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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of CROSSTEC Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 31 December 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020. The condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
	Notes		
Revenue	4	23,757	53,803
Direct costs		<u>(17,392)</u>	<u>(42,440)</u>
Gross profit		6,365	11,363
Other income and gain, net	4	716	1,842
Administrative expenses		(14,814)	(16,508)
Finance costs	5	<u>(431)</u>	<u>(431)</u>
Loss before income tax	6	(8,164)	(3,734)
Income tax credit/(expense)	7	<u>8</u>	<u>(21)</u>
Loss for the period attributable to owners of the Company		(8,156)	(3,755)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		<u>—</u>	<u>—</u>
Other comprehensive income for the period and attributable to owners of the Company, net of tax		<u>—</u>	<u>—</u>
Total comprehensive loss for the period and attributable to owners of the Company		<u>(8,156)</u>	<u>(3,755)</u>
Losses per share			
Basic and diluted (HK cent)	9	<u>(1.13)</u>	<u>(0.52)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		4,933	6,841
Investment property		8,140	8,140
Deposits		1,752	1,752
		<u>14,825</u>	<u>16,733</u>
Current assets			
Trade and other receivables	10	10,400	12,903
Income tax recoverable		211	200
Pledged and restricted bank deposits		2,000	6,795
Cash and cash equivalents		16,691	11,980
		<u>29,302</u>	<u>31,878</u>
Total assets		<u>44,127</u>	<u>48,611</u>
Current liabilities			
Trade and other payables	11	13,525	19,782
Contract liabilities		3,919	2,814
Lease liabilities		6,934	6,643
Bank borrowings		8,000	6,000
		<u>32,378</u>	<u>35,239</u>
Net current liabilities		<u>(3,076)</u>	<u>(3,361)</u>
Total assets less current liabilities		<u>11,749</u>	<u>13,372</u>
Non-current liabilities			
Lease liabilities		2,634	6,101
Loan from a substantial shareholder	12	10,000	—
		<u>12,634</u>	<u>6,101</u>
Total liabilities		<u>45,012</u>	<u>41,340</u>
NET (LIABILITIES)/ASSETS		<u>(885)</u>	<u>7,271</u>
Capital and reserves			
Share capital	13	28,800	28,800
Reserves		(29,685)	(21,529)
TOTAL (DEFICIT)/EQUITY		<u>(885)</u>	<u>7,271</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2016, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands and its issued 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

(i) Basis of measurement

The unaudited condensed consolidated interim 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 six months ended 31 December 2021, the Group has incurred a loss of approximately HK\$8,156,000 and at the end of the reporting period, its total liabilities exceeded its total assets by approximately HK\$885,000 and had total bank borrowings of HK\$8,000,000 that are due within 12 months from the reporting period.

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.

On 27 August 2021, the Group obtained an unsecured and unguaranteed loan facility (the “**Original Loan Facility**”) with interest of 5% per annum amounted to HK\$15,000,000 from CGH (BVI) Limited, a substantial shareholder (as defined in the Listing Rules) of the Company, for two years from the date of the Original Loan Facility.

On 22 December 2021, the Group has further obtained another unsecured and unguaranteed loan facility (the “**New Loan Facility**”) with interest of 2% per annum amounted to HK\$26,000,000 from CGH (BVI) Limited for two years from the date of the New Loan Facility. The Original Loan Facility has been superseded and replaced by the New Loan Facility.

As at the approval date of these unaudited condensed consolidated interim financial statements, the Group has drawn down HK\$16,000,000 from the loan facility and the unutilised loan facility available for drawdown amounted to HK\$10,000,000.

(c) Functional and presentation currency

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

(d) Financial information and disclosure

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2021.

(e) Principal accounting policies

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the Group as set out in the Group’s annual financial statements for the year ended 30 June 2021, except for the following revised HKFRSs that have been adopted by the Group for the first time for the current Period’s unaudited interim financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

3. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy, maintenance and interior solutions services. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

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

The Group comprises the following main geographical segments:

(a) Revenue from external customers

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Hong Kong (place of domicile)	11,908	29,116
Asia (excluding Hong Kong and the People's Republic of China (the "PRC"))	39	757
PRC	8,770	19,817
Europe	3,040	396
United States	–	3,717
	11,849	24,687
	23,757	53,803

(b) Specified non-current assets

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Hong Kong (place of domicile)	12,976	14,882
PRC	9	11
Europe	88	88
	13,073	14,981

4. REVENUE AND OTHER INCOME

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

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	3,815	8,529
– Facade fabrication	–	3,482
Revenue – over time		
Income from interior solutions projects	16,685	37,986
Maintenance service income	148	229
Design and project consultancy service income	3,109	3,577
	<u>23,757</u>	<u>53,803</u>

An analysis of the Group's other income and other gain, net recognised during the Period are as follows:

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Other income and gain, net		
Bank interest income	3	11
Rental income	99	58
Management income	220	208
Government subsidies (<i>Note</i>)	–	1,529
Exchange gain/(loss), net	265	(40)
Sundry income	129	76
	<u>716</u>	<u>1,842</u>

Note: During the six months ended 31 December 2020, the Hong Kong Special Administrative Region Government has launched the “Employment Support Scheme” to provide time-limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

5. FINANCE COSTS

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Bank interest expense	–	67
Interest on bank borrowings	131	–
Interest on loan from a substantial shareholder	60	–
Interest on lease liabilities	240	364
	<u>431</u>	<u>431</u>

6. LOSS BEFORE INCOME TAX

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

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Depreciation:		
– Owned property, plant and equipment	378	462
– Right-of-use assets	1,540	2,104
	<u>1,918</u>	<u>2,566</u>
Exchange (gain)/loss, net	(265)	40
Employee benefit expenses (including Directors' and chief executive's remuneration)	9,541	10,875
	<u>9,541</u>	<u>10,875</u>

7. INCOME TAX CREDIT/(EXPENSE)

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

	Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Current tax – overseas profits tax		
– tax for the period	–	(21)
– over-provision in respect of prior periods	<u>8</u>	<u>–</u>
Income tax credit/(expense)	<u><u>8</u></u>	<u><u>(21)</u></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 Company did not generate any assessable profits arising in Hong Kong during the Period and the six months ended 31 December 2020.

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

8. DIVIDENDS

The Board resolved not to declare any interim dividend for the Period.

9. LOSSES PER SHARE

The calculation of the basic losses per share amount is based on the losses for the Period attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 720,000,000 (for the six months ended 31 December 2020: 720,000,000) in issue during the Period.

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

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

		Six months ended 31 December 2021 (unaudited) HK\$'000	Six months ended 31 December 2020 (unaudited) HK\$'000
Losses			
Losses for the purpose of basic losses per share		<u>(8,156)</u>	<u>(3,755)</u>
		Number of shares As at 31 December 2021 '000	As at 31 December 2010 '000
Number of shares			
Weighted average number of ordinary shares for the purpose of basic losses per share		<u>720,000</u>	<u>720,000</u>
10. TRADE AND OTHER RECEIVABLES			
		As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
	<i>Notes</i>		
Trade receivables	<i>i</i>	5,119	6,074
Retention receivables	<i>ii</i>	3,057	3,546
Deposits and other receivables	<i>iii</i>	2,076	2,197
Prepayments	<i>iii</i>	<u>1,900</u>	<u>2,838</u>
Total		12,152	14,655
Less: Non-current portion			
Deposits	<i>iii</i>	<u>(1,752)</u>	<u>(1,752)</u>
Total current portion		<u>10,400</u>	<u>12,903</u>

Notes:

(i)

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Trade receivables	5,119	6,577
Less: provision for impairment on trade receivables	—	(503)
	<u>5,119</u>	<u>6,074</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:

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Less than 1 month	1,742	4,794
1 to 3 months	1,797	438
3 to 6 months	130	482
More than 6 months but less than one year	1,450	360
More than one year	—	—
	<u>5,119</u>	<u>6,074</u>

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

Retention receivables as at 31 December 2021 and 30 June 2021 were neither past due nor impaired and expected to be recovered within 1 year after the reporting period. These related to customers for whom there was no recent history of default. Based on past experience, management is of the opinion that no provision for loss allowance is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

- (iii) Included in the balances there was input value added tax (“VAT”) receivable of approximately HK\$223,000 as at 31 December 2021 (as at 30 June 2021: HK\$223,000). Input VAT arose when the Group purchases materials from suppliers and the input VAT can be deducted from output VAT on revenue.

Except for input VAT receivables which had no expiry date, the remaining balances of deposits, other receivables and prepayments as at 31 December 2021 and 30 June 2021 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default. Based on past experience, management is of the opinion that no provision for loss allowance is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

11. TRADE AND OTHER PAYABLES

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Trade payables (<i>note (a)</i>)	5,288	6,500
Other payables and accruals (<i>note (b)</i>)	8,122	13,275
Accrued interest	115	7
	<hr/>	<hr/>
Total	13,525	19,782
	<hr/>	<hr/>

Notes:

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

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Less than 1 month	361	81
1 to 3 months	893	2,194
3 to 6 months	1,061	1,927
More than 6 months but less than 1 year	2,195	1,540
More than 1 year	778	758
	<u>5,288</u>	<u>6,500</u>

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

- (b) As at 31 December 2021, other payables are non-interest bearing and have average payment terms of 31 to 90 days (as at 30 June 2021: 31 to 90 days).

12. LOAN FROM A SUBSTANTIAL SHAREHOLDER

	As at 31 December 2021 (unaudited) HK\$'000	As at 30 June 2021 (audited) HK\$'000
Non-current - Unsecured		
Loan from a substantial shareholder (Note)	<u>10,000</u>	<u>—</u>

Note: On 27 August 2021, the Group obtained the Original Loan Facility with interest of 5% per annum amounted to HK\$15,000,000 from CGH (BVI) Limited, a substantial shareholder (as defined in the Listing Rules) of the Company, for two years from the date of the Original Loan Facility.

On 22 December 2021, the Group has further obtained the New Loan Facility with interest of 2% per annum amounted to HK\$26,000,000 from CGH (BVI) Limited for two years from the date of the New Loan Facility. The Original Loan Facility has been superseded and replaced by the New Loan Facility.

As at 31 December 2021, the Group has drawn down HK\$10,000,000 from the New Loan Facility and the unutilised loan facility available for drawdown amounted to HK\$16,000,000. The non-current unsecured loan drawn from a substantial shareholder of the Company is interest-bearing at 2% per annum and is repayable on its maturity.

13. SHARE CAPITAL

	As at 31 December 2021 <i>HK\$'000</i>	As at 30 June 2021 <i>HK\$'000</i>
Authorised:		
2,500,000,000 (as at 30 June 2021: 2,500,000,000) ordinary shares of HK\$0.04 (as at 30 June 2021: HK\$0.04) each	100,000	100,000
Issued and fully paid:		
720,000,000 (As at 30 June 2021: 720,000,000) ordinary shares of HK\$0.04 (As at 30 June 2021: HK\$0.04) each	28,800	28,800
During the Period, no movement in the Company's issued ordinary shares was noted.		

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group’s revenue, gross profit and losses for the Period were approximately HK\$23.8 million (for the six months ended 31 December 2020: approximately HK\$53.8 million), approximately HK\$6.4 million (for the six months ended 31 December 2020: approximately HK\$11.4 million) and approximately HK\$8.2 million (for the six months ended 31 December 2020: approximately HK\$3.8 million), respectively.

During the Period, the widespread of the COVID-19 pandemic remains very volatile around the world. With hundred thousand new cases have been reported daily around the world, the global situation remains severe. The difficult situation therefore led to a drastic drop in consumer sentiment, especially in the luxury market. As a result, the slowdown in implementing the business strategies in relation to renovation and new shops roll out of certain customers of the Group was noted. Some projects originally scheduled to be performed during the Period have been delayed indefinitely or even surrendered. As such, the pandemic has adversely affected the Group’s revenue in a significant extent (for the six months ended 31 December 2021: approximately HK\$23.8 million; for the six months ended 31 December 2020: approximately HK\$53.8 million).

Accordingly, the increase in consolidated net loss of the Group (for the six months ended 31 December 2021: approximately HK\$8.2 million; for the six months ended 31 December 2020: approximately HK\$3.8 million) was primarily due to the decrease in revenue noted during the Period.

However, the gross profit margin increased from approximately 21.1% for the six months ended 31 December 2020 to approximately 26.8% for the Period. The increase in gross profit margin was mainly due to the continuous strengthening of the projects cost control during the Period.

In response to the above and to overcome the adverse effect on the COVID-19 pandemic, the Group will continue to actively participate in project tenders and have a stricter operating cost control in order to upkeep the Group's competitiveness in the market. 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.

Also, the Board would like to emphasize that despite the adverse impacts of the COVID-19, it has full confidence in the Company's business and future development prospects, in particular exploring business opportunities in online game business. Having considered, among others, the obtaining of an unsecured and unguaranteed loan facility from CGH (BVI) Limited, a substantial Shareholder (as defined under the Listing Rules), which is owned by Mr. Lee Wai Sang (“**Mr. Lee**”), the chairman of the Board, chief executive officer of the Company and executive Director and Ms. Leung Mo Shan Jackie, an executive Director and the spouse of Mr. Lee, at 50% interest each, for two years from the date of loan facility, the Board concluded that the Group has sufficient financial resources for its operations and continue to operate as a going concern in the foreseeable future.

BUSINESS STRATEGIES AND OUTLOOK

During the Period, significant decrease in revenue of approximately HK\$30.0 million (for the six months ended 31 December 2021: approximately HK\$23.8 million; for the six months ended 31 December 2020: approximately HK\$53.8 million) has been noted as a result of the widespread of COVID-19 pandemic during the Period which adversely affected the implementation of business strategies in relation to renovation and new shops roll out of some customers of the Group over the world.

Despite the highly volatile pandemic situation, the Group will put much more effort and resources to upkeep its competitive through actively soliciting business all over the world, especially in the PRC market by which the Group has been well-established in the PRC market in recent years. As mentioned 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, if any. The Company will also keep the Shareholders updated and informed by way of announcement(s) as and when appropriate.

Regarding the core business and notwithstanding the ongoing pandemic situation, several awarded 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 are still in progress. Based on the high qualities of products and services provided by the Group, long-term business relationship has been built up with these great customers and the management is confident that more similar large projects are coming in the near future upon the recovery from the COVID-19 pandemic.

Moreover, with the good reputation and rich experience in cooperating with the residential property developers in recent years, certain interior design and project consultancy projects are under close negotiations with the sizeable and recognized local property developer in Hong Kong. The negotiation progress is satisfactory and it is expected that such large-scale projects may create values to the Group in the near future.

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 believes that such a move, if successful, could create 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 strategic co-operation 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 future.

FINANCIAL REVIEW

Revenue

The Group generated revenue principally from providing four major categories of sales and services, including: (i) sales of millwork, furniture and facade fabrication, (ii) interior solutions services, (iii) design and project consultancy services and (iv) maintenance services. Revenue of the Group decreased by approximately 55.8% from approximately HK\$53.8 million for the six months ended 31 December 2020 to approximately HK\$23.8 million for the Period. The decrease in revenue was mainly due to the adverse effect of the COVID-19 pandemic which led to slowdown of implementing the business strategies in relation to renovation and new shops roll out of certain customers of the Group.

Direct costs

Direct costs of the Group primarily consisted of costs of materials and subcontracting charges. Direct costs decreased by approximately 59.0% from approximately HK\$42.4 million for the six months ended 31 December 2020 to approximately HK\$17.4 million for the Period, representing approximately 78.9% and 73.2% to the revenue of the Group for the corresponding periods, respectively. The decrease in direct costs was in line with the decrease in revenue during the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 44.0% from approximately HK\$11.4 million for the six months ended 31 December 2020 to approximately HK\$6.4 million for the Period as a result of the decrease in revenue during the Period.

The gross profit margin increased to approximately 26.8% for the Period (for the six months ended 31 December 2020: approximately 21.1%) as a result of the continuous strengthening of the projects cost control during the Period.

Administrative expenses

Administrative expenses of approximately HK\$14.8 million for the Period (for the six months ended 31 December 2020: approximately HK\$16.5 million) mainly consisted of employee benefits, rental and utilities, marketing and advertisement, entertainment, legal and professional fees, depreciation, transportation and travelling expenses. The decrease in administrative expenses was mainly due to the management's effort on the cost saving policy.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derived cash inflow mainly from operating activities primarily through provision of services including millwork and furniture provision, 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 31 December 2021, the cash and bank balances amounted to approximately HK\$18.7 million (as at 30 June 2021: approximately HK\$18.8 million) which were mainly denominated in HK\$, US dollar (“USD”), Renminbi (“RMB”) and Euro (“EUR”).

As at 31 December 2021, the Group has a bank facility of HK\$15.0 million (as at 30 June 2021: HK\$15.0 million) with Hang Seng Bank of which a bank borrowing of HK\$8.0 million has been drawn down as at 31 December 2021 (as at 30 June 2021: HK\$6.0 million).

As at 31 December 2021, the Group has a loan facility of HK\$26.0 million (as at 30 June 2021: Nil) with a substantial Shareholder of which a loan of HK\$10.0 million has been drawn down as at 31 December 2021 (as at 30 June 2021: Nil). Subsequent to the end of reporting period, the Group has further drawn down HK\$6.0 million from the loan facility and the unutilised loan facility available for drawdown was HK\$10.0 million.

In view of the Group's current level of cash and bank balances, funds generated internally from operations, the bank borrowing and loan facility from a substantial Shareholder, 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

The Company's capital structure has not been changed during the six months ended 31 December 2021. As at 31 December 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.

Borrowings and gearing ratio

As at 31 December 2021, the Group had bank borrowings of HK\$8.0 million (as at 30 June 2021: HK\$6.0 million) and loan from a substantial Shareholder of HK\$10.0 million (as at 30 June 2021: Nil).

The gearing ratio (calculated as bank and other borrowings divided by total equity) was approximately negative 20.3 as at 31 December 2021 (as at 30 June 2021: approximately positive 0.83). The Group's gearing ratio was negative as the Group's equity was in deficit position as at 31 December 2021 due to accumulated loss.

Charge on assets

As at 31 December 2021, the banking facility were secured by pledged bank deposits of approximately HK\$2.0 million (as at 30 June 2021: approximately HK\$6.8 million) and investment property with the carrying amount of approximately HK\$8.1 million (as at 30 June 2021: approximately HK\$8.1 million).

Contingent liabilities

As at 31 December 2021, the Group had no significant contingent liabilities (as at 30 June 2021: Nil).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2021.

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

The Group did not have any significant investment held as at 31 December 2021 nor have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition and disposal of subsidiaries, associated companies or joint ventures during the six months ended 31 December 2021.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2021, the Group had 38 employees (30 June 2021: 39 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK\$9.5 million for the Period (for the six months ended 31 December 2020: approximately HK\$10.9 million).

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

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no material capital commitment (as at 30 June 2021: 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.

EVENT AFTER REPORTING PERIOD

Subsequent to the end of reporting period, the Group has further drawn down HK\$6,000,000 from the loan facility with a substantial Shareholder and the unutilised loan facility available for drawdown was HK\$10,000,000.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022) as described below, the Board considers that, the Company has fully complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the Period.

Code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022) 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 (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”). In view of Mr. Lee’s extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Lee continues to act as both the Chairman and the Chief Executive Officer. The Board believes that vesting both the roles of Chairman and Chief Executive Officer in the same person has the benefit of providing a strong and consistent leadership to the Group and allows for more effective planning and management of the Group. In addition, the Board is of the view that the balanced composition of executive and the independent non-executive Directors on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company’s affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of the Chairman and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Heng Ching Kuen Franklin and Mr. Tsang Ho Yin. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the Period and is of the opinion that such results complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.crosstec.com.hk) respectively. The interim report of the Company for the Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Company would like to take this opportunity to thank all our valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

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

Hong Kong, 25 February 2022

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. Tsang Ho Yin as independent non-executive Directors.