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 2020

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 2020 (the "**Year**"), together with the comparative figures for the year ended 30 June 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**53,789**	95,336
Direct costs		**(36,662)**	(64,073)
Gross profit		**17,127**	31,263
Other income	*4*	**997**	682
Other gain/(loss), net	*4*	**(8,980)**	(558)
Administrative expenses		**(36,708)**	(40,993)
Finance costs	*5*	**(802)**	–
Loss before income tax expense	*6*	**(28,366)**	(9,606)
Income tax credit/(expense)	*7*	**162**	(28)
Loss for the year and attributable to owners of the Company		**(28,204)**	(9,634)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**8**	247
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**8**	247
Total comprehensive income for the year and attributable to owners of the Company		**(28,196)**	(9,387)
Losses per share			
Basic and diluted (HK cents)	*8*	**(1.13)**	(0.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**18,960**	4,589
Deposits	*10*	**1,817**	2,816
		20,777	7,405
Current assets			
Trade and other receivables	*10*	**6,488**	14,044
Income tax recoverable		**211**	221
Pledged and restricted bank deposits		**7,920**	–
Cash and cash equivalents		**19,541**	40,009
		34,160	54,274
Total assets		**54,937**	61,679
Current liabilities			
Trade and other payables	*11*	**14,495**	20,280
Contract liabilities		**4,317**	4,274
Lease liabilities		**4,470**	–
Income tax payable		**–**	38
		23,282	24,592
Net current assets		**10,878**	29,682
Total assets less current liabilities		**31,655**	37,087
Non-current liabilities			
Other payable	*11*	**–**	450
Lease liabilities		**12,560**	–
Deferred tax liabilities		**–**	194
		12,560	644
Total liabilities		**35,842**	25,236
NET ASSETS		**19,095**	36,443
Capital and reserves			
Share capital	*12*	**28,800**	24,000
Reserves		**(9,705)**	12,443
TOTAL EQUITY		**19,095**	36,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2016, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at the offices of P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business in Hong Kong is located at 20th Floor, 625 King's Road, North Point, Hong Kong.

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

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

2.1. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

(c) Functional and presentation currency

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

2.2 ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 July 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long Term Interest in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKFRS 12, and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" and Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" have been summarised in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("**HKAS 17**"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach. The right-of-use asset is recognised at the date of initial application (1 July 2019) at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Comparative information has not been restated and continues to be reported under HKAS 17.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)).

	HK$'000
Consolidated statement of financial position as at 1 July 2019	
Right-of-use assets presented in property, plant and equipment	19,802
Trade and other payables	(609)
Lease liabilities (current)	5,235
Lease liabilities (non-current)	15,176

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 30 June 2019	18,646
Less: short term leases for which lease terms end within 30 June 2020	(23)
Add: adjustments on non-lease components	3,517
Less: future interest expenses	(1,729)
Total lease liabilities as of 1 July 2019	20,411

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 July 2019 is 4.50%.

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 July 2019.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost less any accumulated depreciation and any impairment losses. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17. The Group did not enter into leases as lessor during the year. The adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach where the right-of-use asset is recognised at the date of initial recognition as an amount equal to the lease liability, using the lessee's prevailing incremental borrowing rate at the date of initial application (1 July 2019), adjusted for any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately before the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17. The Group chooses, on a lease-by-lease basis, to measure that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. HKAS 36 was applied to right-of-use assets at the date of initial adoption.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

Amendment to HKFRS 16 – COVID-19–Related Rent Concessions

The Group elected to early adopt amendment to HKFRS 16 "COVID-19 – Related Rent Concessions" which is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the year ended 30 June 2020, an amount of approximately HK$5,000 is credited to the profit or loss to reflect changes in lease liabilities that arise from rent concessions.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, Curtailment or Settlement
The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

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

		Effective Date
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(Note)
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual improvements to HKFRSs 2018-2020	1 January 2022
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

Note:

The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**29,400**	29,736
Asia (excluding Hong Kong and the People's Republic of China ("**PRC**" or "**China**"))	**4,849**	4,533
PRC	**1,474**	1,616
Europe	**14,642**	38,092
United States ("**US**")	**924**	9,995
Middle East	**38**	11,364
Others	**2,462**	–
	24,389	65,600
	53,789	95,336

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**18,666**	4,567
PRC	**114**	–
Europe	**180**	22
	18,960	4,589

(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:

	2020	2019
	HK$'000	*HK$'000*
Client A	**–**	25,237
Client B	**10,231**	21,998
Client C	**–**	11,265
Client D	**16,377**	–
Total	**26,608**	58,500

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**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets of customers												
– Hong Kong	**1,957**	5,048	**–**	13,060	**25,408**	9,810	**628**	860	**1,407**	958	**29,400**	29,736
– Asia (excluding Hong Kong and PRC)	**4,658**	463	**–**	–	**15**	3,488	**34**	311	**142**	271	**4,849**	4,533
– PRC	**1,434**	1,527	**–**	–	**–**	–	**20**	58	**20**	31	**1,474**	1,616
Europe	**12,956**	31,811	**310**	6,062	**–**	–	**–**	79	**1,376**	140	**14,642**	38,092
US	**924**	9,995	**–**	–	**–**	–	**–**	–	**–**	–	**924**	9,995
Middle East	**38**	5,178	**–**	5,890	**–**	–	**–**	–	**–**	296	**38**	11,364
Others	**1,911**	–	**551**	–	**–**	–	**–**	–	**–**	–	**2,462**	–
Total	**23,878**	54,022	**861**	25,012	**25,423**	13,298	**682**	1,308	**2,945**	1,696	**53,789**	95,336

	Sales of millwork and furniture		Sales of facade fabrication		Interior solutions projects		Maintenance services		Design and project consultancy services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Timing of revenue recognition under HKFRS 15												
– At a point in time	**23,878**	54,022	**861**	25,012	**–**	–	**–**	–	**–**	–	**24,739**	79,034
– Over time	**–**	–	**–**	–	**25,423**	13,298	**682**	1,308	**2,945**	1,696	**29,050**	16,302
	23,878	54,022	**861**	25,012	**25,423**	13,298	**682**	1,308	**2,945**	1,696	**53,789**	95,336

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 during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	**23,878**	54,022
– Facade fabrication	**861**	25,012
Revenue – over time		
Income from interior solutions projects	**25,423**	13,298
Maintenance service income	**682**	1,308
Design and project consultancy service income	**2,945**	1,696
	53,789	95,336

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

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**161**	298
Management income	**384**	384
Government subsidies *(Note)*	**325**	–
Others	**127**	–
	997	682

	2020	2019
	HK$'000	*HK$'000*
Other gain/(loss), net		
Impairment loss on property, plant and equipment and right-of-use assets	**(8,525)**	–
Impairment loss on financial assets	**(522)**	–
Bad debt written off	**–**	(172)
Exchange gain/(loss), net	**67**	(386)
	(8,980)	(558)

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

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**802**	–

6. LOSS BEFORE INCOME TAX EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Depreciation:		
– Owned property, plant and equipment	**1,610**	1,569
– Right-of-use assets	**5,633**	–
Operating lease rentals under HKAS 17 in respect of:		
– Land and buildings	**–**	5,518
– Plant and equipment	**–**	124
Short term lease expenses	**103**	–
Auditor's remuneration	**710**	798
Impairment loss on property, plant and equipment and right-of-use assets	**8,525**	–
Impairment loss on financial assets	**522**	–
Exchange (gain)/loss, net	**(67)**	386
Bad debt written off	**–**	172
Employee benefit expenses (including Directors' and chief executive's remuneration):		
Wages and salaries	**19,462**	22,000
Post-employment benefits – contribution to defined contribution retirement plan*	**497**	558
Other benefits	**1,905**	2,032

* At 30 June 2020, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2019: Nil).

7. INCOME TAX CREDIT/(EXPENSE)

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

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– overprovision in respect of prior years	**–**	53
Current tax – overseas profits tax		
– tax for the year	**(22)**	(88)
– under-provision in respect of prior years	**(10)**	–
Deferred tax credit	**194**	7
Income tax credit/(expense)	**162**	(28)

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 2,498,361,000 (2019: 2,400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Losses		
Losses for the purpose of basic and diluted losses per share	**(28,204)**	(9,634)

	Number of shares	
	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted losses per share	**2,498,361**	2,400,000

9. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30 June 2020 (2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables *(note)*	**3,036**	10,696
Retention receivables	**1,246**	1,068
Deposits and other receivables	**2,030**	3,364
Prepayments	**1,993**	1,732
Total	**8,305**	16,860
Less: Non-current portion		
Deposits	**(1,817)**	(2,816)
Total current portion	**6,488**	14,044

Note:

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**3,558**	10,696
Less: Loss allowance	**(522)**	–
	3,036	10,696

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:

	2020	2019
	HK$'000	*HK$'000*
Less than 1 month	**1,713**	204
1 to 3 months	**930**	8,094
3 to 6 months	**366**	1,837
More than 6 months but less than 1 year	**–**	9
More than 1 year	**27**	552
	3,036	10,696

11. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note)*	**5,776**	10,458
Other payables and accruals	**8,719**	10,272
Total	**14,495**	20,730
Less: Non-current portion		
Other payable	**–**	(450)
Total current portion	**14,495**	20,280

Note:

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

	2020	2019
	HK$'000	*HK$'000*
Current or less than 1 month	**701**	2,561
1 to 3 months	**2,312**	6,472
3 to 6 months	**1,197**	568
More than 6 months but less than 1 year	**874**	839
More than 1 year	**692**	18
	5,776	10,458

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

12. SHARE CAPITAL

Ordinary shares of HK$0.01 each

	Number of shares	*HK$'000*
Authorised:		
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 July 2018, 30 June 2019 and 1 July 2019	2,400,000,000	24,000
Placing of new shares *(Note)*	480,000,000	4,800
At 30 June 2020	2,880,000,000	28,800

Note:

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 "**Placing**"). The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores of global luxury jewelry and fashion brands, which covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions, 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 2020, the Group's revenue, gross profit and net loss for the year were approximately HK$53.8 million (2019: approximately HK$95.3 million), approximately HK$17.1 million (2019: approximately HK$31.3 million) and approximately HK$28.2 million (2019: approximately HK$9.6 million) respectively, representing a decrease of approximately 43.5%, 45.4% and an increase of approximately 193.8% over the Year.

The increase in consolidated net loss of the Group was primarily due to i) the decrease in the Group's revenue and gross profit because of the slowdown in implementing the business expansion of certain major clients of the Group as a result of the combined effects of the social unrest in Hong Kong since the second half of 2019 and the outbreak of the COVID-19 since the first quarter of 2020 and ii) the recognition of impairment loss on certain property, plant and equipment and right-of-use assets of the Group of approximately HK$8.5 million (the "**Impairment Loss**") due to the deteriorated economic environment and uncertain outlook of the Group's business following the outbreak of the COVID-19 pandemic.

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

The gross profit margin of 31.8% in 2020 is broadly similar to that of in 2019 which is approximately 32.8%.

BUSINESS STRATEGIES AND OUTLOOK

Taking into account of the social unrest in Hong Kong since the second quarter of 2019 and the pandemic of the COVID-19 since early 2020, the local and global total interior solutions market has been under an exceptionally adverse business environment. To be conservative and play safe, certain major clients of the Group decided to slowdown their business expansion plans correspondingly which inevitably affected the Company's business during the Year.

Since the epidemic of COVID-19 worldwide is still very serious and another new wave of COVID-19 infections has been broken out in Hong Kong since July 2020, it is expected that the total interior solutions business is still very challenging in the second half of 2020 with less luxury brands may expand their business through renovations of existing outlets or opening new outlets.

In view of the above, 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 (the "**Shareholders**") updated and informed by way of announcement(s) as and when appropriate.

Due to the combined effects as mentioned above, sales of millwork, furniture and facade fabrication (2020: approximately HK$24.7 million; 2019: approximately HK$79.0 million) and revenue from the interior solutions services (2020: approximately HK$25.4 million; 2019: approximately HK$13.3 million) has been declined during the Year. In response of this, the Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the Shareholders.

During the Year, through the exclusive co-operation with an international recognized armored glass supplier established in Germany, the Group has been dedicated to promoting the use of supreme armored glass to the international brands, hotels as well as government buildings and facilities for our millwork and fit-outs business. For instance, we have provided armored glasses to certain facilities of the Hong Kong government during the Year. Considered the increase in awareness on the social security, the Company believed that such co-operation will attract new clients upon the increase in demand of the armored glass and thus improve the business performance in the coming years.

Also, upon the expansion of the interior solutions services to the high-end residential market in Hong Kong over the years, the Company has gained rich experience and connections in the property development market. Up to the date of this announcement, several large projects in relation to the provision of millworks and interior solutions services to the show flats, club houses and gardening works of certain recognized property developers in Hong Kong 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.

Moreover, upon the close contacts with certain market leaders, the Group is expanding its millwork and furniture business to the global premium cruise market and the negotiation progresses with these market leaders are satisfactory.

Also, geographically speaking, the Company is 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.

Besides the principal operation, the Company has put effort in expanding the event management business. To rebrand their image or increase the popularity over the market, we have been working closely with certain international recognized food and beverage brands together to help them to implement lifestyle marketing through various events. It is believed that such a move may not only broaden the Company's income source, but also enhance the Company's brand awareness.

Crisis creates opportunities, considered the global e-commence sales and online shopping trend appear to be skyrocketing due to the pandemic of the COVID-19, the Group is also actively seeking the opportunities to engage in the online shopping business in co-operation with certain business partners that have already been well established in the e-commence market. Based on the rich experience from the business partners and the synergy effects upon the cooperation, the management is confident to step into the e-commence business successfully and will create strong values to the stakeholders of the Group.

Last but not least, the Group has been making efforts to solicit potential acquisition targets which may have synergy with the existing business of the Group for its ongoing strategic growth and such 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 (2020: approximately HK$24.7 million; 2019: approximately HK$79.0 million), (ii) interior solutions services (2020: approximately HK$25.4 million; 2019: approximately HK$13.3 million), (iii) design and project consultancy services (2020: approximately HK$2.9 million; 2019: approximately HK$1.7 million) and (iv) maintenance services (2020: approximately HK$0.7 million; 2019: approximately HK$1.3 million).

Revenue of the Group decreased by approximately 43.5% from approximately HK$95.3 million in 2019 to approximately HK$53.8 million in 2020. The decrease in revenue was mainly due to the combined effects of the social unrest in Hong Kong and pandemic of COVID-19 during the Year which leaded to an exceptionally adverse business environment to the Hong Kong and global markets.

During the Year, the aggregate revenue derived from the five largest brands was approximately HK$38.8 million (representing approximately 72.1% of total revenue) as compared to that of approximately HK$84.4 million (representing approximately 88.6% of total revenue) in 2019.

Direct cost

Direct cost of the Group primarily consisted of costs of material and subcontracting charges. Direct cost decreased by approximately 42.7% from approximately HK$64.1 million in 2019 to approximately HK$36.7 million in 2020, representing approximately 67.3% and 68.2% to the revenue of the Group in 2019 and 2020 respectively. The decrease in direct cost was in line with the decrease in revenue during the Year.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 45.4% from approximately HK$31.3 million in 2019 to approximately HK$17.1 million in 2020 which is in line with the decrease in revenue during the Year. The gross profit margin of 31.8% in 2020 is broadly similar to that of approximately 32.8% in 2019.

Other gain/(loss), net

During the Year, the Group recorded other loss of approximately HK$9.0 million (2019: approximately HK$0.6 million). The amount mainly represented impairment loss on property, plant and equipment and right-of-use assets of approximately HK$8.5 million (2019: Nil) due to the deteriorated economic environment and uncertain outlook of the Group's business following the outbreak of the COVID-19 pandemic and impairment loss on financial assets of HK$0.5 million (2019: bad debt written off of approximately HK$0.2 million).

Administrative expenses

Administrative expenses of approximately HK$36.7 million (2019: approximately HK$41.0 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$4.3 million was mainly due to the decrease in employee benefits (including Directors' and chief executive's remuneration) of approximately HK$2.7 million (2020: approximately HK$21.9 million; 2019: approximately HK$24.6 million) as a result of the staff policy restructuring and the Company has strengthened its cost control and resources management during the Year.

Income tax credit/(expense)

Income tax expense mainly represented current tax (paid)/refund and/or (payable)/recoverable for Hong Kong profits tax, overseas profits tax and deferred tax credit/(expense), if any. Income tax credit of approximately HK$162,000 (2019: income tax expense of approximately HK$28,000) was recorded during the Year.

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derived cash inflow 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 2020, the cash and bank balances amounted to approximately HK$27.5 million (2019: approximately HK$40.0 million) which were mainly denominated in HK$, US dollar ("**USD**"), Renminbi ("**RMB**") and Euro ("**EUR**"). The Group did not have any bank borrowings in 2020 and 2019.

As at 30 June 2020, the Group has a bank facility of HK$15.0 million (2019: HK$20.0 million) with Hang Seng Bank that has not been utilized and is available for drawdown.

On 2 April 2020, the Company entered into a placing agreement (the "**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 each with nominal value of HK$4.8 million at the placing price of HK$0.0233 per placing share (the "**Placing**"). The placing price of HK$0.0233 per placing share represents a discount of approximately 19.66% to the closing price of HK$0.029 per share of the Company as quoted on the Stock Exchange on 2 April 2020, being the date of the Placing Agreement.

The reason of carry out the Placing was to strengthen the Group's financial position and widen the Company's shareholder base.

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 (equivalent to a net placing price of approximately HK$0.0225 per placing share). As of 30 June 2020, approximately HK$5.5 million of net proceeds have been used as the general working capital of the Group including rental of office premises, legal and professional fees, and salary of the employees. The unutilised net proceeds of approximately HK$5.3 million have been deposited with the licensed banks in Hong Kong and intended to be unutilised as the Group's general working capital in the coming year. The net proceeds were used and will be used according to the intentions previously disclosed by the Company.

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

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

Borrowings and gearing ratio

No bank borrowing was recorded as of 30 June 2020 and 30 June 2019. As at 30 June 2020 and 30 June 2019, the gearing ratio of the Group as determined by interest-bearing borrowings divided by total capital were nil.

Charge on assets

As at 30 June 2020, banking facility and performance bond were secured by pledged and restricted bank deposits of approximately HK$7.9 million (2019: nil).

Contingent liabilities

As at 30 June 2020 and 30 June 2019, 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 2020. Save as disclosed above and disclosed in the prospectus of the Company dated 30 August 2016 (the "**Prospectus**"), the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 August 2016 (the "**Share Option Scheme**"). The Company has not granted any share options up to 30 June 2020.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2020, the Group had 37 employees (2019: 41 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$21.9 million (2019: approximately HK$24.6 million). The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. Apart from basic remuneration, share options may be granted under the Share Option Scheme to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group. 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 30 June 2020, the Group had no material capital commitment (2019: HK$7.7 million).

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 THE REPORTING PERIOD

In August 2020, the Group entered into a tenancy agreement with a tenant, an independent third party, for the lease of the Group's leasehold land and building in Hong Kong with carrying amount of HK$8,100,000 as at 30 June 2020.

On 23 September 2020, the Company proposed to implement a share consolidation pursuant to which every four (4) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of par value HK$0.04 each in the share capital of the Company (the "**Share Consolidation**"). The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the extraordinary general meeting of the Company and therefore, is not yet effective as of the date of this announcement.

A circular containing, among other matters, further details of the Share Consolidation is expected to be dispatched to the Shareholders on or before 16 October 2020.

For the details of the Share Consolidation, please refer to the announcement of the Company dated 23 September 2020.

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

The below table sets out the planned applications of the Net Proceeds and actual usage during the Year:

Intended application of the Net Proceeds	**Planned allocation** *HK$ in million*	**Revised allocation** *HK$ in million*	**Actual utilization up to 30 June 2020** *HK$ in million*	**Unutilized Net Proceeds as at 30 June 2020** *HK$ in million*	**Expected timeline for the unutilized Net Proceeds**
Pursuing suitable acquisition and partnership opportunities	19.3	9.8	0.1	9.7	Subject to any potential target identified
Incorporation of overseas subsidiaries	14.9	14.9	11.1	3.8	*Note 1*
Establishment of R&D centers in Hong Kong	11.0	11.0	10.1	0.9	*Note 2*
Recruiting high caliber talents	7.1	7.1	7.1	–	N/A
Utilised as additional working capital and other general corporate purposes	6.5	9.9	9.9	–	N/A
Brand promotion	5.8	5.8	5.8	–	N/A
Expansion of the interior solutions services to mid to high end residential market	–	6.1	3.9	2.2	*Note 3*
Total	**64.6**	**64.6**	**48.0**	**16.6**	

Notes:

1. The Company had planned to use the unutilized Net Proceeds as at 30 June 2020 of approximately HK$3.8 million for the settlement of operating expenses incurred of the overseas subsidiaries. Considered the business plan and human resource structure of the overseas subsidiaries, it is expected that the unutilized Net Proceeds of approximately HK$3.8 million allocated for the incorporation of overseas subsidiaries will be utilized by 31 December 2021.

2. The Company had planned to use the unutilized Net Proceeds as at 30 June 2020 of approximately HK$0.9 million for financing the R&D works of new designs and new products in relation to the major projects with potential customers gradually and it is subject to negotiation progress. After assessing the uncertainty in the business environment and the market conditions in view of the prolonged impact of the COVID-19 pandemic, the Group proposed to postpone the plan of establishing a new R&D center in Hong Kong until the economic environment in Hong Kong becomes better. In order for better utilization of assets of the Group, the Board resolved to lease out the premises acquired to be used as its new R&D center in Hong Kong by entering into a tenancy agreement with an independent third party in August 2020 to earn short-term rental income. The establishment of the new R&D center in Hong Kong will be postponed to a later stage and the Group currently conducts its R&D activities in its headquarter.

3. The Company has been expanding the interior solutions services to mid to high end residential market and had planned to use the unutilized Net Proceeds as at 30 June 2020 of approximately HK$2.2 million for strengthening the sales and market efforts as well as financing the general operating costs of the expansion plan. As such, it is expected that the unutilized Net Proceeds of approximately HK$2.2 million allocated for the expansion of the interior solutions services to mid to high end residential market will be utilized by 30 June 2021.

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

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 all code provisions as set out in the CG Code during the Year.

Code provision A.2.1 of the CG Code requires the roles between the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lee Wai Sang assumes the roles of both the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of providing a strong and consistent leadership to the Group and allows for more effective planning and management of the Group. In addition, the Board is of the view that the balanced composition of executive and the independent non-executive Directors on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

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 (the "**Audit Committee**") on 22 August 2016 with written terms of reference in compliance with the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information. The Audit Committee comprises all three independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Heng Ching Kuen Franklin and Mr. Shing Wai Yip. The Group's annual results for the Year have been reviewed by the Audit Committee.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 20 November 2020 (the "**2020 AGM**"), the register of members of the Company will be closed from Tuesday, 17 November 2020 to Friday, 20 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 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, 16 November 2020.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2019: 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, 25 September 2020

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.