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 2019

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 2019 (the "**Year**"), together with the comparative figures for the year ended 30 June 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*4*	**95,336**	71,541
Direct cost		**(64,073)**	(51,351)
Gross profit		**31,263**	20,190
Other income	*4*	**682**	310
Other (loss)/gain	*4*	**(558)**	323
Administrative expenses		**(40,993)**	(43,554)
Loss before income tax expense	*5*	**(9,606)**	(22,731)
Income tax expense	*6*	**(28)**	(209)
Loss for the year and attributable to owners of the Company		**(9,634)**	(22,940)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**247**	65
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**247**	65
Total comprehensive income for the year and attributable to owners of the Company		**(9,387)**	(22,875)
Losses per share			
Basic and diluted (HK cents)	*7*	**(0.40)**	(0.96)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,589**	5,866
Deposits	*9*	**2,816**	1,328
		7,405	7,194
Current assets			
Amounts due from customers for contract work		**–**	424
Trade and other receivables	*9*	**14,044**	15,250
Income tax recoverable		**221**	886
Cash and cash equivalents		**40,009**	44,791
		54,274	61,351
Total assets		**61,679**	68,545
Current liabilities			
Trade and other payables	*10*	**20,280**	20,683
Contract liabilities		**4,274**	–
Amounts due to customers for contract work		**–**	1,216
Income tax payable		**38**	6
		24,592	21,905
Net current assets		**29,682**	39,446
Total assets less current liabilities		**37,087**	46,640
Non-current liabilities			
Deferred tax liabilities		**194**	201
Other payable	*10*	**450**	609
		644	810
Total liabilities		**25,236**	22,715
NET ASSETS		**36,443**	45,830
Capital and reserves			
Share capital	*11*	**24,000**	24,000
Reserves		**12,443**	21,830
TOTAL EQUITY		**36,443**	45,830

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 under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands 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 the offices of P.O. Box 1350, Clifton House, 75 Fort Street, 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 and 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.

In the opinion of the Directors, the Company's immediate and ultimate holding company is CGH (BVI) Limited, a company incorporated in British Virgin Islands.

2.1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance ("**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

The consolidated financial statements have been prepared under the historical cost basis.

(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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 July 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRI C)- Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1, HKFRS 12 and HKAS 28

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed below. Apart from HKFRS 9 and HKFRS 15 as mentioned below, there are no other new standards or amendments to standards that are effective for the first time for this period that could be expected to have a material impact on the Group.

A. HKFRS 9 - Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liability from HKAS 39, except for financial liability designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liability. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities, and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost only if it meets both of following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 July 2018 under HKAS 39**	**Carrying amount as at 1 July 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	12,756	12,756
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	44,791	44,791

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs
ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and retention receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

(1) Impact on trade and retention receivables and contract assets

The Group has elected to measure loss allowances for trade and retention receivables and contract assets using simplified approach HKFRS 9 and calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on reasonable and supportable information that is available without undue cost or effort at the reporting date, including historical credit loss experience, shared credit risk characteristics and the number of days past due, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Group's trade and retention receivables and contract assets as at 1 July 2018.

(2) Impact on the remaining financial assets at amortised cost

The remaining financial assets at amortised cost of the Group include other receivables and deposits. No changes have been made to loss allowance upon the transition to HKFRS 9 as of 1 July 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets and financial liability resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for the year ended 30 June 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

– The determination of the business model within which a financial asset is held.

B. HKFRS 15 - Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue the Group will recognise on it contract with customers.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. Based on the assessment of the Group, no adjustments to the opening balance of equity at 1 July 2018 have been made on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018.

(i) Timing of revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

The adoption does not have a material impact on the recognition of the Group's main revenue streams.

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. Management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

(ii) Presentation and disclosure requirements

Disaggregation of revenue

As required for these financial statements, the Group's disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for reportable segment. Refer to note 3 for the disclosure on disaggregated revenue.

Contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Reclassifications were made as at 1 July 2018 to be consistent with the terminology under HKFRS 15:

	Carrying amounts previously reported at 30 June 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 July 2018**
	HK$000	*HK$000*	*HK$000*
Consolidated statement of financial position (extract)			
Current assets			
Contract assets	–	424	424
Amounts due from customers for contract work	424	(424)	–
Current liabilities			
Contract liabilities		1,216	1,216
Amounts due to customers for contract work	1,216	(1,216)	–

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As at 30 June 2019		
	Amounts without adoption of HKFRS 15	**Reclassification**	**As reported**
	HK$000	*HK$000*	*HK$000*
Consolidated statement of financial position (extract)			
Trade and other payable	24,554	(4,274)	20,280
Contract liabilities	–	4,274	4,274

(ii) Transition

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 July 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's 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
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle		1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group, except for HKFRS 16 as explained below:

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liability for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and equipments as at 30 June 2019 amounted to approximately HK$18,646,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liability. The Group will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liability will be presented within financing activities in the Group's consolidated statement of cash flows.

3. SEGMENT INFORMATION

Operating segments

The Group was 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 maker, 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***

	2019	2018
	HK\$'000	*HK\$'000*
Hong Kong (place of domicile)	**29,736**	29,678
Asia (excluding Hong Kong and the People's Republic of China ("**PRC**" or "**China**"))	**4,533**	23,053
PRC	**1,616**	1,126
Europe	**38,092**	3,708
United States ("**U.S.**")	**9,995**	11,798
Middle East	**11,364**	1,362
Others	**–**	816
	65,600	41,863
	95,336	71,541

The revenue information above is based on the locations of the customers.

(b) ***Specified non-current assets***

	2019	2018
	HK\$'000	*HK\$'000*
Hong Kong (place of domicile)	**4,567**	5,838
PRC	**–**	1
Europe	**22**	27
	4,589	5,866

(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:

	2019	2018
	HK\$'000	*HK\$'000*
Client A	**25,237**	12,102
Client B	**21,998**	*
Client C	*	8,932
Client D	**11,265**	*
Total *(Note)*	**58,500**	21,034

* Less than 10% of the Group's revenue

Note: The total amount represents the sum of revenue attributed from the customers that accounted for 10% or more of the Group's total revenue during the year and therefore this sum excluded the amount hidden in "*" disclosed in table above.

In the following table, revenue is disaggregated by primary geographical markets, 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 solution projects**		**Maintenance services**		**Design and project consultancy services**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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												
– Hong Kong	**5,048**	3,730	**13,060**	–	**9,810**	23,282	**860**	–	**958**	2,666	**29,736**	29,678
– Asia (excluding Hong Kong and PRC)	**463**	13,915	**–**	4,555	**3,488**	3,894	**311**	–	**271**	689	**4,533**	23,053
– PRC	**1,527**	1,066	**–**	–	**–**	–	**58**	–	**31**	60	**1,616**	1,126
Europe	**31,811**	3,376	**6,062**	232	**–**	–	**79**	–	**140**	100	**38,092**	3,708
U.S.	**9,995**	11,798	**–**	–	**–**	–	**–**	–	**–**	–	**9,995**	11,798
Middle East	**5,178**	1,354	**5,890**	–	**–**	–	**–**	–	**296**	8	**11,364**	1,362
Others	**–**	816	**–**	–	**–**	–	**–**	–	**–**	–	**–**	816
Total	**54,022**	36,055	**25,012**	4,787	**13,298**	27,176	**1,308**	–	**1,696**	3,523	**95,336**	71,541
Timing of revenue recognition												
Under HKFRS 15												
– At a point in time	**54,022**	–	**25,012**	–	**–**	–	**–**	–	**–**	–	**79,034**	–
– Over time	**–**	–	**–**	–	**13,298**	–	**1,308**	–	**1,696**	–	**16,302**	–
Under HKAS 18	**–**	36,055	**–**	4,787	**–**	27,176	**–**	–	**–**	3,523	**–**	71,541
	54,022	36,055	**25,012**	4,787	**13,298**	27,176	**1,308**	–	**1,696**	3,523	**95,336**	71,541

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

Revenue includes the net invoiced value of goods sold, design, project consultancy 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 during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Time of revenue recognition (within the scope of HKFRS 15)		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	**54,022**	36,055
– Facade fabrication	**25,012**	4,787
Revenue – over time		
Income from interior solutions projects	**13,298**	27,176
Maintenance service income	**1,308**	–
Design and project consultancy service income	**1,696**	3,523
	95,336	71,541

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

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**298**	134
Management income	**384**	176
	682	310
Other (loss)/gain		
Gain on disposals of property, plant and equipment	**–**	2
Bad debt written off	**(172)**	–
Exchange (loss)/gain, net	**(386)**	321
	(558)	323

5. LOSS BEFORE INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,569**	1,503
Operating lease rentals in respect of:		
– Land and buildings	**5,518**	5,739
– Plant and equipment	**124**	128
Auditor's remuneration	**798**	680
Gain on disposals of property, plant and equipment	**–**	(2)
Exchange gain, net	**386**	(321)
Bad debt written off	**172**	–
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**22,000**	21,711
Post-employment benefits - contribution to defined contribution retirement plan*	**558**	552
Other benefits	**2,032**	2,315

* At 30 June 2019, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2018: Nil).

6. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– overprovision in respect of prior years	**53**	70
Current tax – overseas profits tax		
– tax for the year	**(88)**	(133)
Deferred tax credit/(expense)	**7**	(146)
Income tax expense	**(28)**	(209)

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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.

7. LOSSES PER SHARE

The calculation of the basic losses 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 2,400,000,000 (2018: 2,400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2019 and 2018.

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

	2019	2018
	HK$'000	*HK$'000*
Losses		
Losses for the purpose of basic losses per share	**(9,634)**	(22,940)

	Number of shares	
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share	**2,400,000**	2,400,000

8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 30 June 2019 (2018: Nil).

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**10,696**	8,374
Retention receivables	**1,068**	1,566
Deposits and other receivables	**3,364**	2,816
Prepayments	**1,732**	3,822
Total	**16,860**	16,578
Less: Non-current portion		
Deposit	**(2,816)**	(1,328)
Total current portion	**14,044**	15,250

Note:

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

	2019	2018
	HK$'000	*HK$'000*
Less than 1 month	**204**	2,124
1 to 3 months	**8,094**	3,748
3 to 6 months	**1,837**	103
More than 6 months but less than 1 year	**9**	2,297
More than 1 year	**552**	102
	10,696	8,374

10. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**10,458**	4,170
Receipts in advance	**–**	6,599
Other payables and accruals	**10,272**	10,523
Total	**20,730**	21,292
Less: Non-current portion		
Other payable	**(450)**	(609)
Total current portion	**20,280**	20,683

Note:

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current or less than 1 month	**2,561**	1,273
1 to 3 months	**6,472**	1,821
4 to 6 months	**568**	436
7 to 12 months	**839**	548
More than 1 year	**18**	92
	10,458	4,170

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

11. SHARE CAPITAL

Ordinary shares of HK$0.01 each

	Number	*HK$*
Authorised:		
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	2,400,000,000	24,000,000

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 of global luxury jewelry and fashion brands, which covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. The Group has been conducting its business since 1999 and has been expanding its business to China, United States, Europe, Middle East and other Asian countries.

For the year ended 30 June 2019, the Group's revenue, gross profit and net loss for the year were approximately HK$95.3 million (2018: approximately HK$71.5 million), approximately HK$31.3 million (2018: approximately HK$20.2 million) and approximately HK$9.6 million (2018: approximately HK$22.9 million) respectively, representing an increase of approximately 33.3%, 55.0% and a decrease of approximately 58.1% over the year.

The decrease in consolidated net loss of the Group was primarily due to the increase in the Group's revenue and gross profit because of the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group during the Year.

The improvement in gross profit margin from approximately 28.2% in 2018 to approximately 32.8% in 2019 was mainly due to the increase in sales of millwork, furniture and facade fabrication (2019: approximately HK$79.0 million; 2018: approximately HK$40.8 million) upon the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group as mentioned above by which the sale of millwork, furniture and facade fabrication is usually a revenue category with comparatively higher gross margin as compared with other revenue categories.

BUSINESS STRATEGIES AND OUTLOOK

Leveraging the years of experience in the high-end markets under the belt of our management team and our long-standing working relations with international brands, the Group is confident in the prospects. Going forward, the Group will utilize the available resources to continue to focus on its core business and will also explore business opportunities which is associated with its core business to strengthen its revenue base and maximize the returns to the shareholders of the Company (the "**Shareholders**") as well as the value of the Group.

For sales of millwork, furniture and facade fabrication (2019: approximately HK$79.0 million; 2018: approximately HK$40.8 million), due to the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group as mentioned above, significant increase in balance was therefore noted. Going forward, the management believes that the demand of millwork, furniture and facade fabrication will increase in the coming year as a result of the resume of the expansion plans of certain major customers of the Group and the highly probable potential businesses with the international recognized luxury fashion, hotel and beauty brands in Europe.

For the interior solutions services (2019: approximately HK$13.3 million; 2018: approximately HK$27.2 million), the decrease in balance was mainly due to the completion of certain major total interior solutions projects in the prior year and no similar scale of project was noted during the Year. With rich experience gained in the previous years, especially in the local residential market, the Group has been dedicated to expanding the interior solutions services to mid to high end residential market in Hong Kong during the Year. The progress of such development is promising and the management believes that better performance will be achieved for the coming year.

To establish a strong recurring income base, the Group has actively search for potential business opportunities to maximize the interests of the Group and the Shareholders. As mentioned above, the Group is dedicated to developing the interior solutions services to mid to high end residential market in Hong Kong. Moreover, 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 idea will be continued in the coming years.

REVIEW

Revenue

The Group generated revenue principally from providing three major categories of sales and services, mainly including: (i) sales of millwork, furniture and facade fabrication (2019: approximately HK$79.0 million; 2018: approximately HK$40.8 million), (ii) interior solutions services (2019: approximately HK$13.3 million; 2018: approximately HK$27.2 million), and (iii) design and project consultancy services (2019: approximately HK$1.7 million; 2018: approximately HK$3.5 million).

Revenue of the Group increased by approximately 33.3% from approximately HK$71.5 million in 2018 to approximately HK$95.3 million in 2019. The increase in revenue was mainly due to the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group during the Year.

During the Year, the aggregate revenue derived from the five largest brands was approximately HK$84.4 million (representing approximately 88.6% of total revenue) as compared to that of approximately HK$47.7 million (representing approximately 66.6% of total revenue) in 2018.

Direct cost

Direct cost of the Group primarily consisted of costs of material and subcontracting charges. Direct cost increased by approximately 24.7% from approximately HK$51.4 million in 2018 to approximately HK$64.1 million in 2019, representing approximately 71.8% and 67.2% to the revenue of the Group in 2018 and 2019 respectively. The increase in direct cost was in line with the increase in revenue during the Year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 55.0% from approximately HK$20.2 million in 2018 to approximately HK$31.3 million in 2019. The gross profit margin increased to approximately 32.8% in 2019 (2018: approximately 28.2%) as a result of the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group during the Year which has been mentioned above.

Loss for the Year

For the year ended 30 June 2019, loss for the Year of approximately HK$9.6 million (2018: approximately HK$22.9 million) was recorded. As mentioned above, the improvement in the financial performance was mainly due to the increase in the Group's revenue and gross profit because of the implementation of previously delayed business strategies in relation to renovation and new shops roll out of certain major customers of the Group during the Year.

Other (loss)/gain

During the Year, the Group recorded other loss of approximately HK$558,000 (2018: other gain of approximately HK$323,000). The amount represented foreign exchange loss of approximately HK$386,000 (2018: foreign exchange gain of approximately HK$321,000) and bad debt written off of approximately HK$172,000 (2018: Nil).

Administrative expenses

Administrative expenses of approximately HK$41.0 million (2018: approximately HK$43.6 million) mainly consisted of employee benefits, rental and utilities, marketing and advertisement, entertainment, legal and professional fees, depreciation, transportation and travelling expenses. The decrease in administrative expenses by approximately HK$2.6 million was mainly due to (i) the decrease in marketing and selling expenses of approximately HK$1.2 million (2019: approximately HK$0.9 million; 2018: approximately HK$2.1 million); (ii) decrease in legal and professional fees of approximately HK$0.5 million (2019: approximately HK$3.2 million; 2018: approximately HK$3.7 million) and (iii) cost saving policy as adopted by the Group during the Year.

Income tax expense

Income tax expense mainly represented current tax (paid)/refund and/or (payable)/recoverable for Hong Kong profits tax, overseas profits tax and deferred tax (expenses)/credit, if any. Income tax expenses of approximately HK$28,000 (2018: approximately HK$209,000) was recorded during the Year.

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.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derived cash inflow from operating activities primarily through provision of services including millwork and furniture provision, facade development and fabrication, interior solutions services and design and project consultancy services. Cash outflow from operating activities primarily comprises direct cost, 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 2019, the cash and bank balances amounted to approximately HK$40.0 million (2018: approximately HK$44.8 million) which were mainly denominated in HK$, United States dollar ("**USD**") and Renminbi ("**RMB**"). The Group did not have any bank borrowings in 2019 and 2018.

There was no change in the Group's capital structure during the Year. Considering the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure. As at 30 June 2019, the Group has a bank facility of HK$20.0 million (2018: HK$20.0 million) with Hang Seng Bank that has not been utilized and is available for drawdown. The Board believes the Group is in a healthy financial position and have sufficient resources to support its operations and meet its foreseeable capital expenditures.

Borrowings and gearing ratio

No bank borrowing was recorded as of 30 June 2019 and 30 June 2018. As at 30 June 2019 and 30 June 2018, the gearing ratio of the Group as determined by interest-bearing borrowings divided by total capital were nil.

Charge on assets

As at 30 June 2019 and 30 June 2018, no assets of the Group were pledged to secure its loans and banking facility.

Contingent liabilities

As at 30 June 2019 and 30 June 2018, 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 2019. Save as disclosed above and disclosed in the prospectus of the Company dated 30 August 2016 (the "**Prospectus**") , the Group did not have 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 the share option scheme on 22 August 2016. The Company has not granted any share options up to 30 June 2019.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2019, the Group had 41 employees (2018: 49 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$24.6 million (2018: approximately HK$24.6 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.

CAPITAL COMMITMENTS

The Group's capital commitment was approximately HK$7.7 million as at 30 June 2019 (2018: 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, Euros ("**EUR**") and Great Britain Pound. The management 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.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 12 September 2016 with a total of 600,000,000 Shares issued at HK$0.15 each by way of public offer and placing (the "**Share Offer**"), raising net proceeds of approximately HK$64.6 million (after deducting underwriting commissions and all related expenses) (the "**Net Proceeds**").

According to the Prospectus, approximately 30% of the Net Proceeds (i.e. HK$19.3 million out of the total Net Proceeds) was originally planned to be used for pursuing suitable acquisition and partnership opportunities. As disclosed in the announcement of the Company dated 26 February 2019 and the interim report of the Company for the six months ended 31 December 2018, having considered the difficulties on identifying the potential acquisition and partnership, the Board has resolved to reallocate part of the unutilized Net Proceeds originally planned for such purpose amounting to approximately HK$6.1 million, representing approximately 9.4% of the Net Proceeds, to expanding the interior solutions services to mid to high end residential market and approximately HK$3.4 million representing approximately 5.2% of the Net Proceeds, as general working capital and other general corporate purposes.

The Company has announced on 18 May 2018 that the Board has resolved to re-allocate the Net Proceeds of approximately HK$10.6 million, which was originally planned to be used for financing the establishment of research and development ("**R&D**") center in Hong Kong, for financing the establishment of overseas R&D centers. However, due to failure to agree and/or conclude on commercial terms in respect of the acquisition or lease of oversea properties for the establishment of the overseas R&D center, the Board has resolved on 18 April 2019 to re-allocate the aforesaid unutilized Net Proceeds amounting to HK$10.6 million to build a new R&D center in Hong Kong which will serve as a centralized hub for product and material application testing, developing new technologies and design prototypes, as well as building special lighting and security systems. On the even date, the Group has entered into a provisional agreement for sale and purchase (the "**Provisional Agreement**") with an independent third party vendor (the "**Vendor**") in relation to an acquisition of a property located at workshop 1 on 13th Floor of Technology Plaza, No. 651 King's Road, Hong Kong at a consideration of HK$8.5 million (the "**Acquisition**"). The said property is intended to be held by the Group for the establishment of the aforesaid new R&D center in Hong Kong. For details, please refer to announcement of the Company dated 18 April 2019.

The Company has, and will continue to utilize the net proceed from the Share Offer for the purpose consistent with the section headed "Future Plans and Use of Proceeds" as set out in the Prospectus and the announcements of the Company dated 26 February 2019 and 18 April 2019. Nevertheless, the Directors will constantly evaluate the Group business objectives and may change or modify the plan against changing market conditions to ascertain the business growth of the Group.

The below table sets out the planned applications of the net proceeds and actual usage during the Year:

Intended application of the Net Proceeds	**Planned allocation** *HK$ in million*	**Revised allocation** *HK$ in million*	**Actual utilization up to 30 June 2019** *HK$ in million*	**Unutilized Net Proceeds as at 30 June 2019** *HK$ in million*	**Expected timeline for the unutilized Net Proceeds**
Pursuing suitable acquisition and partnership opportunities	19.3	9.8	–	9.8	Subject to any potential target identified
Incorporation of overseas subsidiaries	14.9	14.9	8.3	6.6	*Note 1*
Establishment of R&D center in Hong Kong	11.0	11.0	2.0	9.0	*Note 2*
Recruiting high caliber talents	7.1	7.1	7.1	–	N/A
Utilised as additional working capital and other general corporate purposes	6.5	9.9	9.9	–	N/A
Brand promotion	5.8	5.8	5.8	–	N/A
Expansion of the interior solutions services to mid to high end residential market	–	6.1	0.1	6.0	*Note 3*
Total	**64.6**	**64.6**	**33.2**	**31.4**	

Notes:

1. The Company had planned to use the unutilized Net Proceeds as at 30 June 2019 of approximately HK$6.6 million for the settlement of operating expenses incurred of the overseas subsidiaries. Considered the business plan and human resource structure of the overseas subsidiaries, it is expected that the unutilized Net Proceeds of approximately HK$6.6 million allocated for the incorporation of overseas subsidiaries will be utilized by 30 June 2021.

2. The Company had planned to use the unutilized Net Proceeds as at 30 June 2019 of approximately HK$9.0 million for financing the establishment of the R&D center in Hong Kong. On 18 April 2019, the Company has announced that the Group has entered into a provisional sale and purchase agreement with an independent third party in relation to an acquisition of a property located at workshop 1 on 13th Floor of Technology Plaza, No. 651 King's Road Hong Kong for the establishment of the aforesaid new R&D center in Hong Kong. The acquisition was completed on 18 July 2019 and approximately HK$7.7 million of the unutilized Net Proceeds has been utilized. It is expected that the remaining unutilized Net Proceeds of approximately HK$1.3 million will be utilized gradually for the R&D works of new designs and new products in relation to the major projects with potential customers which is subject to negotiation progress.

3. The Company had planned to use approximately HK$6.0 million of the Net Proceeds for the expansion of the interior solutions services to mid to high end residential market. The schedule of the expansion plan was delayed mainly due to the difficulty in locating a suitable location for the establishment of office show flat despite the heavy effort made by the management in active searching for a suitable location. The management has been devoted to searching for a suitable location for the office show flat continuously for initiating the expansion. It is expected that the unutilized Net Proceeds of approximately HK$6.0 million allocated for expansion of the interior solutions services to mid to high end residential market will be utilized within 2 years upon the establishment of the office show flat.

The unutilized net proceeds have been placed as interest deposits with licensed banks in Hong Kong. In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

EVENT AFTER REPORTING PERIOD

On 18 April 2019, the Group has entered into the Provisional Agreement with the Vendor in relation to the Acquisition. The Acquisition was completed on 18 July 2019. Details of the Acquisition are set out in the announcement dated 18 April 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in 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 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 of the CG Code 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 assumes the roles of both the chairman of the Board and the chief executive officer of the Company. 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 of the Board and chief executive officer of the Company 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 practices to ensure compliance with the CG Code.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Following the pass away of Mr. Tang Yu Ming as independent non-executive Director on 14 November 2018, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the audit committee of the Company (the "**Audit Committee**"). Following the appointment of Mr. Shing Wai Yip as independent non-executive Director and a member of the Audit Committee on 25 January 2019, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. In addition, the Company was simultaneously compliance with the requirements set out in Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee.

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 have confirmed that they have 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 the preliminary 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 the preliminary announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee on 22 August 2016 with written terms of reference in compliance with 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. Shing Wai Yip. The Group's annual results for the Year have been reviewed by the Audit Committee.

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 Thursday, 21 November 2019 (the "**2019 AGM**"), the register of members of the Company will be closed from Monday, 18 November 2019 to Thursday, 21 November 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2019 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 November 2019.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2018: 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 respective 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 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 2019

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