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 2022

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 2022 (the "**Period**"), together with the comparative figures for the corresponding period in 2021. 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

	Notes	**For the six months ended 31 December 2022 (unaudited)** ***HK$'000***	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Revenue	*4*	**38,154**	23,757
Direct costs		**(32,431)**	(17,392)
Gross profit		**5,723**	6,365
Other income and gain, net	*4*	**740**	716
Administrative expenses		**(16,086)**	(14,814)
Finance costs	*5*	**(1,316)**	(431)
Loss before income tax	*6*	**(10,939)**	(8,164)
Income tax credit	*7*	**–**	8
Loss for the period attributable to owners of the Company		**(10,939)**	(8,156)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**–**	–
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**–**	–
Total comprehensive income for the period and attributable to owners of the Company		**(10,939)**	(8,156)
Losses per share			(re-presented)
Basic and diluted (HK cent)	*9*	**(15.19)**	(11.33)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2022 (unaudited) HK$'000	As at 30 June 2022 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**57**	–
Investment property		**8,050**	8,050
Deposits		**33**	33
		8,140	8,083
Current assets			
Trade and other receivables	*10*	**31,788**	16,560
Income tax recoverable		**200**	200
Pledged and restricted bank deposits		**–**	2,000
Cash and cash equivalents		**27,526**	21,629
		59,514	40,389
Total assets		**67,654**	48,472
Current liabilities			
Trade and other payables	*11*	**10,021**	12,437
Contract liabilities		**2,633**	13,307
Lease liabilities		**2,592**	6,038
Bank borrowings		**–**	8,000
Shareholder's loans	*12*	**20,723**	–
		35,969	39,782
Net current assets		**23,545**	607
Total assets less current liabilities		**31,685**	8,690
Non-current liabilities			
Lease liabilities		**342**	391
Shareholder's loans	*12*	**50,689**	20,723
		51,031	21,114
Total liabilities		**87,000**	60,896
NET LIABILITIES		**(19,346)**	(12,424)
Capital and reserves			
Share capital	*13*	**28,800**	28,800
Reserves		**(48,146)**	(41,224)
CAPITAL DEFICIENCY		**(19,346)**	(12,424)

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 20th Floor, 625 King's Road, North Point, 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 Listing Rules and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(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 2022 (the "**Period**"), the Group has incurred a loss of approximately HK$10,939,000 and at the end of the Period, the Group had capital deficiency of approximately HK$19,346,000. However, the Group had cash and cash equivalents of approximately HK$27,526,000.

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 2022.

(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 2022, except for the following revised HKFRS that have been adopted by the Group for the first time for the Period's unaudited interim financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKFRS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised HKFRSs has had no significant financial effect on these condensed consolidated 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'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 2022 (unaudited)	For the six months ended 31 December 2021 (unaudited)
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**11,606**	11,908
PRC (excluding Hong Kong)	**22,197**	8,770
United Kingdom	**4,011**	3,012
Others	**340**	67
	26,548	11,849
	38,154	23,757

(b) ***Specified Non-current Assets***

	As at 31 December 2022 (unaudited)	As at 30 June 2022 (audited)
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**8,107**	8,050

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 2022 (unaudited) *HK$'000*	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Time of revenue recognition		
Revenue – at a point in time		
Sales of products		
– Millwork and furniture	**7,116**	3,815
Revenue – over time		
Income from interior solutions projects	**28,586**	16,685
Maintenance service income	**548**	148
Design and project consultancy service income	**1,904**	3,109
	38,154	23,757

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 2022 (unaudited) *HK$'000*	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Other income and other gain, net		
Bank interest income	**33**	3
Rental income	**102**	99
Management income	**214**	220
Government subsidies *(Note)*	**248**	–
Exchange gain, net	**65**	265
Sundry income	**78**	129
	740	716

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 2022 (unaudited) ***HK$'000***	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Interest on bank borrowings	**136**	131
Interest on lease liabilities	**92**	240
Interest on shareholder's loans	**1,088**	60
	1,316	431

6. LOSS BEFORE INCOME TAX

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

	For the six months ended 31 December 2022 (unaudited) ***HK$'000***	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Depreciation:		
– Owned property, plant and equipment	**8**	378
– Right-of-use assets	**–**	1,540
	8	1,918
Exchange gain, net	**(65)**	(265)
Employee benefit expenses (including directors' and chief executive's remuneration)	**10,327**	9,541

7. INCOME TAX CREDIT

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

	For the six months ended 31 December 2022 (unaudited) *HK$'000*	For the six months ended 31 December 2021 (unaudited) *HK$'000*
Current tax – overseas profits tax		
– tax for the period	**–**	–
– over-provision in respect of prior periods	**–**	8
Income tax credit	**–**	8

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 2021.

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 (for the six months ended 31 December 2021: Nil).

9. LOSSES PER SHARE

The calculation of the basic losses per share 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 72,000,000 (for the six months ended 31 December 2021: 72,000,000 (re-presented)).

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:

	For the six months ended 31 December 2022 (unaudited)	For the six months ended 31 December 2021 (unaudited)
	HK$'000	*HK$'000*
Losses		
Losses for the purpose of basic losses per share	**(10,939)**	(8,156)

	Number of shares	
	As at 31 December 2022	As at 31 December 2021
	'000	*'000*
		(re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share *(Note)*	**72,000**	72,000

Note:

The weighted average number of ordinary shares in issue and basic and diluted loss per share were adjusted after taking into account 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 13). Comparative figures have been retrospectively adjusted on the assumption that the above-mentioned share consolidation and the share consolidation completed on 24 November 2020 as set out in Note 13 had been effective since the beginning of the prior period.

10. TRADE AND OTHER RECEIVABLES

	Notes	**As at 31 December 2022 (unaudited)** *HK$'000*	As at 30 June 2022 (audited) *HK$'000*
Trade receivables	*i*	**11,272**	3,583
Retention receivables	*ii*	**1,595**	2,555
Deposits and other receivables	*iii*	**3,183**	2,722
Prepayments	*iii*	**15,771**	7,733
Total		**31,821**	16,593
Less: Non-current portion			
Deposits	*iii*	**(33)**	(33)
Total current portion		**31,788**	16,560

Notes:

(i)

	As at 31 December 2022 (unaudited) *HK$'000*	As at 30 June 2022 (audited) *HK$'000*
Trade receivables	**11,272**	3,583
Less: provision for impairment on trade receivables	**–**	–
	11,272	3,583

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 2022 (unaudited) *HK$'000*	As at 30 June 2022 (audited) *HK$'000*
Less than 1 month	**7,660**	3,510
1 to 3 months	**3,292**	73
3 to 6 months	**165**	–
More than 6 months but less than one year	**155**	–
	11,272	3,583

(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. These retention monies are contract assets which primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance (i.e. completion of maintenance period). The contract assets are transferred to trade receivables when the rights become unconditional.

(iii) Included in the balances there was input value added tax ("**VAT**") receivable of approximately HK$1,137,000 as at 31 December 2022 (as at 30 June 2022: HK$483,000). Input VAT arose when the Group purchases materials from suppliers in the PRC and the input VAT can be deducted from output VAT on revenue generated in the PRC.

Expect for input VAT receivables which had no expiry date, the remaining balances of deposits, other receivables and prepayments as at 31 December 2022 and 30 June 2022 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 2022 (unaudited) *HK$'000*	As at 30 June 2022 (audited) *HK$'000*
Trade payables *(note (a))*	**1,495**	3,831
Other payables and accruals *(note (b))*	**8,274**	8,472
Accrued interest	**252**	134
Total	**10,021**	12,437

Notes:

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

	As at 31 December 2022 (unaudited) *HK$'000*	As at 30 June 2022 (audited) *HK$'000*
Less than 1 month	**81**	906
1 to 3 months	**439**	423
3 to 6 months	**12**	185
More than 6 months but less than 1 year	**180**	869
More than 1 year	**783**	1,448
	1,495	3,831

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

(b) As at 31 December 2022, other payables are non-interest bearing and have average payment terms of 31 to 90 days (as at 30 June 2022: 31 to 90 days).

12. SHAREHOLDER'S LOANS

On 27 August 2021, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 5% per annum amounted to HK$15,000,000 ("**Loan Facility I**") from its shareholder, CGH (BVI) Limited, a company owned as to 50% each by Mr. Lee Wai Sang and Ms. Leung Mo Shan Jackie (both being the then executive directors of the Company) for two years from the date of Loan Facility I. Subsequently on 22 December 2021, the Group obtained another unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK$26,000,000 ("**Loan Facility II**") from CGH (BVI) Limited for two years from the date of Loan Facility II by which Loan Facility I was superseded. During the Period, Loan Facility II has been fully drawn down by the Group.

On 7 September 2022, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK$13,000,000 ("**Loan Facility III**") from CGH (BVI) Limited for two years from the date of Loan Facility III. During the Period, amount of HK$3,000,000 had been drawn down under Loan Facility III by the Group and had been fully repaid. Subsequently on 28 October 2022, the Group obtained another unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK$20,000,000 ("**Loan Facility IV**") from CGH (BVI) Limited for two years from the date of Loan Facility IV by which Loan Facility III was superseded. During the Period, Loan Facility IV had been fully drawn down by the Group.

On 21 November 2022, the Group obtained an unsecured and unguaranteed loan facility with interest-bearing of 2% per annum amounted to HK$30,000,000 ("**Loan Facility V**") from CGH (BVI) Limited for two years from the date of Loan Facility V. During the Period, Loan Facility V had been fully drawn down by the Group.

The amortised cost of the shareholder's loans was determined with the effective interest rate of 6%.

In the opinion of the directors of the Company, the Group obtained the loans from its shareholder on better terms. As a result, the Group has recognised the better terms of the loan of approximately HK$4,017,000 as deemed contribution for the Period and included as capital reserve in equity.

13. SHARE CAPITAL

Ordinary shares of HK$0.4 (as at 30 June 2022: HK$0.04) each

	Ordinary share per unit *HK$*	**Number of shares** *('000)*	*HK$'000*
Authorised:			
At 1 July 2021, 30 June 2022 and 1 July 2022	0.04	2,500,000	100,000
Share consolidation *(Note)*	–	(2,250,000)	–
At 31 December 2022	0.4	250,000	100,000
Issued and fully paid:			
At 1 July 2021, 30 June 2022 and 1 July 2022	0.04	720,000	28,800
Share consolidation *(Note)*	–	(648,000)	–
At 31 December 2022	0.4	72,000	28,800

Note: 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 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.

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 to not less than six placees 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 subsequent to the Period (Note 14). Further details were set out in the Company's announcements dated 14 December 2022 and 12 January 2023.

14. EVENT AFTER REPORTING PERIOD

On 14 December 2022, the Company entered into the Placing Agreement with the Placing Agent to proceed with the Placing. The Placing was completed on 12 January 2023 subsequent to the Period. Further details were set out in the Company's announcements dated 14 December 2022 and 12 January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to retail stores of global luxury jewelry and fashion brands as well as non-retail projects of show flats, residential units, club houses and luxury hotels, which covers a wide range of services including millwork and furniture provision, 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 People's Republic of China (the "**PRC**" or "**China**"), the United States (the "**U.S.**"), Europe, Middle East and other Asian countries over the years.

The Group's revenue, gross profit and losses for the Period were approximately HK$38.2 million (for the six months ended 31 December 2021: approximately HK$23.8 million), approximately HK$5.7 million (for the six months ended 31 December 2021: approximately HK$6.4 million) and approximately HK$10.9 million (for the six months ended 31 December 2021: approximately HK$8.2 million), respectively.

Upon the global trend of striving to enable the citizens to resume the normal daily lives and to balance the social and economic needs during the Period, cross-border activities between different regions have been significantly increasing and thus stimulates the global economic. Accordingly, the Group's revenue has been significantly improved due to the gradual recovery from the COVID-19 pandemic (for the six months ended 31 December 2022: approximately HK$38.2 million; for the six months ended 31 December 2021: approximately HK$23.8 million). In particular, the Group's business in the PRC recorded a 153% increase (for the six months ended 31 December 2022: approximately HK$22.2 million; for the six months ended 31 December 2021: approximately HK$8.8 million).

However, the gross profit margin decreased from approximately 26.8% for the six months ended 31 December 2021 to approximately 15.0% for the Period. The decrease in gross profit was mainly due to 1.) the increase in project cost of certain large interior solutions projects as a result of the unexpected delay of the relevant projects due to the lock down of the related cities under the COVID-19 pandemic, and 2.) the gradual change of revenue mix that a higher proportion of interior solutions projects over the total revenue was noted as compared to the six months ended 31 December 2021 (for the six months ended 31 December 2022: approximately 75%; for the six months ended 31 December 2021: approximately 70%) since certain large interior solutions projects with luxury watch and jewellery brand were awarded during the Period by which the interior solutions business is comparatively more competitive in the market. However, the Group's long-term strategy is still focusing on increasing our market share and improving the profitability of the Company's projects by continuous strengthening of the projects cost control, just as the Company has been striving for in the prior years.

Accordingly, the increase in consolidated net loss of the Group (for the six months ended 31 December 2022: approximately HK$10.9 million; for the six months ended 31 December 2021: approximately HK$8.2 million) was mainly due to 1.) decrease in gross profit (for the six months ended 31 December 2022: approximately HK$5.7 million; for the six months ended 31 December 2021: approximately HK$6.4 million); 2) increase in finance cost (for the six months ended 31 December 2022: approximately HK$1.3 million; for the six months ended 31 December 2021: approximately HK$0.4 million) and 3.) increase in employee benefit expenses (for the six months ended 31 December 2022: approximately HK$10.3 million; for the six months ended 31 December 2021: approximately HK$9.5 million).

In response to the above and to recover from the COVID-19 pandemic over the past few years, the Group will continue to actively participate in project tenders and put huge effort in broadening the income sources from different industries and sectors.

During the Period, the Company had been exploring the business opportunities in relation to the interior solutions as well as design and project consultancy projects in the sectors of academic institutions and governmental administrative authorities. The market of the said sectors are very large in terms of the scale and quantity and the Company will seize the opportunity to be competitive in this high potential market.

Also, the Company will keep focusing on developing our competitiveness in the event market in relation to the interior solution project consultancy business. Upon the gradual recovery from the COVID-19 pandemic, it is believed that numerous international events or exhibitions in different sectors such as art, sports and music will resume or restart, especially in Hong Kong. The demand of our interior solution project consultancy business is therefore expected to increase significantly in the coming years. Stemming from the event management experience gained in the prior years, the Company is confident that it is a competent contender in such market.

In addition to improving the performance from the revenue side, the Company will keep having 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.

BUSINESS STRATEGIES AND OUTLOOK

During the Period, significant increase in revenue of HK$14.4 million (for the six months ended 31 December 2022: approximately HK$38.2 million; for the six months ended 31 December 2021: approximately HK$23.8 million) had been recorded as a result of the significant increase of cross-border activities between different regions upon the global trend of striving to enable the citizens to resume the normal daily lives and to balance the social and economic needs which stimulates the global economic recovery.

To seize the opportunity to recover quickly, the Group will put much more effort and resources to upkeep its competitiveness through actively soliciting business all over the world, especially in the PRC and overseas markets upon the significant increase in cross-border activities recently. 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, several awarded large projects in relation to the provision of millworks and interior solutions services to the flagship stores of luxury brands 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.

Also, with the good reputation and rich experience in cooperating with the property developers in recent years, certain large projects in relation to the provision of millworks and interior solutions services to international landmark in Hong Kong have been awarded from the sizeable and recognized local property developers in Hong Kong. It is the Company's great honour to take part in such international projects, which also proved our global presence and high quality of services.

In addition to the well-established sectors as mentioned above, the Company has been exploring the business opportunities in relation to the interior solutions as well as design and project consultancy projects in the sectors of academic institutions and governmental administrative authorities. The market of the said sectors are very large in terms of the scale and quantity and the Company will seize the opportunity to be competitive in this high potential market.

Also, the Company will keep focusing on developing our competitiveness in the event market in relation to the interior solution project consultancy business. Upon the gradual recovery from the COVID-19 pandemic, it is believed that numerous international events or exhibitions in different sectors such as art, sports and music will resume or restart, especially in Hong Kong. The demand of our interior solution project consultancy business is therefore expected to increase significantly in the coming years. Stemming from the event management experience gained in the prior years, the Company is confident that it is a competent contender in such market.

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 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 increased by approximately 60.5% from approximately HK$23.8 million for the six months ended 31 December 2021 to approximately HK$38.2 million for the Period. The increase in revenue was mainly due to the gradual economic recover from the COVID-19 pandemic upon the increase in cross-broader activities.

Direct cost

Direct costs of the Group primarily consisted of costs of materials and subcontracting charges. Direct costs increased by approximately 86.2% from approximately HK$17.4 million for the six months ended 31 December 2021 to approximately HK$32.4 million for the Period, representing approximately 73.2% and 84.8% to the revenue of the Group for the corresponding periods, respectively. The increase in direct costs was in line with the increase in revenue during the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 10.9% from approximately HK$6.4 million for the six months ended 31 December 2021 to approximately HK$5.7 million for the Period.

The decrease in gross profit despite the increase in revenue during the Period was mainly due to the decrease in gross profit margin (for the six months ended 31 December 2022: approximately 15.0%; for the six months ended 31 December 2021: approximately 26.8%) as a result of 1.) the increase in project cost of certain large interior solutions projects as a result of the unexpected delay of the relevant projects due to the lock down of the related cities under the COVID-19 pandemic, and 2.) the gradual change of revenue mix that a higher proportion of interior solutions projects over the total revenue was noted as compared to the six months ended 31 December 2021 (for the six months ended 31 December 2022: approximately 75%; for the six months ended 31 December 2021: approximately 70%) since certain large interior solutions projects with luxury watch and jewellery brand were awarded during the Period by which the interior solutions business is comparatively more competitive in the market.

Administrative expenses

Administrative expenses of approximately HK$16.1 million for the Period (for the six months ended 31 December 2021: approximately HK$14.8 million) mainly consisted of employee benefits, rental and utilities, marketing and advertisement, entertainment, legal and professional fees, depreciation, transportation and travelling expenses. The increase in administrative expenses was mainly due to the increase in employee benefit expenses (for the six months ended 31 December 2022: approximately HK$10.3 million; for the six months ended 31 December 2021: approximately HK$9.5 million) as a result of the increase in one-off staff restructuring costs in relation to the payment of termination benefits upon the staff restructuring during the Period.

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 2022, the cash and bank balances amounted to approximately HK$27.5 million (as at 30 June 2022: approximately HK$23.6 million) which were mainly denominated in HK$, US dollar ("**USD**"), Renminbi ("**RMB**") and Euro ("**EUR**").

As at 31 December 2022, the Group had a bank facility of HK$15.0 million (as at 30 June 2021: HK$15.0 million) with Hang Seng Bank that has not been utilized and is available for drawdown (as at 30 June 2022: HK$8.0 million).

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 relatively healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, 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$28,800,000 divided into 72,000,000 shares.

Share Consolidation and Change in Board Lot Size

At the extraordinary general meeting of the Company held on 19 August 2022, an ordinary resolution in relation to the share consolidation (the "**Share Consolidation**") of every 10 issued and unissued ordinary shares at par value of HK$0.04 each in the share capital of the Company into 1 consolidated share at par value of HK$0.4 each in the share capital of the Company was duly passed by the then Shareholders by way of poll. The Share Consolidation took effect on 23 August 2022. Upon the Share Consolidation took effect, the board lot size of the shares of the Company for trading on the Stock Exchange had also been changed from 20,000 shares to 4,000 shares. Relevant disclosure was made in the Company's announcements dated 8 July 2022 and 19 August 2022 and the Company's circular dated 29 July 2022.

Placing of new shares under general mandate

To strengthen the Group's financial position and widen the Company's shareholder base, on 14 December 2022, the Company entered into a placing agreement (the "**Placing Agreement**") with Glory Sun Securities Limited (the "**Placing Agent**") as placing agent, pursuant to which the Placing Agent conditionally agreed to procure on a best effort basis not less than six placees, who are professional, institutional and/or other investors who and whose ultimate beneficial owners (if any) are third parties independent of the Company and connected persons of the Company, to subscribe for up to 14,400,000 new ordinary shares of the Company at par value of HK$0.4 each (the "**Placing Share(s)**") at the placing price of HK$0.4 per Placing Share (the "**Placing**"), representing a premium of approximately 2.56% to the closing price of HK$0.39 per Share as quoted on the Stock Exchange on the date of the Placing Agreement.

Subsequent to the end of the Period, the Placing was completed on 12 January 2023. All Placing Shares had been successfully placed by the Placing Agent and the Company issued and allotted 14,400,000 Placing Shares to not less than six placees at the placing price of HK$0.4 per Placing Share on 12 January 2023. The net proceeds (after deduction of placing fees and other expenses of the Placing) from the Placing amounted to approximately HK$5.7 million, representing a net placing price of approximately HK$0.396 per Placing Share.

The net proceeds from the Placing of approximately HK$5.7 million brought forward is to be utilised as general working capital of the Group including rental of office premises, legal and professional fees, and salary of the employees.

For more details of the Placing, please refer to the announcements of the Company dated 14 December 2022 and 12 January 2023.

Borrowings and gearing ratio

As at 31 December 2022, the Group had not utilised the bank facility (as at 30 June 2022: bank borrowings of HK$8.0 million) and had shareholder's loan of approximately HK$71.4 million (as at 30 June 2022: approximately positive HK$20.7 million).

The gearing ratio (calculated as bank and other borrowings divided by total equity) was approximately negative 3.69 as at 31 December 2022 (as at 30 June 2022: approximately negative 2.31). The Group's gearing ratio was negative as the Group's equity was in deficit position as at 31 December 2022.

Charge on assets

As at 31 December 2022, no assets of the Group were pledged to secure its loan and facility. As at 30 June 2022, the banking facility were secured by pledged bank deposits of approximately HK$2.0 million and investment property with the carrying amount of approximately HK$8.1 million.

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (as at 30 June 2022: Nil).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2022 (for the six months ended 31 December 2021: 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 2022 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 2022, the Group had 36 employees (30 June 2022: 36 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$10.3 million for the Period (for the six months ended 31 December 2021: approximately HK$9.5 million). Such increase was mainly due to the increase in one-off staff restructuring costs in relation to the payment of termination benefits upon the staff restructuring 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 2022, the Group had no material capital commitment (as at 30 June 2022: 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

On 14 December 2022, the Company entered into the Placing Agreement with the Placing Agent to proceed with the Placing. The Placing was completed on 12 January 2023 and the Company issued and allotted a total of 14,400,000 Placing Shares to not less than six placees at the placing price of HK$0.4 per Placing Share on 12 January 2023.

For more details of the Placing, please refer to the announcements of the Company dated 14 December 2022 and 12 January 2023.

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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. Lee Wai Sang, the then executive Director, assumed 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 Wai Sang's extensive experience in the industry, 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. Lee Wai Sang would be beneficial to the business prospects of the Group. Following the resignation of (i) Mr. Lee Wai Sang as the Chairman, the Chief Executive Officer and an executive Director, (ii) the appointment of Mr. Hu Xiongjie as the Chairman, and (iii) the appointment of Mr. Lam Wing Hung as acting Chief Executive Officer with effect from 13 December 2022, the Company has been fully in compliance with the code provision C.2.1 since 13 December 2022.

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 four independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Heng Ching Kuen Franklin, Ms. Lee Kwai Sheung and Ms. Wang Qin. 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 of the Company 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
Hu Xiongjie
Chairman and Executive Director

Hong Kong, 27 February 2023

As at the date of this announcement, the Board comprises Mr. Hu Xiongjie, Mr. Lam Wing Hung as executive Directors; Mr. Tsang Ho Yin as non-executive Director; and Mr. So Chi Hang, Mr. Heng Ching Kuen Franklin, Ms. Lee Kwai Sheung and Ms. Wang Qin as independent non-executive Directors.