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CROSSTEC Group Holdings Limited

易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3893)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of CROSSTEC Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2016, together with the comparative figures for the year ended 30 June 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

| | <i>Notes</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 132,719 | 130,578 |
| Direct cost | | (85,425) | (86,376) |
| Gross profit | | 47,294 | 44,202 |
| Other income | 4 | 6 | 4 |
| Other gain | 4 | 125 | 44 |
| Administrative expenses | | (19,949) | (15,615) |
| Listing expenses | | (11,183) | – |
| Operating profit | | 16,293 | 28,635 |
| Finance costs | | – | (3) |
| Profit before income tax expense | 5 | 16,293 | 28,632 |
| Income tax expense | 6 | (4,785) | (4,849) |
| Profit for the year and attributable to owners of the Company | | 11,508 | 23,783 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | (59) | – |
| Other comprehensive income for the year and attributable to owners of the Company, net of tax | | (59) | – |
| Total comprehensive income for the year and attributable to owners of the Company | | 11,449 | 23,783 |
| Earnings per share | | | |
| — Basic and diluted (HK cents) | 7 | 0.64 | 1.32 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

| | <i>Notes</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 1,151 | 561 |
| Current assets | | | |
| Amounts due from customers for contract work | | 1,694 | – |
| Trade and other receivables | 9 | 34,363 | 18,454 |
| Amounts due from related companies | | – | 25 |
| Cash and cash equivalents | | 11,235 | 30,046 |
| | | <u>47,292</u> | <u>48,525</u> |
| Total assets | | <u>48,443</u> | <u>49,086</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 34,621 | 29,344 |
| Amount due to a director | | – | 3,699 |
| Current tax liabilities | | 4,836 | 6,535 |
| | | <u>39,457</u> | <u>39,578</u> |
| Net current assets | | <u>7,835</u> | <u>8,947</u> |
| Total assets less current liabilities | | <u>8,986</u> | <u>9,508</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 103 | 49 |
| | | <u>103</u> | <u>49</u> |
| Total liabilities | | <u>39,560</u> | <u>39,627</u> |
| NET ASSETS | | <u>8,883</u> | <u>9,459</u> |
| Capital and Reserves | | | |
| Share capital | 11 | – | 125 |
| Reserves | | 8,883 | 9,334 |
| TOTAL EQUITY | | <u>8,883</u> | <u>9,459</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2016, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Clifton House, 75 Fort Street, P.O. Box 1350 Cayman Island KY1-1108, Cayman Islands. The principal place of business is Room 1505, 625 King's Road, North Point, Hong Kong.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 September 2016.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the trading of millwork, furniture and façade fabrication and provision of interior design, project consultancy and interior solutions services (the "Listing Business").

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

(a) Group reorganisation

Pursuant to the group reorganisation (the "Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 22 March 2016. Details of the Group Reorganisation are as set out in the section headed "History and Reorganisation — Reorganisation" to the Prospectus issued by the Company dated 30 August 2016.

(b) Basis of presentation

The Reorganisation involved the combination of a number of entities engaged in the Listing Business that were under common control before and after the Group Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 30 June 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the common control, whichever was shorter. The consolidated statement of financial position of the Group as at 30 June 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis.

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

3. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the trading of millwork, furniture and façade fabrication and provision of interior design, project consultancy 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:

| | Revenue from external customers | |
|------------------------------------|------------------------------------|----------------|
| | 2016 | 2015 |
| | HK\$’000 | HK\$’000 |
| Hong Kong (place of domicile) | <u>26,329</u> | <u>66,753</u> |
| Asia (excluding Hong Kong and PRC) | 29,434 | 24,747 |
| PRC | 6,007 | 4,933 |
| Europe | 60,852 | 31,137 |
| The Americas | <u>10,097</u> | <u>3,008</u> |
| | <u>106,390</u> | <u>63,825</u> |
| | <u>132,719</u> | <u>130,578</u> |

| | Specified non-current assets | |
|-------------------------------|-------------------------------------|-----------------|
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong (place of domicile) | 1,150 | 557 |
| PRC | 1 | 4 |
| | <u>1,151</u> | <u>561</u> |

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

| | 2016 | 2015 |
|----------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Client A | 16,491 | * |
| Client B | 14,854 | * |
| Client C | 14,035 | * |
| Client D | * | 17,790 |
| | <u>45,380</u> | <u>17,790</u> |

* Less than 10% of the Group's revenue

Note: The total amount represents the sum of revenue attributed from the customers that accounted for 10% or more of the Group's total revenue during the year and therefore this sum excluded the amount hidden in "*" disclosed in table above.

4. REVENUE, OTHER INCOME AND OTHER GAINS

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

| | 2016 | 2015 |
|---|-----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales of products | | |
| — Millwork and furniture | 88,636 | 57,904 |
| — Façade fabrication | 22,869 | 6,823 |
| Income from interior solutions projects | 19,426 | 64,752 |
| Design and project consultancy service income | 1,788 | 1,099 |
| | <u>132,719</u> | <u>130,578</u> |

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Other income | | |
| Bank interest income | <u>6</u> | <u>4</u> |
| Other gain | | |
| Gain on disposal of property, plant and equipment | <u>125</u> | <u>44</u> |

5. PROFIT BEFORE INCOME TAX EXPENSE

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Auditor's remuneration | 300 | 300 |
| Depreciation | 510 | 531 |
| Operating lease rentals in respect of: | | |
| — Land and buildings | 1,299 | 862 |
| — Plant and equipment | 37 | 14 |
| Impairment on trade receivables | — | 965 |
| Exchange loss, net | 1,077 | 575 |
| Employee benefit expenses | <u>13,466</u> | <u>8,934</u> |

6. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Current tax — Hong Kong profits tax | | |
| — tax for the year | 4,577 | 4,860 |
| — over-provision in respect of prior years | (15) | — |
| Current tax — overseas profits tax | | |
| — tax for the year | 169 | 4 |
| Deferred tax expense/(credit) | <u>54</u> | <u>(15)</u> |
| Income tax expense | <u>4,785</u> | <u>4,849</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

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

7. EARNINGS PER SHARE

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Earnings | | |
| Earnings for the purpose of basic earnings per share | <u>11,508</u> | <u>23,783</u> |

| | Number of shares | |
|--|----------------------------|---------------------|
| | 2016 <i>'000</i> | 2015 <i>'000</i> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>) | <u>1,800,000</u> | <u>1,800,000</u> |

Note: Weighted average of 1,800,000,000 ordinary shares for the year ended 30 June 2016 and 2015, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 12 to the announcement of annual results, are deemed to have been issued throughout the year ended 30 June 2016 and 2015.

8. DIVIDENDS

For the year ended 30 June 2015, an interim dividend of HK\$200 per ordinary share, or in aggregation of HK\$20,000,000 represented interim dividends declared and paid by a subsidiary of the Company, Crosstec Group Limited to its then shareholders prior to the completion of the reorganisation.

For the year ended 30 June 2016, an interim dividend of HK\$110 per ordinary share, or in aggregation of HK\$11,000,000 represented interim dividends declared and paid by Crosstec Group Limited to its then shareholders prior to the completion of the reorganisation.

For the year ended 30 June 2016, an interim dividend of approximately HK\$40 per ordinary share, or in aggregation of approximately HK\$1,000,000 represented interim dividends declared and paid by a subsidiary of the Company, CX (Macau) Limited, to its then shareholders prior to the completion of reorganisation.

No dividend has been paid or declared by the Company since its date of incorporation.

9. TRADE AND OTHER RECEIVABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade receivables (<i>note (a)</i>) | 27,276 | 9,956 |
| Retention receivables (<i>note (b)</i>) | 786 | 1,640 |
| Other receivables (<i>note (c)</i>) | 623 | 399 |
| Prepayments (<i>note (c)</i>) | 5,678 | 6,459 |
| | <u>34,363</u> | <u>18,454</u> |

- (a) 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 by age, presented based on the invoice dates:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Less than 1 month | 15,738 | 4,646 |
| 1 to 3 months | 2,483 | 4,468 |
| 3 months to 6 months | 6,533 | 388 |
| More than 6 months but less than one year | 2,522 | – |
| More than one year | – | 454 |
| | <u>27,276</u> | <u>9,956</u> |

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Neither past due nor impaired | 561 | – |
| Less than 1 month past due | 15,200 | 4,646 |
| 1 to 3 months past due | 2,483 | 4,468 |
| More than 3 months past due but less than 12 months | 9,032 | 388 |
| More than one year past due | – | 454 |
| | <u>27,276</u> | <u>9,956</u> |

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

- (b) 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 related to customers for whom there was no recent history of default.

- (c) The above balances of other receivables, prepayments and deposits as at 30 June 2016 and 2015 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.

10. TRADE AND OTHER PAYABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade payables (<i>note (a)</i>) | 17,712 | 13,445 |
| Receipts in advance (<i>note (b)</i>) | 1,995 | 11,403 |
| Other payables and accruals (<i>note (c)</i>) | 14,914 | 4,496 |
| | <u>34,621</u> | <u>29,344</u> |

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|------------------------------|--------------------------------|-------------------------|
| Current or less than 1 month | 8,561 | 2,663 |
| 1 to 3 months | 5,959 | 4,717 |
| 4 to 6 months | 2,340 | 1,709 |
| 7 to 12 months | 368 | 4,196 |
| More than 1 year | 484 | 160 |
| | <u>17,712</u> | <u>13,445</u> |

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

- (b) Receipts in advance represented advance payment from the customers in connection with the contract works and sales. Receipts in advance are expected to be recognised as revenue of the Group within one year from the reporting date.
- (c) Other payables are non-interest bearing and have average payment terms of one to three months.

11. SHARE CAPITAL

| | The Company | |
|--|--------------------|----------------|
| | <i>Number</i> | <i>HK\$</i> |
| Authorised: | | |
| <i>Ordinary shares of HK\$0.01 each</i> | | |
| At the date of incorporation, 18 March 2016 and 30 June 2016 | <u>35,000,000</u> | <u>350,000</u> |
| Issued and fully paid | | |
| <i>Ordinary shares of HK\$0.01 each</i> | | |
| At the date of incorporation, 18 March 2016 and 30 June 2016 | <u>100</u> | <u>1</u> |

The share capital of the Group as at 30 June 2015 represented the aggregate amount of the share capital of the subsidiaries and was transferred to merger reserve upon the reorganisation. On 22 March, 2016, the reorganisation was completed, therefore the share capital presented as at 30 June 2016 represented the issued capital of the Company.

12. EVENTS AFTER REPORTING DATE

On 22 August 2016, the authorised share capital of the Company was increased from HK\$350,000 to HK\$100,000,000 by the creation of additional 9,965,000,000 ordinary shares.

On 22 August 2016, the Company's share option scheme was adopted.

The capitalisation issue was then completed. The Company capitalised an amount of HK\$17,999,999 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par of 1,799,999,900 ordinary shares of the Company.

On 12 September 2016, the Company's shares were listed on the Main Board of the Stock Exchange by the share offering.

Save as disclosed above, there are no other significant events which have taken place subsequent to 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores of global luxury jewelry and fashion brands, which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. The Group is the largest Hong Kong based luxury retail interior designer in terms of revenue in 2015. The Group has been conducting its business since 1999 and has expanded its business to China, the United States, Europe, Middle East and other Asian countries.

In 2016, despite the recent downturn in the tourism industry and retail sales market in Hong Kong as well as the weakened global macro-economy, the Group's operations and financial position have not been materially affected due to its well-diverse client base in different geographical locations and its capability to promptly respond to clients' expansion, relocation or downsizing plans. The long term business relationship between the Group and its clients and the Group's strong reputation in the industry enable the Group to capture new business opportunities from referrals by existing clients, the industry peers and through its business development efforts. For example, the Group completed a major millwork and furniture provision project in London with contract sum of approximately HK\$12.1 million which was referred by an old client.

For the year ended June 30, 2016, the Group's revenue, gross profit and profit for the year were HK\$132.7 million, HK\$47.3 million and HK\$11.5 million, respectively, representing an increase of 1.6% and 7.0% and a decrease of 51.7% over the year ended June 30, 2015. The gross profit margin increased by 1.8% from 33.8% in 2015 to 35.6% in 2016.

BUSINESS STRATEGIES AND OUTLOOK

Going forward, the Group will continue to focus on its core business and utilizing its available resources to engage in its current business. The Group will also explore business opportunities associated with its core business such as selective acquisition and partnership in order to strengthen its revenue base and maximize both the return to the shareholders of the Company (the "**Shareholders**") and the value of the Group. The Board believes that the listing of the shares of the Company (the "**Shares**") on the Main Board of the Stock Exchange (the "**Listing**") will enhance the corporate profile and image, as well as strengthen the Group's financial position.

For our millwork and furniture provision and facade development and fabrication services, the Group has committed to enhance its innovation and research and development capabilities. The Group intends to establish a research and development center in Hong Kong for product and material application testing, developing new technologies and design prototypes, as well as building special lighting and security systems. The Group expects the demand of woodwork to increase during the two years ending June 30, 2018 because of the expansion plan of one of its top five clients to open 70 new stores in the Americas by end of 2018.

With regards to the interior solutions services, as the Group only provides interior solutions to its clients in Hong Kong and other Asian countries, it is expected that the proportion of its contribution to the revenue to decrease due to the downturn in the tourism industry and retails sales market in Hong Kong and the Group's strategies to focus more on millwork and furniture provision due to the increase in demand of woodwork.

For design and project consultancy, the Group aims to expand its design and creative team and recruit additional elite and experienced designers which will enable the Group to take on projects with greater scale. The Group also aims to recruit designers with more diverse experience in various creative media, which will allow the Group to enrich its selection of services in the future.

The Group is also actively diversifying and expanding its client base, while we expect that our current key clients will continue contributing to large percentage of the Group's revenue.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 1.6% from HK\$130.6 million in 2015 to HK\$132.7 million in 2016. The growth in revenue was mainly contributed from below factors:

- (i) A major project for providing millwork and furniture to a department store in London of HK\$12.1 million and more projects engaged by one of our major clients during 2016;
- (ii) The increase was partially offset by the decrease in revenue generated from interior solutions and local economic downturn.

The Group generated revenue principally from providing four major categories of interior design services, including: (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions and (iv) design and project consultancy.

In 2016, the aggregate revenue derived from the five largest brands was approximately HK\$107.2 million (80.8% of total revenue) as compared to that of approximately HK\$101.8 million (77.9% of total revenue) in 2015.

Direct cost

The direct cost of the Group primarily consists of costs of material and subcontracting. Direct cost decreased by 1.2% from HK\$86.4 million in 2015 to HK\$85.4 million in 2016, representing approximately 66.2% and 64.4% to the revenue of the Group in 2015 and 2016 respectively. The drop in percentage of direct cost to revenue was mainly due to the improvement of production methodology, creative use of cost effective materials and economy of scales as a results from bulk purchase of materials.

Gross profit and gross margin

The Group's gross profit increased by 7.0% from HK\$44.2 million in 2015 to HK\$47.3 million in 2016. The gross profit margin increased by approximately 1.8% to approximately 35.6% in 2016 (2015: 33.8%). This increase was mainly due to the lower direct cost as mentioned above.

Profit for the year

For the financial year ended 30 June 2016, profit for the year decreased by 51.7% from HK\$23.8 million in 2015 to HK\$11.5 million in 2016. The decrease in profit for the year was mainly due to the one-off and non-recurrent listing expenses which represents the portion that is charged to profit or loss upon listing, which is approximately HK\$11.2 million and the increase in administrative expense of HK\$4.3 million in 2016.

Other Income

The Group recorded other income of HK\$6,000 for the financial year ended 30 June 2016 (2015: HK\$4,000), which mainly consists of bank interest income.

Other gains

Other gains was HK\$125,000 and HK\$44,000 for the years ended 30 June 2016 and 2015 respectively. Other gains consists of gain on disposal of property, plant and equipment.

Administrative expenses

Administrative expenses mainly consists of employee benefit expenses, rental and utilities, marketing and advertisement, entertainment, legal and professional fees, depreciation, bad debt and transportation and travelling expenses. For the financial year ended 30 June 2016, administrative expenses increased by 27.6% from HK\$15.6 million in 2015 to HK\$19.9 million, mainly due to the (i) increase in employee benefits of approximately HK\$4.6 million; (ii) increase in rental and utilities of approximately HK\$0.4 million (additional leasing of an office unit from January 2016 with a 3 months' rent free period); and (iii) increase in marketing and entertainment of approximately HK\$1.0 million. The total increase was partially off-set by the (i) decrease in transportation and travelling of approximately HK\$0.7 million and (ii) account receivable written off of approximately HK\$1.0 million.

Listing expenses

For the financial year ended 30 June 2016, the Group recorded listing expenses of approximately HK\$11.2 million, in connection with the preparation for the Listing (2015: Nil).

Finance costs

For the year ended 30 June 2016, the Group did not record any finance costs (2015: HK\$3,000).

Income tax expense

The income tax expense of the Group decreased by 1.3% from HK\$4,849,000 in 2015 to HK\$4,785,000 in 2016.

The amount of income tax expense represents current tax paid and/or payable for Hong Kong profits tax, overseas profits tax and deferred tax expense. In 2016, Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the financial year.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2016, the cash and bank balances amounted to approximately HK\$11.2 million (2015: HK\$30.0 million) which were mainly denominated in Hong Kong dollars (“**HKD**”), Renminbi (“**RMB**”) and United States dollars (“**USD**”). The Group did not have any bank borrowings in 2016 and 2015. There was no change to the Group’s capital structure since the Listing and up to the date of this announcement. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure. As at 30 June 2016, the Group has a bank facility of HK\$20.0 million with Hang Sang Bank that had not been utilized and was available for drawdown. The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Borrowings and gearing ratio

No bank borrowings was recorded as of 30 June 2016 (2015: Nil). As at 30 June 2016, the gearing ratio of the Group as determined by interest-bearing borrowings divided by total capital was nil (2015: Nil).

Charge on Assets

As at 30 June 2016, no assets of the Group were pledged to secure its loans and banking facilities (2015: Nil).

Contingent Liabilities

As at 30 June 2016, the Group had no significant contingent liabilities (2015: Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 August 2016. The Company has not granted any share options up to the date of this announcement. The Company does not have any present intention to issue any of the authorized but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2016, the Group had 28 employees (2015: 19 employees). Total staff costs (including Directors' emoluments) were approximately HK\$13.5 million, as compared to approximately HK\$8.9 million for the year ended 30 June 2015. 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.

CAPITAL COMMITMENTS

Other than operating lease commitments, the Group has no capital commitment as at 30 June 2016 (2015: Nil).

FOREIGN EXCHANGE RISK

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

The Group is mainly exposed to the fluctuation of USD, RMB and Euros ("**EUR**"). 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.

USE OF NET PROCEEDS FROM THE COMPANY'S SHARE OFFER

The net proceeds from the share offer amounted to approximately HK\$64.6 million, the Group will utilize such proceeds from the share offer for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 August 2016 ("**Prospectus**"). In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

Save as the deviation from code provision A.2.1 of the CG Code as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code from the listing date of the Company to the date of this announcement.

Code provision A.2.1 of the CG Code requires the responsibilities 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 role of both the chairman of the Board and the chief executive officer of the Group. 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 committee of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company’s affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Group at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code from the listing date of the Company to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

The Shares were listed on the Main Board of the Stock Exchange on 12 September 2016. Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities from the listing date of the Company to the date of this announcement.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 30 June 2016. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee comprises all three independent non-executive Directors, namely Mr. So Chi Hang (as chairman), Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin. The Group's audited financial results for the year ended 30 June 2016 have been reviewed by the Audit Committee.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 November 2016 ("**AGM**"), the register of members of the Company will be closed from Friday, 25 November 2016 to Tuesday, 29 November 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 November 2016.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: nil).

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.crosstec.com.hk) respectively. The annual report of the Company for the year ended 30 June 2016 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, 28 September 2016

As at the date of this announcement, the Board comprises Mr. Lee Wai Sang, Mr. Lau King Lok, Mr. Leung Pak Yin and Mr. Lai Hon Lam Carman as executive Directors; and Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin as independent non-executive Directors.