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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 2023

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**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 December 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022. 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 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
	<i>Notes</i>		
Revenue	4	26,983	38,154
Direct costs		<u>(11,220)</u>	<u>(32,431)</u>
Gross profit		15,763	5,723
Other income and other gain, net	4	381	740
Impairment losses on property, plant and equipment		(244)	–
Gain on early termination of a lease		4,770	–
Administrative expenses		(9,581)	(16,086)
Finance costs	5	<u>(4,367)</u>	<u>(1,316)</u>
Profit/(loss) before income tax	6	6,722	(10,939)
Income tax	7	<u>–</u>	<u>–</u>
Profit/(loss) for the period attributable to owners of the Company		6,722	(10,939)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		<u>(121)</u>	–
Other comprehensive income for the period and attributable to owners of the Company, net of tax		<u>(121)</u>	–
Total comprehensive income for the period and attributable to owners of the Company		<u>6,601</u>	<u>(10,939)</u>
Earnings/(losses) per share			(re-presented)
Basic and diluted (HK cent)	9	<u>5.40</u>	<u>(14.90)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		8,350	–
Investment property		–	7,890
Deposits	10	162	886
		8,512	8,776
Current assets			
Trade and other receivables	10	12,234	19,496
Income tax recoverable		201	201
Contract assets		2,348	–
Cash and cash equivalents		38,384	30,996
		53,167	50,693
Total assets		61,679	59,469
Current liabilities			
Trade and other payables	11	13,503	20,251
Contract liabilities		–	6,782
Lease liabilities		576	2,372
Other borrowings	12	46,915	25,474
Provisions		–	7,941
		60,994	62,820
Net current liabilities		(7,827)	(12,127)
Total assets less current liabilities		685	(3,351)
Non-current liabilities			
Lease liabilities		901	4,534
Other borrowings	12	–	45,413
Shareholder's loans	12	30,000	–
Provisions		–	799
		30,901	50,746
Total liabilities		91,895	113,566
NET LIABILITIES		(30,216)	(54,097)
Capital and reserves			
Share capital	13	51,840	34,560
Reserves		(82,056)	(88,657)
CAPITAL DEFICIENCY		(30,216)	(54,097)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CROSSTEC Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 March 2016 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business in Hong Kong is located at Unit 1301, 13/F, Technology Plaza, 651 King’s Road, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively as 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

(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*

As at 31 December 2023, the Group had capital deficiency of approximately HK\$30,216,000. However, the Group had cash and cash equivalents of approximately HK\$38,384,000.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group’s available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group will continue its efforts to enhance its operation to improve its cash flow from operations to strengthen its working capital.

(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 2023.

(e) **Principal accounting policies**

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), 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 2023.

The Group has adopted and applied the new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 July 2023. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position. The Group has not early adopted the new standards, amendments to standards and interpretations which have been issued by HKICPA but are not yet effective.

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's revenue and Specified Non-current Assets comprise the following main geographical segments:

(a) *Revenue from external customers by locations of customers*

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Hong Kong (place of domicile)	<u>22,169</u>	<u>11,606</u>
People's Republic of China ("PRC") (excluding Hong Kong)	4,804	22,197
United Kingdom	–	4,011
Others	<u>10</u>	<u>340</u>
	<u>4,814</u>	<u>26,548</u>
	<u><u>26,983</u></u>	<u><u>38,154</u></u>

(b) *Specified Non-current Assets*

	As at 31 December 2023 (unaudited) HK\$'000	As at 30 June 2023 (audited) HK\$'000
Hong Kong (place of domicile)	<u>8,350</u>	<u>7,890</u>

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:

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	1,699	7,116
Revenue – over time		
Income from interior solutions projects	25,207	28,586
Maintenance service income	54	548
Design and project consultancy service income	23	1,904
	<u>26,983</u>	<u>38,154</u>

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

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Other income and other gain, net		
Bank interest income	99	33
Rental income	24	102
Management income	–	214
Government subsidies (<i>Note</i>)	–	248
Exchange gain, net	184	65
Sundry income	74	78
	<u>381</u>	<u>740</u>

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

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Interest on bank borrowings	–	136
Interest on other borrowings	2,531	–
Interest on lease liabilities	189	92
Interest on shareholder's loans	1,647	1,088
	<u>4,367</u>	<u>1,316</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Depreciation:		
– Owned property, plant and equipment	–	8
– Right-of-use assets	–	–
	<u>–</u>	<u>8</u>
Exchange gain, net	(184)	(65)
Reversal of contract cost on modification of contracts (included in direct costs)	(6,348)	–
Reversal of expected loss on onerous contracts (included in direct costs)	(6,366)	–
Impairment losses on property, plant and equipment	244	–
Gain on termination of a lease	(4,770)	–
Employee benefit expenses (including directors' and chief executive's remuneration)	5,910	10,327
	<u>5,910</u>	<u>10,327</u>

7. INCOME TAX

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

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Current tax – overseas profits tax		
– tax for the period	–	–
– over-provision in respect of prior periods	–	–
	<hr/>	<hr/>
Income tax	–	–
	<hr/> <hr/>	<hr/> <hr/>

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 2022.

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

8. DIVIDENDS

No dividend has been declared by the Company for the Period (six months ended 31 December 2022: Nil).

9. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic earnings per share is based on the earnings for the Period attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 124,416,000 (six months ended 31 December 2022: 73,440,000 (re-presented)).

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

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

	For the six months ended 31 December 2023 (unaudited) HK\$'000	For the six months ended 31 December 2022 (unaudited) HK\$'000
Earnings/(losses)		
Earnings/(losses) for the purpose of basic earnings/losses per share	<u><u>6,722</u></u>	<u><u>(10,939)</u></u>
	<i>'000</i>	<i>'000</i> (re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/losses per share (<i>Note</i>)	<u><u>124,416</u></u>	<u><u>73,440</u></u>

Note:

The weighted average number of ordinary shares in issue and basic and diluted earnings/losses per share were adjusted after taking into account (i) the effect of the share consolidation completed on 23 August 2022 under which every ten ordinary shares of par value HK\$0.04 each in the share capital of the Company being consolidated into one share of par value HK\$0.40 each in the share capital of the Company (Note 13a) and (ii) the effect of the Rights Issue (as defined in Note 13c) completed on 21 July 2023. Comparative figures have been retrospectively adjusted on the assumption that the above-mentioned share consolidation and the Rights Issue had been effective since the beginning of the prior period.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
Trade receivables	4,398	4,648
Retention receivables	1,185	1,538
Deposits and other receivables	3,989	3,358
Prepayments	2,824	10,838
	<hr/>	<hr/>
Total	12,396	20,382
Less: Non-current portion Deposits	(162)	(886)
	<hr/>	<hr/>
Total current portion	<u>12,234</u>	<u>19,496</u>

Notes:

	As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
Trade receivables	4,398	4,648
Less: provision for impairment on trade receivables	—	—
	<hr/>	<hr/>
	<u>4,398</u>	<u>4,648</u>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted to trade customers is within 30 days in general and up to 60 days upon the issue of the invoice, which is considered on a case-by-case basis. 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 dates:

	As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
Less than 1 month	1,017	1,457
1 to 3 months	705	887
3 to 6 months	1,313	1,851
More than 6 months but less than one year	1,157	453
More than 1 year	206	—
	<hr/>	<hr/>
	<u>4,398</u>	<u>4,648</u>

11. TRADE AND OTHER PAYABLES

	As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	3,954	3,240
Other payables and accruals (<i>note (b)</i>)	6,782	16,006
Accrued interest	2,767	1,005
	<hr/>	<hr/>
Total	13,503	20,251
	<hr/> <hr/>	<hr/> <hr/>

Notes:

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

	As at 31 December 2023 (unaudited) <i>HK\$'000</i>	As at 30 June 2023 (audited) <i>HK\$'000</i>
Less than 1 month	546	583
1 to 3 months	379	781
3 to 6 months	1,315	603
More than 6 months but less than 1 year	994	428
More than 1 year	720	845
	<hr/>	<hr/>
	3,954	3,240
	<hr/> <hr/>	<hr/> <hr/>

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

(b) As at 31 December 2023, other payables are non-interest bearing and have average payment terms of 31 to 90 days (as at 30 June 2023: 31 to 90 days).

12. OTHER BORROWINGS AND SHAREHOLDER'S LOANS

As at 31 December 2023 and 30 June 2023, total current and non-current other borrowings and shareholder's loans were scheduled to repay as follows:

	31 December 2023 (unaudited) HK\$'000	30 June 2023 (audited) HK\$'000
Other borrowings (Note a)		
On demand or within one year	46,915	25,474
More than one year, but not exceeding two years	–	45,413
	46,915	70,887
Shareholders' Loans (Note b)		
On demand or within one year	–	–
More than one year, but not exceeding two years	30,000	–
	30,000	–

Notes:

- (a) During the year ended 30 June 2023, the Group has unsecured and unguaranteed loan facilities in an aggregate principal amount of HK\$76,000,000 bearing an interest of 2% per annum from CGH (BVI) Limited (“CGH”), a former shareholder of the Company and a company owned as to 50% by each of Mr. Lee Wai Sang and Ms. Leung Mo Shan Jackie (both being the former executive directors of the Company), under three loan agreements (the “**Loan Agreements**”) entered into between the Group and CGH on 22 December 2021, 28 October 2022 and 21 November 2022, respectively. In March 2023, the Group was notified by CGH that it has assigned all its rights under the Loan Agreements and the underlying loans to an independent third party pursuant to a deed of assignment dated 23 March 2023 (the “**Assignment of Loans**”). The Assignment of Loans was made unilaterally by CGH pursuant to the terms of the Loan Agreements, all terms and conditions of the loans remain unchanged. As at 31 December 2023, the amortised cost of the loans from the independent third party was approximately HK\$46,915,000 (30 June 2023: HK\$70,887,000) and it was determined with effective interest rates of 8.24% to 8.69% per annum.
- (b) On 8 August 2023, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 15% per annum amounted to HK\$30,000,000 from its shareholder for two years from the draw down date of the loan facility. During the Period, the Group has drawn down all the loan facility amounted to HK\$30,000,000. As at 31 December 2023, the amortised cost of the loan from the shareholder was HK\$30,000,000 (30 June 2023: Nil) and it was determined with an effective interest rate of 15% per annum.

13. SHARE CAPITAL

Ordinary shares of HK\$0.4 (as at 30 June 2023: HK\$0.4) each

	Ordinary share per unit HK\$	Number of shares ('000)	HK\$'000
Authorised:			
At 1 July 2022	0.04	2,500,000	100,000
Share consolidation (<i>Note a</i>)	–	<u>(2,250,000)</u>	<u>–</u>
At 30 June 2023, 1 July 2023 and 31 December 2023	0.4	<u>250,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 July 2022	0.04	720,000	28,800
Share consolidation (<i>Note a</i>)	–	(648,000)	–
Placing of new shares (<i>Note b</i>)	0.4	<u>14,400</u>	<u>5,760</u>
At 30 June 2023 and 1 July 2023	0.4	86,400	34,560
Rights Issue (<i>Note c</i>)	0.4	<u>43,200</u>	<u>17,280</u>
At 31 December 2023	0.4	<u>129,600</u>	<u>51,840</u>

Note a: On 23 August 2022, the Company implemented the share consolidation on the basis that every ten ordinary shares of par value HK\$0.04 each in the share capital of the Company being consolidated into one share of par value HK\$0.40 each in the share capital of the Company. The share consolidation was duly passed by the shareholders of the Company (the “**Shareholders**”) by way of poll on 19 August 2022. Further details were set out in the Company’s circular dated 29 July 2022 and the Company’s announcements dated 8 July 2022 and 19 August 2022 respectively.

Note b: On 14 December 2022, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent (the “**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 not less than six places to subscribe for up to 14,400,000 ordinary shares with par value of HK\$0.4 each at a price of HK\$0.4 each (the “**Placing**”). The Placing was completed on 12 January 2023. Further details were set out in the Company’s announcements dated 14 December 2022 and 12 January 2023.

Note c: On 17 May 2023, the Company announced to issue an aggregate of 43,200,000 ordinary shares (the “**Rights Shares**”) upon completion of the issue and allotment of 43,200,000 Rights Shares to the valid applicants pursuant to the rights issue on the basis of one Rights Share for every two existing ordinary shares held by the qualifying Shareholders at a subscription price of HK\$0.4 per Rights Share (“**Rights Issue**”). The Rights Issue became unconditional on 17 July 2023 and were completed on 21 July 2023. The gross proceeds from the Rights Issue were approximately HK\$17,280,000 and the net proceeds were approximately HK\$16,280,000 after deducting the related expenses. The net proceeds of the Rights Issue were fully utilized to repay part of the Group’s borrowings. Further details were set out in the Company’s announcements dated 17 May 2023 and 21 July 2023 and Company’s prospectus dated 30 June 2023. These Right Shares issued rank pari passu with the existing shares in all respects.

14. EVENT AFTER REPORTING PERIOD

On 20 November 2023, the Company announced that it proposed to implement a capital reduction involving the reduction of the par value of each of the issued share of the Company from HK\$0.40 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.39 per issued share so that following such reduction, each issued new share will have a par value of HK\$0.01. The credit arising from the capital reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the capital reduction, thereby reducing the accumulated losses of the Company. Immediately following the capital reduction becoming effective, each authorized but unissued share of the Company will be sub-divided into forty (40) unissued new shares with a par value of HK\$0.01 each.

Further, the board lot size for trading in the shares on the Stock Exchange was proposed to change from 4,000 shares of the Company to 12,000 new shares of the Company subject to the above capital reduction and the sub-division becoming effective.

The capital reduction and the sub-division have become effective before 9:00 a.m. on Wednesday, 21 February 2024, and the change in board lot size and the dealing in the new shares in the Stock Exchange has commenced at 9:00 a.m. on Wednesday, 21 February 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

For the Period, the Group's revenue, gross profit and net profit were approximately HK\$27.0 million, HK\$15.8 million and HK\$6.7 million (six months ended 31 December 2022: approximately HK\$38.2 million, HK\$5.7 million and net loss of HK\$10.9 million respectively; representing a decrease of approximately 29.3%, an increase of approximately 177.2% and a change from net loss to net profit when compared the figures for the Period with that for the six months ended 31 December 2022 respectively).

The widespread of the COVID-19 pandemic has led to the suspension or delay of business activities around the world. In addition, the fears from the growing threat of the global recession led to a drastic drop in the consumer sentiment, especially in the luxury market. As a result, the slowdown in implementing the business strategies in relation to renovation and new shops/outlets roll out of certain customers of the Group was noted. As such, the severe global situation had adversely affected the Group's revenue during the Period.

In order to stay competitive in the market, the management of the Company has put resources and emphasized on developing the local business in the PRC, Hong Kong and Macau in recent years. In addition to maintaining good business relationship with the existing large luxury brand customers, the Group has well established new business relationships with certain internationally recognized luxury brands and property developers for their sizeable projects mainly in the PRC. Considering the huge development potential of the luxury brands in the PRC, we are confident our exposure in the PRC market will be very promising in future. Also, the Group kept monitoring the expense structure and did implement cost reduction exercise to reduce the operating costs to upkeep its competitiveness.

The change from consolidated net loss of the Group in the six months ended 31 December 2022 to consolidated net profit of the Group for the Period was mainly due to (i) reversal of contract cost on modification of contracts of approximately HK\$6.3 million; (ii) the reversal of expected loss on onerous contracts of approximately HK\$6.4 million and (iii) a gain on early termination of a lease of approximately HK\$4.8 million during the Period. The above items are primarily non-cash and non-recurring in nature.

BUSINESS STRATEGIES AND OUTLOOK

Despite the uncertainties of the global situation, it is on the right track that the Group is putting more effort to resume the PRC and overseas business as well as strengthen the competitive advantage of the local business. The management of the Company will continue to monitor the development of the COVID-19 pandemic and its impact on the operations and results of the Group, if any.

Geographically speaking, as the Group is dedicated to putting more resources and efforts on exploring the business opportunities in relation to the interior solutions projects in the PRC market, very positive results have been received recently. We have established numerous business relationship with new clients who are internationally recognized luxury brands and property developers and we have also been working closely with them for their expansion projects in the PRC in recent years.

Based on the high qualities of products and services provided by the Group, the management of the Company is confident that long-term business relationships will be built up and more projects will be undergoing in future.

In addition to the core business, in order to broaden the income sources, the Company has been exploring other business opportunities. Up to the date of this announcement, the Company is still exploring suitable business partners to co-operate in a form of strategic co-operation alliance and/or other possible way of development. The Company will keep the Shareholders updated and informed by way of announcement(s) as and when appropriate.

Last but not least, the Group has been making efforts to solicit potential acquisition targets which may have synergy with the existing business of the Group for its ongoing strategic growth and such strategy remains unchanged.

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 29.3% from approximately HK\$38.2 million for the six months ended 31 December 2022 to approximately HK\$27.0 million for the Period. The decrease in revenue was mainly due to certain sales and services have been delayed and/or terminated, and most of the new projects were only partly completed at the end of the Period.

Direct cost

Direct costs of the Group primarily consisted of costs of materials and subcontracting charges. Direct costs decreased by approximately 65.4% from approximately HK\$32.4 million for the six months ended 31 December 2022 to approximately HK\$11.2 million for the Period. The decrease in direct costs was mainly due to the decrease in revenue, reversal of contract cost on modification of contracts of approximately HK\$6.3 million and reversal of expected loss on onerous contracts of approximately HK\$6.4 million during the Period.

As at 30 June 2023, the Group has accrued contract costs based on progress of the projects and recognised provision for onerous contracts relating to its obligation to complete an interior solution project and supply of millwork and furniture to its customers. During the Period, certain relevant contracts were modified and/or terminated upon mutually agreement with the customers and suppliers, therefore certain accrued contract costs and estimated costs are no longer required, and reversal of contract cost on modification of contracts and reversal of expected loss on onerous contracts were recognised the condensed consolidated statement of profit or loss and other comprehensive income during the Period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 177.2% from approximately HK\$5.7 million for the six months ended 31 December 2022 to approximately HK\$15.8 million for the Period.

The Group's gross profit margin increased from approximately 15.0% for the six months ended 31 December 2022 to approximately 58.4% for the Period.

The increase in gross profit and gross profit margin during the Period were mainly due to decrease in direct costs during the Period.

Gain on early termination of a lease

The Group has early terminated a lease in respect of an office premise upon mutually agreement with the landlord during the Period, therefore, among others, the carrying value of lease liabilities in respect of future lease payments was adjusted and a gain of approximately HK\$4.8 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the Period.

Administrative expenses

Administrative expenses of approximately HK\$9.6 million for the Period (six months ended 31 December 2022: approximately HK\$16.1 million) mainly consisted of employee benefits, rental and utilities, entertainment, legal and professional fees, transportation and travelling expenses. The decrease in administrative expenses was mainly due to the decrease in employee benefit expenses (the Period: approximately HK\$5.9 million; six months ended 31 December 2022: approximately HK\$10.3 million) as a result of the decrease in number of staff as a result of the previous one-off staff restructuring and the decrease in other administrative expenses as a result of tighten cost control.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derived cash inflow mainly from operating activities primarily through provision of sales and services. Cash outflow from operating activities primarily comprises direct costs, administrative expenses and other operating expenses. During the Period, there were cash inflow from the Rights Issue and loan from a shareholder, and cash outflow arising from repayment of borrowings.

As at 31 December 2023, the cash and bank balances amounted to approximately HK\$38.4 million (30 June 2023: approximately HK\$31.0 million) which were mainly denominated in HK\$, US dollar (“USD”), Renminbi (“RMB”) and Euro (“EUR”).

As at 31 December 2023, the Group did not have any bank facilities. As at 30 June 2023, the Group had a bank facility (the “**Banking Facility**”) of HK\$6.2 million that has not been utilized and was available for drawdown.

In view of the Group’s current level of cash and bank balances, funds generated internally from operations and the property owned by the Group, the Board believes the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

CAPITAL STRUCTURE

As at 31 December 2023, the authorised share capital of the Company was HK\$100,000,000 divided into 250,000,000 shares of the Company with par value of HK\$0.4 each and the issued share capital was HK\$51,840,000 divided into 129,600,000 shares.

During the Period, the Group completed the Rights Issue and announced a capital reduction, the sub-division and the change in board lot size, please refer to Note 13(c) and Note 14 to the condensed consolidated interim financial statements respectively.

Borrowings and gearing ratio

As at 31 December 2023, the Group had other borrowings of approximately HK\$46.9 million (30 June 2023: HK\$70.9 million) and shareholder’s loans of approximately HK\$30.0 million (30 June 2023: Nil).

The gearing ratios (calculated as borrowings divided by total equity) were negative as the Group’s equity was in a deficit position as at 31 December 2023 and 30 June 2023.

Charge on assets

As at 30 June 2023, the Banking Facility was supported by the corporate guarantees given by the Company and a subsidiary of the Company and was secured by a property amounted to approximately HK\$7.9 million.

As at 31 December 2023, the Banking Facility has been terminated and the Group did not have any banking facilities. The Group is in the process of releasing the relevant guarantees and security under the Banking Facility.

Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities (30 June 2023: Nil).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (six months ended 31 December 2022: Nil).

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 2023 nor any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2023, the Group had 29 employees (30 June 2023: 41 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK\$5.9 million for the Period (six months ended 31 December 2022: approximately HK\$10.3 million). Such decrease was mainly due to the previous one-off staff restructuring and the streamlining of the Group's business during the Period.

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 2023, the Group had no material capital commitment (30 June 2023: 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

Please refer to Note 14 to the condensed consolidated interim financial statements for the important events affecting the Group after the end of the Period.

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 Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision C.2.1 of the CG Code as described below, the Board considers that, the Company has fully complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the Period.

Code provision C.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Rong, the executive Director, 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. Wang Rong’s extensive experience, personal profile and critical role in the Group during his tenure in the Group, the Board considers that vesting the roles of both Chairman and the Chief Executive Officer in Mr. Wang Rong would be beneficial to the business prospects of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors.

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. Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

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 comprises all three independent non-executive Directors, namely Mr. Tse Kwok Hing Henry (as committee chairman), Ms. Lee Kwai Sheung and Mr. Ma Jian. 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
Wang Rong
Executive Director

Hong Kong, 29 February 2024

As at the date of this announcement, the Board comprises Mr. Wang Rong and Mr. Cui Qingbo as executive Directors; Mr. Tsang Ho Yin as a non-executive Director; Ms. Lee Kwai Sheung, Mr. Tse Kwok Hing Henry and Mr. Ma Jian as independent non-executive Directors.