
Other payables and accruals	**16,006**	8,472
Accrued interest	**1,005**	134
Total	**20,251**	12,437

Note:

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

	2023	2022
	HK$'000	*HK$'000*
Less than 1 month	**583**	906
1 to 3 months	**781**	423
3 to 6 months	**603**	185
More than 6 months but less than 1 year	**428**	869
More than 1 year	**845**	1,448
	3,240	3,831

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

12. BANK AND OTHER BORROWINGS

		2023		2022	
		Current	**Non-current**	Current	Non-current
	Notes	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Secured					
Bank borrowing	(a)	**–**	**–**	8,000	–
Unsecured					
Other borrowings	(b)	**25,474**	**45,413**	–	–
		25,474	**45,413**	8,000	–

As at 30 June 2023 and 2022, total current and non-current bank and other borrowings were scheduled to repay as follows:

	Bank borrowing		**Other borrowings**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
On demand or within one year	**–**	8,000	**25,474**	–
More than one year, but not exceeding two years	**–**	–	**45,413**	–
	–	8,000	**70,887**	–

Notes:

(a) Bank borrowing

As at 30 June 2023, the Group has banking facilities for revolving loan and credit card limit of HK$6,000,000 (2022: HK$15,000,000) and HK$200,000 (2022: Nil), respectively. The interest rate of the revolving loan is of 2.85% (2022: 2.85%) plus Hong Kong Inter-bank Offered Rate per annum, of which none (2022: HK$8,000,000) of the banking facilities has been utilised. The bank borrowing bore an effective interest rate of 3.4% per annum for the year ended 30 June 2022.

The banking facilities are supported by the corporate guarantees given by the Company and a subsidiary of the Company and are secured by investment property amounted to approximately HK$7,890,000 (2022: by a charge over the pledged bank deposits amounted to approximately HK$2,000,000 and investment property amounted to approximately HK$8,050,000). The Group shall also maintain a minimum deposit balance of HK$4,500,000 (2022: 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.

(b) Other borrowings

During the year ended 30 June 2023, the Group has unsecured and unguaranteed loan facilities in an aggregate principal amount of HK$76,000,000 bearing an interest of 2% per annum from CGH (BVI) Limited ("**CGH**"), a former shareholder of the Company and a company owned as to 50% by each of Mr. Lee Wai Sang and Ms. Leung Mo Shan Jackie (both being the former executive directors of the Company), under three loan agreements (the "**Loan Agreements**") entered into between the Group and CGH on 22 December 2021, 28 October 2022 and 21 November 2022, respectively.

In March 2023, the Group was notified by CGH that it has assigned all its rights under the Loan Agreements and the underlying loans to an independent third party pursuant to a deed of assignment dated 23 March 2023 (the "**Assignment of Loans**"). The Assignment of Loans was made unilaterally by CGH pursuant to the terms of the Loan Agreements, all terms and conditions of the loans remain unchanged. As at 30 June 2023, the amortised cost of the loans from the independent third party was approximately HK$70,887,000 and it was determined with effective interest rates of 6% to 8.69% per annum. Subsequent to 30 June 2023, the Group has repaid the principal amount of HK$26,000,000.

13. SHARE CAPITAL

Ordinary shares of HK$0.4 (2022: HK$0.04) each.

	Ordinary share per unit	**Number of shares**	
	HK$	*('000)*	*HK$'000*
Authorised:			
At 1 July 2021, 30 June 2022 and 1 July 2022	0.04	2,500,000	100,000
Share consolidation *(Note (i))*	–	(2,250,000)	–
At 30 June 2023	0.4	250,000	100,000
Issued and fully paid:			
At 1 July 2021, 30 June 2022 and 1 July 2022	0.04	720,000	28,800
Share consolidation *(Note (i))*	–	(648,000)	–
Placing of new shares *(Note (ii))*	0.4	14,400	5,760
At 30 June 2023	0.4	86,400	34,560

Notes:

(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 14 December 2022, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 14,400,000 ordinary shares with par value of HK$0.4 each at a price of HK$0.4 each. The aforesaid placing was completed on 12 January 2023. The new shares rank pari passu with the existing shares in all respects. Further details were set out in the Company's announcements dated 14 December 2022 and 12 January 2023.

14. EVENTS AFTER REPORTING PERIOD

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

(i) On 17 May 2023, the Company announced to issue an aggregate of 43,200,000 ordinary shares (the "**Rights Shares**") upon completion of the issue and allotment of 43,200,000 Rights Shares to the valid applicant pursuant to the rights issue on the basis of one Rights Share for every two existing ordinary shares held by the qualifying shareholders of the Company at a subscription price of HK$0.4 per Rights Share. The rights issue became unconditional on 17 July 2023 and were completed on 21 July 2023. The gross proceeds from the rights issue were approximately HK$17,280,000 and the net proceeds were approximately HK$16,280,000 after deducting the related expenses. Further details were set out in the Company's announcements dated 17 May 2023 and 21 July 2023 and Company's prospectus dated 30 June 2023. These Right Shares issued rank pari passu with the existing shares in all respects.

(ii) On 8 August 2023, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 15% per annum amounted to HK$30,000,000 from its shareholder for two years from the draw down date of the loan facility. As at the approval date of the consolidated financial statements, the Group has drawn down all the loan facility amounted to HK$30,000,000.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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$53,556,000 for the year ended 30 June 2023, and as of that date, the Group had total bank and other borrowings amounted to approximately HK$70,887,000, of which the current bank and other borrowings amounted to approximately HK$25,474,000. Also, the Group had net current liabilities and capital deficiency of approximately HK$12,127,000 and HK$54,097,000 respectively. However, the Group had cash and cash equivalents of approximately HK$30,996,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 loss and net loss were approximately HK$48.0 million (2022: approximately HK$40.0 million), approximately HK$11.4 million (2022: gross profit of approximately HK$11.7 million) and approximately HK$53.6 million (2022: approximately HK$21.9 million) respectively, representing an increase of approximately 20.0%, a change from gross profit to gross loss and an increase of approximately 144.7% over the Year.

The widespread of the COVID-19 pandemic has led 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. As such, the severe global situation had adversely affected the Group's revenue during the Year.

In order to stay competitive in the market, the management of the Company has put resources and emphasized on developing the local business in the PRC, 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 in future.

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 in the Year was mainly due to (i) the gross loss in the Group's service projects 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; (ii) recognition of impairment loss on certain property, plant and equipment of the Group of approximately HK$8.7 million (2022: approximately HK$3.3 million) (the "**Impairment Loss**") due to the deteriorated economic environment and uncertain outlook of the Group's business; and (iii) the increase in finance costs due to the increase in the borrowings.

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

Despite the uncertainties of the global situation, it is on the right track that the Group is putting more effort to resume the PRC and 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.

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 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.

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 other business opportunities. 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.

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 (2023: approximately HK$10.3 million; 2022: approximately HK$9.6 million), (ii) interior solutions services (2023: approximately HK$34.2 million; 2022: approximately HK$26.0 million), (iii) design and project consultancy services (2023: approximately HK$2.6 million; 2022: approximately HK$3.7 million) and (iv) maintenance services (2023: approximately HK$0.9 million; 2022: approximately HK$0.7 million).

Revenue of the Group increased by approximately 20.0% from approximately HK$40.0 million in 2022 to approximately HK$48.0 million in 2023. The increase in revenue was mainly due to the recovery from the uncertain global economic environment following the control of the COVID-19 pandemic.

Direct costs

Direct costs of the Group primarily consisted of costs of material, subcontracting charges and expected loss on onerous contracts. Direct costs increased by approximately 109.2% from approximately HK$28.4 million in 2022 to approximately HK$59.4 million in 2023. The increase in direct costs was mainly due to increase in revenue and additional costs were incurred for delayed projects.

Besides, the Group has recognised an expected loss on onerous contracts of approximately HK$7.9 million in the Year relating to its obligation to complete an interior solution project and supply of millwork and furniture to its customers. The estimated costs required to fulfil the contracts have increased, and therefore, the unavoidable costs of meeting the obligations exceed the revenue expected to be received. The onerous contracts are expected to be fulfilled by 30 June 2024.

Gross profit and gross profit margin

The Group recorded a gross loss of approximately HK$11.4 million in the Year (2022: gross profit of approximately HK$11.7 million, with a gross profit margin of approximately 29.1%). The reason was mainly because additional costs were incurred for delayed projects during the Year.

Administrative expenses

Administrative expenses of approximately HK$30.3 million in the Year (2022: approximately HK$29.8 million) mainly consisted of operating expenses such as employee benefits, marketing expenses and legal and professional fees. The administrative expenses remained stable during the Year when compared to that of year ended 30 June 2022.

Income tax expense

Income tax expense mainly represented current tax paid/payable for overseas profits tax. There were income tax expenses of approximately HK$1,000 recorded during the Year (2022: nil).

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 AND CAPITAL STRUCTURE

The Group derived cash inflow mainly from (i) 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; and (ii) financing activities such as borrowings and equity fund raisings. Cash outflow from operating activities primarily comprises direct costs, administrative expenses and other operating expenses.

As at 30 June 2023, the cash and bank balances amounted to approximately HK$31.0 million (2022: approximately HK$23.6 million).

As at 30 June 2023, the Group has a banking facility of HK$6.2 million (2022: HK$15.0 million) with Hang Seng Bank of which no bank borrowing had been drawn down as at 30 June 2023 (2022: HK$8.0 million).

In view of the Group's current level of cash and bank balances, funds generated internally from operations and the financing sources, the Board believes the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures in the coming year.

Please refer to notes 13(i) and 13(ii) in this announcement for the share consolidation and the placing completed during the Year.

Borrowings and gearing ratio

As at 30 June 2023, the Group had bank and other borrowings of approximately HK$70.9 million (2022: HK$8.0 million) and no loan from a former shareholder (2022: approximately HK$20.7 million).

The gearing ratios (calculated as bank and other borrowings divided by total equity) were negative as at 30 June 2023 and 2022 as the Group's equity was in deficit position as at 30 June 2023 and 2022.

CHARGE ON ASSETS

As at 30 June 2023, the Group's banking facilities are supported by the corporate guarantees given by the Company and a subsidiary of the Company and are secured by investment property amounted to approximately HK$7.9 million.

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

CONTINGENT LIABILITIES

As at 30 June 2023 and 2022, 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 2023 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 2023.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2023, the Group had 41 employees (2022: 36 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$19.5 million (2022: approximately HK$19.1 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 2023, the Group had no material capital commitment (2022: 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 Thai Baht, Singapore dollars, United States dollars, Renminbi (RMB), Euro (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

For the events after the reporting period, please refer to note 14 in this announcement for details.

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 C.2.1 of the CG Code 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 C.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. Mr. Lee resigned as the Chairman and the Chief Executive Officer with effect from 13 December 2022. 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. Tse Kwok Hing Henry (as committee chairman), Ms. Lee Kwai Sheung and Mr. Ma Jian. 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.

DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the Year (2022: Nil).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (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
Wang Rong
Executive Director

Hong Kong, 27 September 2023

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