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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 AND FURTHER CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of CROSSTEC Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited condensed consolidated results of the Group for the six months ended 31 December 2020 (the "**Period**"), together with the comparative figures for the corresponding period in 2019. The condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Notes	**Six months ended 31 December 2020 (unaudited) *HK$'000***	Six months ended 31 December 2019 (unaudited) *HK$'000*
Revenue	*4*	**53,803**	38,785
Direct costs		**(42,440)**	(27,059)
Gross profit		**11,363**	11,726
Other income	*4*	**1,842**	310
Administrative expenses		**(16,508)**	(19,232)
Finance costs	*5*	**(431)**	(408)
Loss before income tax expenses	*6*	**(3,734)**	(7,604)
Income tax expenses	*7*	**(21)**	(24)
Loss for the period attributable to owners of the Company		**(3,755)**	(7,628)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**–**	1
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**–**	1
Total comprehensive income for the period and attributable to owners of the Company		**(3,755)**	(7,627)
		HK cent	*HK cent* (restated)
Loss per share			
Basic and diluted	*9*	**(0.52)**	(1.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	As at 31 December 2020 (unaudited) HK$'000	As at 30 June 2020 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**9,057**	18,960
Investment property		**8,100**	–
Deposits		**1,817**	1,817
		18,974	20,777
Current assets			
Trade and other receivables	*10*	**14,779**	6,488
Income tax recoverable		**–**	211
Contract assets		**10,228**	–
Pledged and restricted bank deposits		**6,778**	7,920
Cash and cash equivalents		**17,805**	19,541
		49,590	34,160
Total assets		**68,564**	54,937
Current liabilities			
Trade and other payables	*11*	**21,223**	14,495
Contract liabilities		**8,863**	4,317
Interest-bearing bank borrowings		**7,000**	–
Lease liabilities		**6,732**	4,470
Income tax payable		**21**	–
		43,839	23,282
Net current assets		**5,751**	10,878
Total assets less current liabilities		**24,725**	31,655
Non-current liability			
Lease liabilities		**9,385**	12,560
Total liabilities		**53,224**	35,842
NET ASSETS		**15,340**	19,095
Capital and reserves			
Share capital	*12*	**28,800**	28,800
Reserves		**(13,460)**	(9,705)
TOTAL EQUITY		**15,340**	19,095

NOTES TO THE CONDENSED 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. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business in Hong Kong is located at 20th Floor, 625 King's Road, North Point, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the trading of millwork, furniture and façade 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated interim financial statements are presented in Hong Kong Dollar ("**HK$**"), which is the same as the functional currency of the Company.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2020.

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 30 June 2020, except for the following revised HKFRSs that have been adopted by the Group for the first time for the current Period's unaudited interim financial information:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above revised HKFRSs has had no significant financial effect on these interim financial statements.

3. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the trading of millwork, furniture and façade 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 tables set 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

	Six months ended 31 December 2020 (unaudited) ***HK$'000***	Six months ended 31 December 2019 (unaudited) *HK$'000*
Hong Kong (place of domicile)	**29,116**	19,550
Asia (excluding Hong Kong and the People's Republic of China ("**PRC**" or "**China**"))	**757**	1,736
PRC	**19,817**	1,454
Europe	**396**	12,965
United States	**3,717**	881
Middle East	**–**	–
Others	**–**	2,199
	24,687	19,235
	53,803	38,785

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

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

	As at 31 December 2020 (unaudited)	As at 30 June 2020 (audited)
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**16,866**	18,666
PRC	**112**	114
Europe	**179**	180
	17,157	18,960

4. REVENUE AND OTHER INCOME

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

An analysis of the Group's revenue is as follows:

	Six months ended 31 December 2020 (unaudited)	Six months ended 31 December 2019 (unaudited)
	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	**8,529**	18,027
– Façade fabrication	**3,482**	860
Revenue – over time		
Income from interior solutions projects	**37,986**	16,946
Maintenance service income	**229**	583
Design and project consultancy service income	**3,577**	2,369
	53,803	38,785

An analysis of the Group's other income recognised during the Period is as follows:

	Six months ended 31 December 2020 (unaudited) ***HK$'000***	Six months ended 31 December 2019 (unaudited) *HK$'000*
Other income		
Bank interest income	**11**	114
Rental income	**58**	–
Management income	**208**	192
Government subsidies *(Note)*	**1,529**	–
Sundry income	**36**	4
	1,842	310

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

	Six months ended 31 December 2020 (unaudited) ***HK$'000***	Six months ended 31 December 2019 (unaudited) *HK$'000*
Bank interest expense	**67**	–
Interest on lease liabilities	**364**	408
	431	408

6. LOSS BEFORE INCOME TAX EXPENSES

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

	Six months ended 31 December 2020 (unaudited) *HK$'000*	Six months ended 31 December 2019 (unaudited) *HK$'000*
Depreciation:		
– Owned property, plant and equipment	**462**	893
– Right-of-use assets	**2,104**	2,162
	2,566	3,055
Exchange loss/(gain), net	**40**	(4)
Employee benefit expenses (including Directors' and chief executive's remuneration)	**10,875**	11,918

7. INCOME TAX EXPENSES

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

	Six months ended 31 December 2020 (unaudited) *HK$'000*	Six months ended 31 December 2019 (unaudited) *HK$'000*
Current tax – overseas profits tax		
– tax for the Period	**21**	24

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 Company did not generate any assessable profits arising in Hong Kong during the Period and the six months ended 31 December 2019.

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

8. DIVIDENDS

For the Period, no dividend has been declared by the Company.

9. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the Period attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 720,000,000 (for the period ended 31 December 2019: 600,000,000, restated as to reflect the effect of the share consolidation of the Company on 24 November 2020) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the Period.

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

	Six months ended 31 December 2020 (unaudited)	Six months ended 31 December 2019 (unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(3,755)**	(7,628)

	Number of shares	
	As at 31 December 2020	As at 31 December 2019
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**720,000**	600,000

The weighted average number of ordinary shares for the six months ended 31 December 2019 has been adjusted and restated for the share consolidation became effective on 24 November 2020.

10. TRADE AND OTHER RECEIVABLES

	Notes	As at 31 December 2020 (unaudited) HK$'000	As at 30 June 2020 (audited) HK$'000
Trade receivables	*i*	**8,011**	3,036
Retention receivables	*ii*	**3,091**	1,246
Deposits and other receivables	*iii*	**3,414**	2,030
Prepayments	*iii*	**2,080**	1,993
Total		**16,596**	8,305
Less: Non-current portion			
Deposit	*iii*	**(1,817)**	(1,817)
Total current portion		**14,779**	6,488

Notes:

(i)

	As at 31 December 2020 (unaudited) HK$'000	As at 30 June 2020 (audited) HK$'000
Trade receivables	**8,533**	3,558
Less: provision for impairment on trade receivables	**(522)**	(522)
	8,011	3,036

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. Except for one customer with 60-days credit period granted, no credit period is granted by the Group to its trade customers. Application for progress payments of projects is made on a regular basis.

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

	As at 31 December 2020 (unaudited) *HK$'000*	As at 30 June 2020 (audited) *HK$'000*
Less than 1 month	**3,384**	1,713
1 to 3 months	**4,503**	930
3 to 6 months	**120**	366
More than 6 months but less than one year	**–**	–
More than one year	**4**	27
	8,011	3,036

(ii) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables as at 31 December 2020 and 30 June 2020 were neither past due nor impaired and expected to be recovered within 1 year after the reporting period. These related to customers for whom there was no recent history of default. Based on past experience, management is of the opinion that no provision for loss allowance is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(iii) The above balances of deposits, other receivables and prepayments as at 31 December 2020 and 30 June 2020 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default. Based on past experience, management is of the opinion that no provision for loss allowance is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

11. TRADE AND OTHER PAYABLES

	As at 31 December 2020 (unaudited) *HK$'000*	As at 30 June 2020 (audited) *HK$'000*
Trade payables *(note (a))*	**6,603**	5,776
Other payables and accruals *(note (b))*	**14,620**	8,719
	21,223	14,495

Notes:

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

	As at 31 December 2020 (unaudited) ***HK$'000***	As at 30 June 2020 (audited) *HK$'000*
Current or less than 1 month	**4,537**	701
1 to 3 months	**1,084**	2,312
4 to 6 months	**282**	1,197
7 to 12 months	**–**	874
More than 1 year	**700**	692
	6,603	5,776

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

(b) As at 31 December 2020 and 30 June 2020, other payables under current portion are non-interest bearing and have average payment terms of 31 to 90 days.

12. SHARE CAPITAL

	As at 31 December 2020 ***HK$***	As at 30 June 2020 *HK$*
Authorised:		
2,500,000,000 (As at 30 June 2020: 10,000,000,000) ordinary shares of HK$0.04 (As at 30 June 2020: HK$0.01) each *(note)*	**100,000,000**	100,000,000
Issued and fully paid:		
720,000,000 (As at 30 June 2020: 2,880,000,000) ordinary shares of HK$0.04 (As at 30 June 2020: HK$0.01) each *(note)*	**28,800,000**	28,800,000

Note: With effect from 24 November 2020, every four issued and unissued shares of HK$0.01 each were consolidated into one share of HK$0.04 each. As a result, the 2,880,000,000 issued shares of the Company of HK$0.01 each were consolidated into 720,000,000 issued shares of HK$0.04 each.

13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements for the Period, the Group entered into the following significant transactions with its related parties as follows:

	Notes	**Six months ended 31 December 2020 (unaudited)** ***HK$'000***	Six months ended 31 December 2019 (unaudited) *HK$'000*
Purchases of woodwork from a related company	*(i)*	**–**	22
Sales of millwork and furniture to a related company	*(ii)*	**–**	2

Notes:

(i) For the six months ended 31 December 2019, the amount represented purchases of woodwork from Max Contracting Limited ("**Max Contracting**") of HK$22,000. Mr. Lee Wai Sang ("**Mr. Lee**"), the chairman, executive Director and chief executive officer of the Company, and a controlling shareholder of the Company, is a director of Max Contracting and has approximately 33.3% beneficial interest in Max Contracting.

(ii) For the six months ended 31 December 2019, the amount represented income from sales of millwork and furniture to HFL Limited of HK$2,000. Mr. Lee is a director of HFL Limited and Mr. Lee and Ms. Leung Mo Shan, Jackie, the spouse of Mr. Lee and a controlling shareholder of the Company, have 24.2% beneficial interests in HFL Limited.

(b) Outstanding balances with a related party:

	As at 31 December 2020 (unaudited) ***HK$'000***	As at 30 June 2020 (audited) *HK$'000*
Period end balance included in trade and other payables		
Max Contracting	**683**	683

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to retail stores of global luxury jewelry and fashion brands as well as non-retail projects of show flats, residential units, club houses and luxury hotels, which covers a wide range of services including millwork and furniture provision, façade development and fabrication, interior solutions and design, maintenance and project consultancy. The Group has been conducting its business since 1999 and has been expanding its business to China, United States ("**U.S.**"), Europe, Middle East and other Asian countries.

For the Period, the Group's revenue, gross profit and loss for the Period were approximately HK$53.8 million (for the six months ended 31 December 2019: approximately HK$38.8 million), approximately HK$11.4 million (for the six months ended 31 December 2019: approximately HK$11.7 million) and approximately HK$3.8 million (for the six months ended 31 December 2019: approximately HK$7.6 million), respectively.

During the Period, the ongoing COVID-19 pandemic keeps leading to the suspension of overseas business activities of Asia, U.S., Middle East, United Kingdom and other European countries, which adversely affected the Group's overseas business (for the six months ended 31 December 2020: approximately HK$4.9 million; for the six months ended 31 December 2019: approximately HK$17.8 million).

However, the Group has put huge resources and emphasizes on developing the local business in Hong Kong, Macau and the Mainland China markets and the result is positive. As such, the significant increase in revenue during the Period was mainly due to the increase in business of these areas (for the six months ended 31 December 2020: approximately HK$48.9 million; for the six months ended 31 December 2019: approximately HK$21.0 million), which constitutes approximately 90.9% (for the six months ended 31 December 2019: approximately 54.1%) of the revenue during the Period. The Group would continue its efforts in these areas to upkeep its competitiveness in the market.

On the other hand, in view of the gradual recovery from the COVID-19 pandemic upon the available of vaccine, the Group is putting more effort to resume the overseas business.

The decrease in consolidated net loss of the Group was primarily due to the decrease in administrative expenses during the Period (for the six months ended 31 December 2020: approximately HK$16.5 million; for the six months ended 31 December 2019: approximately HK$19.2 million). As to upkeep the Group's competitiveness, the management has been frequently reviewing the expenditure structure and implement cost reduction exercise to reduce costs.

The gross profit margin decreased from approximately 30.2% for the six months ended 31 December 2019 to approximately 21.1% for the Period. The decrease in gross profit margin was mainly due to the change in the revenue mix that higher proportion of interior solutions projects over the total revenue was noted as compared to the prior period (for the six months ended 31 December 2020: approximately 70.6%; for the six months ended 31 December 2019: approximately 43.7%) as a result of the increase in business of non-retail projects of show flats, residential units, club houses and luxury hotels during the Period.

BUSINESS STRATEGIES AND OUTLOOK

During the Period, significant increase in revenue of HK$15.0 million (for the six months ended 31 December 2020: approximately HK$53.8 million; for the six months ended 31 December 2019: approximately HK$38.8 million) has been noted as a result of the significant increase in revenue from the interior solutions services (for the six months ended 31 December 2020: approximately HK$38.0 million; for the six months ended 31 December 2019: approximately HK$16.9 million) while a decrease in sales of millwork, furniture and façade fabrication (for the six months ended 31 December 2020: approximately HK$12.0 million; for the six months ended 31 December 2019: approximately HK$18.9 million) was noted.

Taking into account of the pandemic of the COVID-19 since early 2020, in order to be conservative and play safe, certain major clients of the Group in the luxury retails segment decided to slowdown their global expansion plans correspondingly which inevitably affected the Company's business, especially for the sales of millwork, furniture and façade fabrication business during the Period. Despite the hard time, the Group has put huge effort on developing the local business in Hong Kong, Macau and the Mainland China markets and the result is positive.

Upon the expansion of the interior solutions services to the high-end residential market in Hong Kong over the years, the Group has gained rich experience and connections in the property development market. During the Period, the Group has been working with certain renowned property developers in Hong Kong for several large projects in relation to the provision of millworks and interior solutions services to the show flats, club houses and gardening works. Based on the high qualities of products and services provided by the Group, the management is confident that a long-term business relationship will be built up and more similar projects are coming in the near future.

Going forward, the Group will keep focusing on expanding the principal business through the cooperation with different business partners. Property market business will be one of our main focus as we found that our competitive edges on the design and interior solutions services are the best fit for the integrated projects of the property developers which may create the synergy effect for both parties.

Also, upon the gradual recovery from the COVID-19 pandemic, the Group will actively search for business opportunities from both existing and potential clients all over the world so as to resume our overseas business. Based on our own strengths and the strong supports from our business partners such as the internationally recognised Germany exclusive supplier of armored glass, we are confident to achieve the goal shortly if the COVID-19 recovery is satisfactory.

Geographically, the Group is also dedicated to putting more resources and efforts on exploring the business opportunities in relation to the interior solutions projects in the PRC market in cooperation with certain business partners who are well-stablished in such market.

The Group's design and creative team is always one of our most treasurable assets that creates values to our millworks and interior solutions projects by their rich experience and excellent talents. In order to broaden our revenue sources regarding the provision of design services to potential customers in different type of business no matter it is a traditional physical outlet or online business with virtual reality stores, the Group is actively seeking the opportunities to expand the team by recruiting elites and talented designers to join the team. We are confident that such a move may benefits the Group from developing new customer base in the market.

In response of the above, the Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the shareholders of the Company (the "**Shareholders**"). Also, the management will continue to monitor the development of the COVID-19 pandemic and its impact on the operations and results of the Group. The Company will also keep its Shareholders updated and informed by way of announcement(s) as and when appropriate.

FINANCIAL REVIEW

Revenue

The Group generated revenue principally from providing four major categories of sales and services, including: (i) sales of millwork, furniture and façade fabrication, (ii) interior solutions services, (iii) design and project consultancy services and (iv) maintenance services. Revenue of the Group increased by approximately 38.7% from approximately HK$38.8 million for the six months ended 31 December 2019 to approximately HK$53.8 million for the Period. The increase in revenue was mainly due to the increase in revenue from interior solutions projects by approximately 124.9% from approximately HK$16.9 million for the six months ended 31 December 2019 to approximately HK$38.0 million for the Period as a result of the reward of certain large interior solutions projects from certain renowned property developers in Hong Kong.

Direct costs

Direct costs of the Group primarily consisted of costs of materials and subcontracting charges. Direct costs increased by approximately 56.5% from approximately HK$27.1 million for the six months ended 31 December 2019 to approximately HK$42.4 million for the Period, representing approximately 69.8% and 78.9% to the revenue of the Group for the corresponding periods, respectively. The increase in direct costs was in line with the increase in revenue during the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 2.6% from approximately HK$11.7 million for the six months ended 31 December 2019 to approximately HK$11.4 million for the Period. The gross profit margin decreased to approximately 21.1% for the Period (for the six months ended 31 December 2019: approximately 30.2%) as a result of the change in the revenue mix that higher proportion of interior solutions projects over the total revenue was noted as compared to the prior period (for the six months ended 31 December 2020: approximately 70.6%; for the six months ended 31 December 2019: approximately 43.7%) as a result of the increase in business of non-retail projects of show flats, residential units, club houses and luxury hotels during the Period.

Administrative expenses

Administrative expenses of approximately HK$16.5 million for the Period (for the six months ended 31 December 2019: approximately HK$19.2 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 was mainly due to the management's effort on the cost saving policy.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the cash and bank balances amounted to approximately HK$24.6 million (as at 30 June 2020: approximately HK$27.5 million) which were mainly denominated in HK$, U.S. dollars ("**USD**"), Renminbi ("**RMB**") and Euros ("**EUR**").

As at 31 December 2020, the Group has a bank facility of HK$15.0 million (30 June 2020: HK$15.0 million) with Hang Seng Bank of which a bank borrowing of HK$7.0 million has been drawn down as at 31 December 2020 (30 June 2020: Nil).

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

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2020, the authorised share capital of the Company was HK$100,000,000 divided into 2,500,000,000 shares of the Company with par value of HK$0.04 each and the issued share capital was HK$28,800,000 divided into 720,000,000 shares.

Share Consolidation

At the extraordinary general meeting held on 20 November 2020, an ordinary resolution in relation to the share consolidation (the "**Share Consolidation**") of every 4 issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company into 1 consolidated share of par value HK$0.04 each was duly passed by the then Shareholders by way of poll. The Share Consolidation took effect on 24 November 2020.

Relevant disclosure was made in the Company's announcements dated 23 September 2020 and 20 November 2020, and the Company's circular dated 16 October 2020.

Placing of New Shares under General Mandate

On 2 April 2020, the Company entered into a placing agreement with Kingsway Financial Services Group Limited (the "**Placing Agent**"), as placing agent, pursuant to which the Placing Agent conditionally agreed to procure on a best effort basis to not less than six placees, who are professional, institutional and other investors who and whose ultimate beneficial owners (if any) are third parties independent of the Company and connected persons of the Company, to subscribe for up to 480,000,000 new ordinary shares of the Company at par value of HK$0.01 (the "**Placing Share(s)**") each at the placing price of HK$0.0233 per placing share (the "**Placing**").

The Placing was completed on 17 April 2020. All Placing Shares had been successfully placed by the Placing Agent and the Company issued and allotted 480,000,000 Placing Shares to not less than six placees at the placing price of HK$0.0233 per Placing Share. The net proceeds (after deduction of placing fees and other expenses of the Placing) from the Placing amounted to approximately HK$10.8 million.

During the six months ended 31 December 2020, the unutilised net proceeds from the Placing amounted to approximately HK$5.3 million brought forward from the financial year ended 30 June 2020 have been utilised as the general working capital of the Group including rental of office premises, legal and professional fees, and salary of the employees. As at 31 December 2020, the net proceeds from the Placing were utilized in full as intended.

For the details of the Placing, please refer to the announcements of the Company dated 2 April 2020 and 17 April 2020.

Borrowings and gearing ratio

As at 30 December 2020, the Group had bank borrowings of HK$7.0 million (30 June 2020: Nil). The gearing ratio (calculated as bank borrowings divided by total equity) was 45.6% as at 31 December 2020 (30 June 2020: Nil).

Charge on group assets

As at 31 December 2020, banking facility and performance bond were secured by pledged and restricted bank deposits of approximately HK$6.8 million (30 June 2020: HK$7.9 million).

Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities (30 June 2020: Nil).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2020.

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

The Group did not have any significant investment held as at 31 December 2020. Save as disclosed in this announcement and 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

The Group did not have any material acquisition and disposal of subsidiaries, associated companies or joint ventures during the six months ended 31 December 2020.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2020, the Group had 37 employees (30 June 2020: 37 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$10.9 million for the Period (for the six months ended 31 December 2019: approximately HK$11.9 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 encourage employees to enrol in courses organised by external organisations and institutes.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no material capital commitment (30 June 2020: Nil).

FOREIGN EXCHANGE RISK

The Group adheres to prudent financial management principle to control and minimise financial and operational risks. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in USD, RMB, EUR and Great Britain Pound. The management 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 PROCEEDS FROM THE SHARE OFFER

The shares of the Company 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, having considered the difficulties on identifying the potential acquisition and partnership, the Board has resolved to re-allocate 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 approximately 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, including the payment of consideration of HK$8.5 million for the acquisition of a property located at workshop 1 on 13th Floor of Technology Plaza, No. 651 King's Road, Hong Kong. For details, please refer to announcement of the Company dated 18 April 2019.

The Company has utilized 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.

The below table sets out the planned applications of the Net Proceeds and actual usage during the six months ended 31 December 2020:

Intended application of the Net Proceeds	Planned allocation	Revised allocation	Actual utilization up to 31 December 2020	Unutilized Net Proceeds as at 31 December 2020
	HK$ in million	*HK$ in million*	*HK$ in million*	*HK$ in million*
Pursuing suitable acquisition and partnership opportunities	19.3	9.8	0.1	9.7
Incorporation of overseas subsidiaries	14.9	14.9	12.4	2.5
Establishment of R&D centers in Hong Kong	11.0	11.0	10.2	0.8
Recruiting high caliber talents	7.1	7.1	7.1	–
Utilised as additional working capital and other general corporate purposes	6.5	9.9	9.9	–
Brand promotion	5.8	5.8	5.8	–
Expansion of the interior solutions services to mid to high end residential market	–	6.1	5.3	0.8
Total	64.6	64.6	50.8	13.8

The unutilized Net Proceeds have been placed as interest deposits with licensed banks in Hong Kong.

FURTHER CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

For the reasons set out in the paragraph headed "Reasons for the Further Change in Use of Proceeds from the Share Offer" below, the Board has resolved on 26 February 2021 to further change the use of the unutilized Net Proceeds in the amount of approximately HK$13.8 million (the "**Unutilized Net Proceeds**") as additional working capital and for other general corporate purposes, which is expected to be utilized by 30 June 2021.

REASONS FOR THE FURTHER CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

Upon investigation and research, the Company currently has not yet identified any suitable acquisition targets for its domestic and overseas acquisitions, resulting in a low efficiency of the capital use. Meanwhile, corporate expenses such as annual listing fees, audit fees and professional fees are inevitable expenses to maintain the normal daily operations of the Company and such expenses are currently financed by the internal resources generated from the Group's business operations. The Board has considered other options to finance the general working capital and other general corporate purposes, such as bank loans. The Board is of the view that bank loans will lead to additional finance costs. As such, in light of current market conditions and the Group's business needs as well as the uncertainty which the outbreak of COVID-19 which has brought and may bring to the business of the Group going forward, the Directors consider that it more appropriate and prudent to reallocate existing cash from the Unutilized Net Proceeds of approximately HK$13.8 million to finance working capital and other general corporate purposes. The Board considers that the above change in use of the Net Proceeds will enable the Group to have a higher degree of flexibility in cash flow management and can serve the purpose of achieving effective deployment of the Group's financial resources and is conducive to the Group's current development in light of the unstable business environment, and in the interests of the Company and the Shareholders as a whole. In the event feasible investment or expansion opportunities arise in the future, the Group will use its internal resources generated from the Group's business operations to finance the business development.

The Board will continuously assess the plans for use of the Unutilized Net Proceeds, and may revise or amend such plans where necessary to respond to the changing market conditions and strive for better business performance of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

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 as set out in the Corporate Governance Code (the "**CG Code**") as 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 Period.

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 ("**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 Board committees (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 the Chairman and the 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 practices 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 its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Period. In addition, the Board is not aware of any non-compliance of the Model Code by the senior management of the Group during the Period.

AUDIT COMMITTEE

The Company has established the Audit Committee 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 currently comprises three independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Heng Ching Kuen Franklin and Mr. Shing Wai Yip. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the Period and is of the opinion that such results complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report of the Company for the Period 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, 26 February 2021

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.