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CROSSTEC Group Holdings Limited

易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3893)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021 (the “**Year**”), together with the comparative figures for the year ended 30 June 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (re-presented)
Revenue	4	86,601	53,789
Direct costs		(67,918)	(36,662)
Gross profit		18,683	17,127
Other income	4	2,225	997
Increase in fair value of investment property		40	—
Reversal of impairment/(impairment loss) on financial assets, net		19	(522)
Reversal of impairment/(impairment loss) on property, plant and equipment, net		16	(8,525)
Other gain, net	4	241	67
Administrative expenses		(32,131)	(36,708)
Finance costs	5	(870)	(802)
Loss before income tax	6	(11,777)	(28,366)
Income tax (expense)/credit	7	(21)	162
Loss for the year and attributable to owners of the Company		(11,798)	(28,204)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(26)	8
Other comprehensive income for the year and attributable to owners of the Company, net of tax		(26)	8
Total comprehensive income for the year and attributable to owners of the Company		(11,824)	(28,196)
Losses per share			(re-presented)
Basic and diluted (HK cents)	8	(1.64)	(4.52)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6,841	18,960
Investment property		8,140	–
Deposits	<i>10</i>	1,752	1,817
		16,733	20,777
Current assets			
Trade and other receivables	<i>10</i>	12,903	6,488
Income tax recoverable		200	211
Pledged and restricted bank deposits		6,795	7,920
Cash and cash equivalents		11,980	19,541
		31,878	34,160
Total assets		48,611	54,937
Current liabilities			
Trade and other payables	<i>11</i>	19,782	14,495
Contract liabilities		2,814	4,317
Lease liabilities		6,643	4,470
Bank borrowings	<i>12</i>	6,000	–
		35,239	23,282
Net current (liabilities)/assets		(3,361)	10,878
Total assets less current liabilities		13,372	31,655
Non-current liabilities			
Lease liabilities		6,101	12,560
Deferred tax liabilities		–	–
		6,101	12,560
Total liabilities		41,340	35,842
NET ASSETS		7,271	19,095
Capital and reserves			
Share capital	<i>13</i>	28,800	28,800
Reserves		(21,529)	(9,705)
TOTAL EQUITY		7,271	19,095

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business in Hong Kong is located at 20th Floor, 625 King’s Road, North Point, Hong Kong.

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

In the opinion of the Directors, the Company’s immediate and ultimate holding company is CGH (BVI) Limited, a company incorporated in the 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 (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

(b) Basis of measurement and going concern assumption

(i) *Basis of measurement*

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

(ii) *Going concern assumption*

For the year ended 30 June 2021, the Group incurred a loss of approximately HK\$11,798,000 and at the end of the reporting period, its current liabilities exceeded its current assets by approximately HK\$3,361,000 and had total bank borrowings of HK\$6,000,000 that are due within twelve months from reporting period. The management of the Group has prepared a cash flow projection covering a period of 12 months from the date of the consolidated financial statements. The Directors have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

- As at 30 June 2021, the Group had unutilised banking facilities for revolving loan available for drawdown amounted to HK\$9,000,000. Subsequent to 30 June 2021, the Group has further drawn down HK\$4,000,000; and
- On 27 August 2021, the Group has obtained an unsecured and unguaranteed loan facility with interest of 5% per annum amounted to HK\$15,000,000 from its ultimate holding company for two years from the date of loan facility. As at approval date of the consolidated financial statements, the Group has drawn down HK\$3,000,000 and the unutilised loan facility available for drawdown amounted to HK\$12,000,000.

Accordingly, the consolidated financial statements have been prepared on a going concern 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.

(d) **Comparative figures**

For the year ended 30 June 2021, the Directors reviewed the presentation of the accounting items in the consolidated financial statements, and certain comparative figures have been re-presented to conform to the current year's presentation. The changes represented the reclassification of accounting items in the consolidated statement of profit or loss and other comprehensive income which included (i) reversal of impairment/(impairment loss) on financial assets, net and (ii) reversal of impairment/(impairment loss) on property, plant and equipment, net previously reported under “other gain, net” were separately presented under “reversal of impairment/(impairment loss) on financial assets, net” and “reversal of impairment/(impairment loss) on property, plant and equipment, net” respectively.

The Directors considered that such reclassification provided more informative presentation on the primary statement of the consolidated statement of profit or loss and other comprehensive income.

Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020:

	As previously reported <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	As re-presented <i>HK\$'000</i>
Other gain, net	(8,980)	9,047	67
Reversal of impairment/(impairment loss) on financial assets, net	–	(522)	(522)
Reversal of impairment/(impairment loss) on property, plant and equipment, net	–	(8,525)	(8,525)

The reclassification has no financial impact to the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity.

In addition, comparative figures of losses per share have been retrospectively adjusted on the assumption that the share consolidation in November 2020 had been effective in the prior year. Details of which are set out in Note 8.

2.2 ADOPTION OF HKFRS

(a) Adoption of new or amended HKFRS – effective 1 July 2020

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

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

In addition, the Group has early adopted COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to HKFRS 16) ahead of its effective date and applied the amendment from 1 July 2020. The adoption of this new amendment does not have a material impact on the Group's results and financial position.

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

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

		Effective Date
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	(Note (i))
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(Note (ii))
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual Improvements to HKFRSs 2018-2020		1 January 2022

Note:

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

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

3. SEGMENT INFORMATION

Operating segments

The Group 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 makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

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

The Group comprises the following main geographical segments:

(a) Revenue from external customers by locations of customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	45,816	29,400
Asia (excluding Hong Kong and the People's Republic of China ("PRC" or "China"))	3,437	4,229
PRC	28,837	2,094
Europe	2,648	14,642
United States ("US")	3,717	924
Middle East	2,146	38
Others	–	2,462
	40,785	24,389
	86,601	53,789

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	14,882	18,666
PRC	11	114
Europe	88	180
	14,981	18,960

(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:

	2021 HK\$'000	2020 HK\$'000
Client A	19,810	–
Client B	–	10,231
Client C	9,793	–
Client D	–	16,377
	<u> </u>	<u> </u>
Total	<u><u>29,603</u></u>	<u><u>26,608</u></u>

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

Disaggregation of revenue from contracts with customers

	Sales of millwork and furniture		Sales of facade fabrication		Interior solutions projects		Maintenance services		Design and project consultancy services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets of customers												
– Hong Kong	2,666	1,957	37	–	40,195	25,408	356	628	2,562	1,407	45,816	29,400
– Asia (excluding Hong Kong and PRC)	3,428	4,196	–	–	–	–	9	2	–	31	3,437	4,229
– PRC	3,818	1,896	3,468	–	19,274	15	244	52	2,033	131	28,837	2,094
Europe	2,648	12,956	–	310	–	–	–	–	–	1,376	2,648	14,642
US	3,717	924	–	–	–	–	–	–	–	–	3,717	924
Middle East	1,586	38	560	–	–	–	–	–	–	–	2,146	38
Others	–	1,911	–	551	–	–	–	–	–	–	–	2,462
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>17,863</u></u>	<u><u>23,878</u></u>	<u><u>4,065</u></u>	<u><u>861</u></u>	<u><u>59,469</u></u>	<u><u>25,423</u></u>	<u><u>609</u></u>	<u><u>682</u></u>	<u><u>4,595</u></u>	<u><u>2,945</u></u>	<u><u>86,601</u></u>	<u><u>53,789</u></u>
Timing of revenue recognition under HKFRS 15												
– At a point in time	17,863	23,878	4,065	861	–	–	–	–	–	–	21,928	24,739
– Over time	–	–	–	–	59,469	25,423	609	682	4,595	2,945	64,673	29,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u><u>17,863</u></u>	<u><u>23,878</u></u>	<u><u>4,065</u></u>	<u><u>861</u></u>	<u><u>59,469</u></u>	<u><u>25,423</u></u>	<u><u>609</u></u>	<u><u>682</u></u>	<u><u>4,595</u></u>	<u><u>2,945</u></u>	<u><u>86,601</u></u>	<u><u>53,789</u></u>

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

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

	2021 HK\$'000	2020 HK\$'000
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	17,863	23,878
– Facade fabrication	4,065	861
Revenue – over time		
Income from interior solutions projects	59,469	25,423
Maintenance service income	609	682
Design and project consultancy service income	4,595	2,945
	<u>86,601</u>	<u>53,789</u>

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

	2021 HK\$'000	2020 HK\$'000 (re-presented)
Other income		
Bank interest income	22	161
Management income	427	384
Government subsidies (<i>Note</i>)	1,508	325
Rental income	172	–
Others	96	127
	<u>2,225</u>	<u>997</u>
Other gain, net		
Exchange gain, net	241	67

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

	2021 HK\$'000	2020 HK\$'000
Interest on bank borrowings	183	—
Interest on lease liabilities	687	802
	<u>870</u>	<u>802</u>

6. LOSS BEFORE INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
Depreciation:		
– Owned property, plant and equipment	913	1,610
– Right-of-use assets	3,338	5,633
Auditor's remuneration	618	710
(Reversal of impairment)/impairment loss on property, plant and equipment, net	(16)	8,525
(Reversal of impairment)/impairment loss on financial assets, net	(19)	522
Exchange gain, net	(241)	(67)
Short-term leases expenses	217	103
Expense relating to variable lease payments not included in the measurement of lease liabilities	—*	—*
Gross rental income from investment property	(172)	—
Less: Direct operating expenses arising from investment property that generated rental income during the year	<u>36</u>	<u>—</u>
Net rental income	(136)	—
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	17,576	19,462
Post-employment benefits – contribution to defined contribution retirement plan [#]	488	497
Other benefits	<u>2,228</u>	<u>1,905</u>

[#] At 30 June 2021, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2020: Nil).

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

7. INCOME TAX (EXPENSE)/CREDIT

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – overseas profits tax		
– tax for the year	(19)	(22)
– under-provision in respect of prior years	(2)	(10)
Deferred tax credit	<u>–</u>	<u>194</u>
Income tax (expense)/credit	<u>(21)</u>	<u>162</u>

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

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

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

8. 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 720,000,000 (2020: (re-presented) 624,590,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2021 and 2020.

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

	2021 HK\$'000	2020 HK\$'000
Losses		
Losses for the purpose of basic and diluted losses per share	<u>(11,798)</u>	<u>(28,204)</u>
	Number of shares	
	2021	2020
	'000	'000
		(re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted losses per share (<i>Note</i>)	<u>720,000</u>	<u>624,590</u>

Note: Weighted average number of ordinary shares in issue and basic losses per share were adjusted after taking into account the effect of the share consolidation in November 2020, every 4 ordinary shares of par value of HK\$0.01 each being consolidated into 1 share of par value of HK\$0.04 each. Comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in the prior year.

9. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30 June 2021 (2020: Nil).

10. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables (<i>Note</i>)	6,074	3,036
Retention receivables	3,546	1,246
Deposits and other receivables	2,197	2,030
Prepayments	2,838	1,993
	<u>14,655</u>	<u>8,305</u>
Total	14,655	8,305
Less: Non-current portion		
Deposits	(1,752)	(1,817)
	<u>(1,752)</u>	<u>(1,817)</u>
Total current portion	<u>12,903</u>	<u>6,488</u>

Note:

	2021 HK\$'000	2020 HK\$'000
Trade receivables	6,577	3,558
Less: Loss allowance	(503)	(522)
	<u>6,074</u>	<u>3,036</u>

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 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 impairment losses) by age, presented based on the invoice date:

	2021 HK\$'000	2020 HK\$'000
Less than 1 month	4,794	1,713
1 to 3 months	438	930
3 to 6 months	482	366
More than 6 months but less than 1 year	360	–
More than 1 year	–	27
	<u>6,074</u>	<u>3,036</u>

11. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables (<i>Note</i>)	6,500	5,776
Other payables and accruals	13,275	8,719
Accrued interest	7	–
	<u> </u>	<u> </u>
Total	<u>19,782</u>	<u>14,495</u>

Note:

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

	2021 HK\$'000	2020 HK\$'000
Less than 1 month	81	701
1 to 3 months	2,194	2,312
3 to 6 months	1,927	1,197
More than 6 months but less than 1 year	1,540	874
More than 1 year	758	692
	<u> </u>	<u> </u>
	<u>6,500</u>	<u>5,776</u>

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

12. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Current – Secured		
Bank loan due for repayment within one year	<u>6,000</u>	<u>–</u>

Note:

As at 30 June 2021, the Group has banking facilities for revolving loan of HK\$15,000,000 (2020: HK\$15,000,000), of which HK\$6,000,000 (2020: Nil) of the banking facilities has been utilised. These banking facilities are supported by the corporate guarantees given by the Company and are secured by a charge over the pledged bank deposits amounted to approximately HK\$6,795,000 (2020: HK\$6,778,000).

Subsequent to 30 June 2021, the Group has further drawn down HK\$4,000,000 of these facilities.

13. SHARE CAPITAL

Ordinary shares of HK\$0.04 (2020: HK\$0.01) each

	2021		2020	
	Number of shares (<i>'000</i>)	HK\$ <i>'000</i>	Number of shares (<i>'000</i>)	HK\$ <i>'000</i>
Authorised:				
At 1 July	10,000,000	100,000	10,000,000	100,000
Share consolidation (<i>Note (ii)</i>)	(7,500,000)	–	–	–
At 30 June	<u>2,500,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1 July	2,880,000	28,800	2,400,000	24,000
Placing of new shares (<i>Note (i)</i>)	–	–	480,000	4,800
Share consolidation (<i>Note (ii)</i>)	(2,160,000)	–	–	–
At 30 June	<u>720,000</u>	<u>28,800</u>	<u>2,880,000</u>	<u>28,800</u>

Notes:

- (i) On 2 April 2020, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 480,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.0233 each. The aforesaid placing was completed on 17 April 2020 and the premium on the issue and allotment of shares, amounting to approximately HK\$6,048,000, net of related transaction costs of approximately HK\$336,000 was credited to the Company's share premium account. Further details were set out in the Company's announcements dated 2 April 2020 and 17 April 2020.
- (ii) On 24 November 2020, the Company implemented the share consolidation on the basis that every four issued and unissued then existing shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.04 each. The share consolidation was duly passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 20 November 2020. Further details were set out in the Company's circular dated 16 October 2020, and the Company's announcements dated 23 September 2020 and 20 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores and property facilities of global luxury brands, which covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions, design, maintenance and project consultancy. The Group has been conducting its business since 1999 and has been developing its business to China, US, Europe, Middle East and other Asian countries.

For the year ended 30 June 2021, the Group's revenue, gross profit and net loss for the year were approximately HK\$86.6 million (2020: approximately HK\$53.8 million), approximately HK\$18.7 million (2020: approximately HK\$17.1 million) and approximately HK\$11.8 million (2020: approximately HK\$28.2 million) respectively, representing an increase of approximately 61.0%, 9.1% and a decrease of approximately 58.2% over the Year.

The ongoing COVID-19 pandemic keeps leading to the suspension or delay of overseas business activities in Asia, US, Middle East, United Kingdom and other European countries which adversely affected the Group's overseas business during the Year (2021: approximately HK\$11.9 million; 2020: approximately HK\$22.3 million).

As such, the management has decided to put huge resources and emphasizes on developing the local business in the market of the PRC (including Hong Kong and Macau) during the Year (2021: approximately HK\$74.7 million; 2020: approximately HK\$31.5 million). The result is positive which led to a significant improvement on the financial performance.

Besides putting more resources in the PRC market, the Group kept reviewing the expense structure and did implement cost reduction exercise to reduce costs on the one hand. On the other hand, the Group put more emphasizes and resources on exploring new clients in Hong Kong, Macau and China market. There were positive results and the Group would continue its efforts in these areas to upkeep its competitiveness.

The decrease in consolidated net loss of the Group was due to (i) the increase in the Group's revenue and gross profit because of the increase in business in the PRC market as mentioned above; (ii) no impairment loss on certain property, plant and equipment and right-of-use assets of the Group was recognised during the Year (2020: approximately HK\$8.5 million); and (iii) the decrease in depreciation on the owned property, plant and equipment and right-of-use of assets (2021: approximately HK\$4.3 million; 2020: approximately HK\$7.2 million).

The decrease in gross profit margin to 21.6% in 2021 as compared to that of in 2020 which is approximately 31.8% was primarily due to change of revenue mix that a higher proportion of interior solutions projects over the total revenue was noted as compared to the prior year (2021: approximately 68.7%; 2020: approximately 47.3%) since certain large interior solutions projects with the high-end residential property developer and luxury hotel brand were awarded during the Year. However, in the long run, the Group's long-term strategy is still focusing on increasing our market share in millwork and furniture provision business.

BUSINESS STRATEGIES AND OUTLOOK

In view of the ongoing COVID-19 pandemic keeps leading to the suspension or delay of overseas business activities in Asia, US, Middle East, United Kingdom and other European countries which adversely affected the Group's overseas business, the management has decided to put huge resources and emphasizes on developing the local business in the market of the PRC (including Hong Kong and Macau) during the Year (2021: approximately HK\$74.7 million; 2020: approximately HK\$31.5 million). The result is positive which led to a significant improvement on the financial performance.

As mentioned above, due to the change in strategy of the Group to focus more on the PRC market to overcome the decrease in overseas business that the Group has suffered in the prior year, the total revenue has been significantly increased by HK\$32.8 million (2021: approximately HK\$86.6 million; 2020: approximately HK\$53.8 million) during the Year.

Indeed, it is on the right track of the gradual recovery from the COVID-19 pandemic upon the availability of the vaccines and other effective epidemic prevention measures. The Group is putting more effort to resume the overseas business as well as strengthen the competitive advantage of the local business. The management will continue to monitor the development of the COVID-19 pandemic and its impact on the operations and results of the Group, if any. The Company will also keep its shareholders (the **"Shareholders"**) updated and informed by way of announcement(s) as and when appropriate.

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

Also, geographically speaking, the Group is dedicated to putting more resources and efforts on exploring the business opportunities in relation to the interior solutions projects in the market of the PRC in cooperation with certain business partners who are well-established in such market. The result is very positive and more promising projects are under the negotiations which are in satisfactory progress.

Besides the core business, in order to broaden the income sources, the Company has been exploring business opportunities in a form of strategic co-operation alliance of online game business with independent third parties that principally engage in online game development, operation and distribution. The management is confident that such a move is creating strong values to the stakeholders of the Group. Up to the date of this announcement, no terms have been finalized and no formal agreement has been signed relating to the said business opportunities. The Company will keep the Shareholders updated and informed by way of announcement(s) as and when appropriate.

Last but not least, the Group has been making efforts to solicit potential acquisition targets which may have synergy with the existing business of the Group for its ongoing strategic growth and such idea will be continued in the coming years.

FINANCIAL REVIEW

Revenue

The Group generated revenue principally from providing four major categories of sales and services, mainly including: (i) sales of millwork, furniture and facade fabrication (2021: approximately HK\$21.9 million; 2020: approximately HK\$24.7 million), (ii) interior solutions services (2021: approximately HK\$59.5 million; 2020: approximately HK\$25.4 million), (iii) design and project consultancy services (2021: approximately HK\$4.6 million; 2020: approximately HK\$2.9 million) and (iv) maintenance services (2021: approximately HK\$0.6 million; 2020: approximately HK\$0.7 million).

Revenue of the Group increased by approximately 61.0% from approximately HK\$53.8 million in 2020 to approximately HK\$86.6 million in 2021. The increase in revenue was mainly due to the management's decision to put huge resources and emphasizes on developing the local business in the PRC market (including Hong Kong and Macau) during the Year.

During the Year, the aggregate revenue derived from the five largest brands was approximately HK\$51.3 million (representing approximately 59.2% of total revenue) as compared to that of approximately HK\$38.8 million (representing approximately 72.1% of total revenue) in 2020.

Direct cost

Direct cost of the Group primarily consisted of costs of material and subcontracting charges. Direct cost increased by approximately 85.3% from approximately HK\$36.7 million in 2020 to approximately HK\$67.9 million in 2021, representing approximately 68.2% and 78.4% to the revenue of the Group in 2020 and 2021 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 9.1% from approximately HK\$17.1 million in 2020 to approximately HK\$18.7 million in 2021 which is in line with the increase in revenue during the Year.

The decrease in gross profit margin to 21.6% in 2021 as compared to that of in 2020 which is approximately 31.8% was primarily due to change of revenue mix that a higher proportion of interior solutions projects over the total revenue was noted as compared to the prior year (2021: approximately 68.7%; 2020: approximately 47.3%).

Administrative expenses

Administrative expenses of approximately HK\$32.1 million (2020: approximately HK\$36.7 million) mainly consisted of operating expenses such as employee benefits, marketing expenses and legal and professional fees, etc. The decrease in administrative expenses by approximately HK\$4.6 million was mainly due to the decrease in depreciation on owned property, plant and equipment and right-of-use of assets (2021: approximately HK\$4.3 million; 2020: approximately HK\$7.2 million).

Income tax (expense)/credit

Income tax expense mainly represented current tax paid/payable for overseas profits tax and deferred tax credit, if any. Income tax expense of approximately HK\$21,000 (2020: income tax credit of approximately HK\$162,000) 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 AND FINANCIAL RESOURCES

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

As at 30 June 2021, the cash and bank balances amounted to approximately HK\$18.8 million (2020: approximately HK\$27.5 million) which were mainly denominated in HK\$, US dollar (“**USD**”), Renminbi (“**RMB**”) and Euro (“**EUR**”).

As at 30 June 2021, the Group has a bank facility of HK\$15.0 million (2020: HK\$15.0 million) with Hang Seng Bank of which a bank borrowing of HK\$6.0 million has been drawn down as at 30 June 2021 (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 has sufficient resources to support its operations and meet its foreseeable capital expenditures.

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 30 June 2021, 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 at par value of HK\$0.01 each in the share capital of the Company into 1 consolidated share at par value of 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/or 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 each (the “**Placing Share(s)**”) 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 Year, 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 general working capital of the Group including rental of office premises, legal and professional fees, and salary of the employees. As at 30 June 2021, 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 June 2021, the Group had bank borrowings of HK\$6.0 million (2020: Nil). The gearing ratio (calculated as bank borrowings divided by total equity) was 0.83 as at 30 June 2021 (2020: Nil).

CHARGE ON ASSETS

As at 30 June 2021, banking facility were secured by pledged bank deposits of approximately HK\$6.8 million (2020: banking facility and performance bond were secured by pledged and restricted bank deposits of approximately HK\$7.9 million).

CONTINGENT LIABILITIES

As at 30 June 2021 and 30 June 2020, 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 2021. Save as disclosed above, 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 a share option scheme on 22 August 2016 (the “**Share Option Scheme**”). The Company has not granted any share options up to 30 June 2021.

HUMAN RESOURCES AND EMPLOYEES’ REMUNERATION

As at 30 June 2021, the Group had 39 employees (2020: 37 employees). Total employee benefits (including Directors’ and chief executive’s remuneration) were approximately HK\$20.3 million (2020: approximately HK\$21.9 million). The decrease in employees’ remuneration was primarily due to the remuneration restructuring of the senior management during the Year.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. Apart from basic remuneration, share options may be granted under the Share Option Scheme to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group. In order to achieve a standard and quality production of works and to develop individual’s potential, the Group’s employees are encouraged to attend monthly sharing sessions, lectures and training courses which related to the nature of their duties. In addition to internal trainings, the Group also encourages employees to enroll in courses organised by external organisations and institutes.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had no material capital commitment (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.

EVENTS AFTER REPORTING PERIOD

Subsequent to the end of reporting period, on 27 August 2021, the Group obtained an unsecured and unguaranteed loan facility with interest of 5% per annum amounted to HK\$15,000,000 from its ultimate holding company for two years from the date of loan facility. Up to the date of this announcement, the Group has drawn down HK\$3,000,000 and the unutilised loan facility available for drawdown amounted to HK\$12,000,000.

The Group has been exploring business opportunities in a form of strategic co-operation alliance of online game business with independent third parties that principally engage in online game development, operation and distribution. Up to the date of this announcement, no terms have been finalised and no formal agreement has been signed relating to the said business opportunities and therefore no estimate of financial effect was made accordingly. Further details were set out in the Company's announcement dated 6 August 2021.

USE OF NET 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 of the Company dated 30 August 2016 (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 overseas 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 the announcement of the Company dated 18 April 2019.

The Company further announced on 26 February 2021, for enabling higher degree of flexibility in cash flow management and effective deployment of the Group’s financial resources in light of the unstable business environment, the Board has resolved to re-allocate the remaining unutilized Net Proceeds in aggregate amount of approximately HK\$13.8 million, representing approximately 21.36% of the Net Proceeds, originally planned to be used for pursuing suitable acquisition and partnership opportunities, incorporation of overseas subsidiaries, establishment of R&D centers in Hong Kong and expansion of the interior solutions services to mid to high end residential market to finance working capital and other general corporate purposes.

As at 30 June 2021, the Company has fully utilized the Net Proceeds 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, 18 April 2019 and 26 February 2021.

The details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the actual usage during the Year are set out below:

Application of the Net Proceeds	Planned allocation <i>HK\$ in million</i>	Revised allocation <i>HK\$ in million</i>	Actual utilization up to 30 June 2021 <i>HK\$ in million</i>
Pursuing suitable acquisition and partnership opportunities	19.3	0.1	0.1
Incorporation of overseas subsidiaries	14.9	12.4	12.4
Establishment of R&D centers in Hong Kong	11.0	10.2	10.2
Recruiting high caliber talents	7.1	7.1	7.1
Utilised as additional working capital and other general corporate purposes	6.5	23.7	23.7
Brand promotion	5.8	5.8	5.8
Expansion of the interior solutions services to mid to high end residential market	—	5.3	5.3
Total	<u>64.6</u>	<u>64.6</u>	<u>64.6</u>

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in 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 (“**Mr. Lee**”) assumes the roles of both the chairman of the Board and the chief executive officer of the Company. 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 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.

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 an audit committee of the Company (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 Audit Committee has reviewed the Group's consolidated annual results for the Year 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 3 December 2021 (the "**2021 AGM**"), the register of members of the Company will be closed from Tuesday, 30 November 2021 to Friday, 3 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 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 Monday, 29 November 2021.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2020: 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 of the Company for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

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

Hong Kong, 27 September 2021

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