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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 2016

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of CROSSTEC Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2016 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2015 (the “**Last Corresponding Period**”). 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 INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	<i>Notes</i>	Six months ended December 31 2016 HK\$'000 (unaudited)	Six months ended December 31 2015 HK\$'000 (unaudited)
Revenue	5	64,864	59,768
Direct cost		(49,926)	(39,392)
Gross profit		14,938	20,376
Other income	5	41	2
Administrative expenses		(19,714)	(7,001)
Listing expenses		(4,916)	(2,910)
(Loss)/profit before income tax expense	6	(9,651)	10,467
Income tax expense	7	(157)	(1,673)
(Loss)/profit for the period and attributable to owners of the Company		(9,808)	8,794
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(91)	(59)
Other comprehensive expense for the period and attributable to owners of the Company, net of tax		(91)	(59)
Total comprehensive (expense)/income for the period and attributable to owners of the Company		(9,899)	8,735
(Loss)/earnings per share — (HK cent)			
— basic and diluted	9	(0.45)	0.50

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	<i>Notes</i>	As at 31 December 2016 HK\$'000 (unaudited)	As at 30 June 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	<u>1,016</u>	<u>1,151</u>
Current assets			
Amounts due from customers for contract work		–	1,694
Trade and other receivables	<i>11</i>	<u>35,455</u>	<u>34,363</u>
Cash and cash equivalents		<u>75,969</u>	<u>11,235</u>
		<u><u>111,424</u></u>	<u><u>47,292</u></u>
Total assets		<u><u>112,440</u></u>	<u><u>48,443</u></u>
Current liabilities			
Trade and other payables	<i>12</i>	<u>28,126</u>	<u>34,621</u>
Current tax liabilities		<u>4,612</u>	<u>4,836</u>
		<u><u>32,738</u></u>	<u><u>39,457</u></u>
Net current assets		<u><u>78,686</u></u>	<u><u>7,835</u></u>
Total assets less current liabilities		<u><u>79,702</u></u>	<u><u>8,986</u></u>
Non-current liabilities			
Deferred tax liabilities		<u>103</u>	<u>103</u>
		<u><u>103</u></u>	<u><u>103</u></u>
Total liabilities		<u><u>32,841</u></u>	<u><u>39,560</u></u>
NET ASSETS		<u><u>79,599</u></u>	<u><u>8,883</u></u>
Capital and Reserves			
Share capital	<i>14</i>	<u>24,000</u>	–
Reserves		<u>55,599</u>	<u>8,883</u>
TOTAL EQUITY		<u><u>79,599</u></u>	<u><u>8,883</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2016

	Attributable to owners of the Company					Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000	Exchange Reserve HK\$'000	Retained Profits HK\$'000	
As at 1 July 2015 (audited)	125	–	5,229	(13)	4,118	9,459
Profit for the period	–	–	–	–	8,794	8,794
Other comprehensive income for the period						
Exchange differences on translating foreign operations	–	–	–	(59)	–	(59)
Dividend paid	–	–	–	–	(12,000)	(12,000)
As at 31 December 2015 (unaudited)	<u>125</u>	<u>–</u>	<u>5,229</u>	<u>(72)</u>	<u>912</u>	<u>6,194</u>
As at 1 July 2016 (audited)	–	–	5,329	(72)	3,626	8,883
Loss for the period	–	–	–	–	(9,808)	(9,808)
Other comprehensive income for the period						
Exchange differences on translating foreign operations	–	–	–	(91)	–	(91)
Capitalisation issue of shares	18,000	(18,000)	–	–	–	–
Issue of shares by share offering	6,000	84,000	–	–	–	90,000
Share issuance expenses	–	(9,385)	–	–	–	(9,385)
As at 31 December 2016 (unaudited)	<u>24,000</u>	<u>56,615</u>	<u>5,329</u>	<u>(163)</u>	<u>(6,182)</u>	<u>79,599</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Cash flows from operating activities		
(Loss)/profit before income tax expense	(9,651)	10,467
Adjustments for:		
Depreciation of property, plant and equipment	233	244
Interest income	(41)	(2)
Unrealised exchange loss, net	339	574
	<hr/>	<hr/>
Operating (loss)/profit		
Operating (loss)/profit before working capital changes	(9,120)	11,283
Increase in trade and other receivables	(1,092)	(10,189)
(Decrease)/increase in trade and other payables	(6,495)	13,823
Decrease in amounts due from customers for contract work	1,694	–
	<hr/>	<hr/>
Cash (used in)/generated from operations	(15,013)	14,917
Income tax paid	(381)	(6,411)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(15,394)	8,506
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(98)	(748)
Interest received	41	2
Decrease in amount due from a director	–	(453)
Repayment from related companies	–	25
	<hr/>	<hr/>
Net cash used in investing activities	(57)	(1,174)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issuance of shares	90,000	–
Share issue expenses	(9,385)	–
	<hr/>	<hr/>
Net cash generated from financing activities	80,615	–
	<hr/>	<hr/>
Net increase in cash and cash equivalents	65,164	7,332
Effect of exchange rate on cash and cash equivalents	(430)	(692)
Cash and cash equivalents at beginning of period	11,235	30,046
	<hr/>	<hr/>
Cash and cash equivalents at end of period	75,969	36,686
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong 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 the Group are principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services.

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

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**" or "**HKD**"), which is the Group's and the Company's functional and presentation currency.

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 Reorganisation are as set out in the section headed "History and Reorganisation — Reorganisation" to the prospectus issued by the Company dated 30 August 2016 (the "**Prospectus**").

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. The significant accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those used in annual financial statements for the year ended 30 June 2016.

New and revised Hong Kong Financial Reporting Standards, amendments and interpretations (“new and revised HKFRSs”)

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12, HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for acquisitions of Interests in Joint Operations

The adoption of these new and revised HKFRSs has had no material impact on the condensed consolidated interim financial statements. The Group has not yet adopted any new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group’s results and financial position.

4. SEGMENT INFORMATION

Operating segments

The Group is principally engaged in the trading of millwork, furniture and facade 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, and 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	
	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Hong Kong (place of domicile)	<u>32,453</u>	<u>14,494</u>
Asia (excluding Hong Kong and the People's Republic of China (“PRC”))	9,692	13,935
PRC	1,185	5,021
Europe	11,886	21,443
Middle East	915	–
The Americas	<u>8,733</u>	<u>4,875</u>
	<u>32,411</u>	<u>45,274</u>
	<u>64,864</u>	<u>59,768</u>
	Specified non-current assets	
	As at	As at
	31 December	31 December
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	1,016	1,062
PRC	<u>–</u>	<u>3</u>
	<u>1,016</u>	<u>1,065</u>

5. REVENUE AND OTHER INCOME

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 Reporting Period are as follows:

	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Sales of products		
— Millwork and furniture	27,346	41,135
— Facade fabrication	1,894	5,729
Income from interior solutions projects	32,793	12,862
Design and project consultancy service income	2,831	42
	<u>64,864</u>	<u>59,768</u>

An analysis of the Group's other income recognised during the Reporting Period is as follows:

	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Other income		
Bank interest income	41	2

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Auditor's remuneration	270	90
Depreciation	233	244
Operating lease rentals in respect of:		
— Land and buildings	816	456
— Plant and equipment	22	22
Impairment on trade receivables	—	—
Exchange loss, net	127	502
Employee benefit expenses	10,244	4,454

7. INCOME TAX EXPENSE

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

	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Current tax — Hong Kong profits tax — tax for the period	8	1,477
Current tax — overseas profits tax — tax for the period	149	217
Deferred tax expense/(credit)	<u>—</u>	<u>(21)</u>
Income tax expense	<u>157</u>	<u>1,673</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 Reporting Period.

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

8. DIVIDENDS

For the six months ended 31 December 2015, an interim dividend of HK\$110 per ordinary share, or in aggregation of HK\$11,000,000 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 six months ended 31 December 2015, 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 the Reorganisation.

For the six months ended 31 December 2016, no dividend has been declared by the Company.

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	<u>(9,899)</u>	<u>8,735</u>
	Number of shares	
	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (Note)	<u>2,162,637</u>	<u>1,800,000</u>

Note:

Weighted average of 2,162,637,000 and 1,800,000,000 ordinary shares respectively for the period ended 31 December 2016 and 2015, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 14 to the financial statements, are deemed to have been issued throughout the period ended 31 December 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
As at 1 July 2016	<u>961</u>	<u>890</u>	<u>1,019</u>	<u>2,870</u>
Additions	23	75	–	98
Disposals	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2016 (unaudited)	<u><u>984</u></u>	<u><u>965</u></u>	<u><u>1,019</u></u>	<u><u>2,968</u></u>
Accumulated depreciation				
As at 1 July 2016	346	456	917	1,719
Provided for the period	74	58	102	233
Eliminated on disposals	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2016 (unaudited)	<u><u>420</u></u>	<u><u>514</u></u>	<u><u>1,019</u></u>	<u><u>1,952</u></u>
Net book value				
At 30 June 2016 (audited)	<u><u>615</u></u>	<u><u>434</u></u>	<u><u>102</u></u>	<u><u>1,151</u></u>
At 31 December 2016 (unaudited)	<u><u>564</u></u>	<u><u>451</u></u>	<u><u>–</u></u>	<u><u>1,016</u></u>

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Trade receivables (note (a))	20,308	27,276
Retention receivables (note (b))	3,595	786
Other receivables (note (c))	1,490	623
Prepayments (note (c))	10,062	5,678
	<u>35,455</u>	<u>34,363</u>

(a)

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Trade receivables	20,308	27,276
Less: provision for impairment on trade receivables	–	–
	<u>20,308</u>	<u>27,276</u>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Except for one customer with 60 days credit granted, no credit period is granted by the Group to its trade customers. Application for progress payments of projects is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Less than 1 month	6,822	15,738
1 to 3 months	9,081	2,483
3 months to 6 months	1,947	6,533
More than 6 months but less than one year	2,328	2,522
More than one year	130	–
	<u>20,308</u>	<u>27,276</u>

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2016, no impairment of trade receivables was made (30 June 2016: Nil).

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

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Neither past due nor impaired	257	561
Less than 1 month past due	6,565	15,200
1 to 3 months past due	9,081	2,483
More than 3 months past due but less than 12 months	4,275	9,032
More than one year past due	130	–
	<u>20,308</u>	<u>27,276</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 31 December 2016 and 30 June 2016 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.

12. TRADE AND OTHER PAYABLES

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Trade payables (<i>note (a)</i>)	15,933	17,712
Receipts in advance (<i>note (b)</i>)	1,346	1,995
Other payables and accruals (<i>note (c)</i>)	10,847	14,914
	<u>28,126</u>	<u>34,621</u>

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

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Current or less than 1 month	6,990	8,561
1 to 3 months	3,326	5,959
4 to 6 months	2,185	2,340
7 to 12 months	3,027	368
More than 1 year	405	484
	<u>15,933</u>	<u>17,712</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 clients 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.

13. LEASES

The Group leased its office premises and office equipment under operating lease arrangements which were negotiated for terms ranging from one to four years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Not later than one year	1,755	1,707
Later than one year and not later than five years	4,372	2,435
	<u>6,127</u>	<u>4,142</u>

14. SHARE CAPITAL

	Number	HK\$
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At the date of incorporation, 18 March 2016 and 30 June 2016	35,000,000	350,000
Increased during the period	<u>9,965,000,000</u>	<u>99,650,000</u>
As at 31 December 2016	<u><u>10,000,000,000</u></u>	<u><u>100,000,000</u></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	100	1
Capitalisation issue (<i>note i</i>)	1,799,999,900	17,999,999
Issue of shares (<i>note ii</i>)	<u>600,000,000</u>	<u>6,000,000</u>
As at 31 December 2016	<u><u>2,400,000,000</u></u>	<u><u>24,000,000</u></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 31 December 2016 represented the issued capital of the Company.

Notes:

- (i) On 12 September 2016, the capitalisation issue was 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.
- (ii) On 12 September 2016, the Company's shares were listed on the Main Board of the Stock Exchange by way of share offering. In connection with the listing, 600,000,000 new ordinary shares of the Company were issued at HK\$0.15.

15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, during the Reporting Period, the Group entered into the following significant transactions with its related parties as follows:

	Six months ended 31 December 2016 (unaudited) HK\$'000	Six months ended 31 December 2015 (unaudited) HK\$'000
Max Contracting Limited (“ Max Contracting ”) (<i>Note(a)</i>)		
Purchase of woodwork	1,627	1,956
Acquisition of furniture and fixtures	11	210
Max Furniture Shenzhen Company Limited (“ Max Furniture ”) (宏大家俱(深圳)有限公司) (<i>Note(b)</i>)		
Sales of goods	–	(863)
Purchase of woodwork	281	219
	As at 31 December 2016 (unaudited) HK\$'000	As at 30 June 2016 (audited) HK\$'000
Period ended balance included in trade and other receivables		
Max Furniture	–	216
Period ended balance included in trade and other payables		
Max Contracting	1,638	2,633
Max Furniture	281	–

(a) Mr. Lee Wai Sang (“**Mr. Lee**”) is a director of Max Contracting and has approximately 33.3% beneficial interest in Max Contracting.

(b) Mr. Lee has approximately 33.3% beneficial interest in Max Furniture.

16. APPROVAL OF INTERIM RESULTS

The Group’s unaudited condensed consolidated interim results and financial statements for the Reporting Period have been approved and authorised for issue by the Board on 24 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

The Group is principally engaged in the provision of bespoke and total interior design solutions to clients, which mainly comprise of global luxury brands. Based on our industry experience, around this time of the year, luxury brands generally begin to prepare their global budget for the second half of the year and up to the next two years.

As some of the Group's clients have delayed in implementing their business plans, the Group's revenue mix was temporarily adjusted to a higher proportion of interior solutions projects as compared to the Last Corresponding Period. However, in the long run, the Group's long-term strategy is to focus on increasing our market share in millwork and furniture provision business.

For the six months ended 31 December 2016, the revenue and gross profit of the Group were approximately HK\$64.9 million and approximately HK\$14.9 million respectively, representing an increase of approximately 8.5% and a decrease of approximately 26.7% over the Last Corresponding Period. The Group recorded a loss of approximately HK\$9.8 million for the Reporting Period as compared to a net profit of approximately HK\$8.8 million for the Last Corresponding Period.

OUTLOOK

Going forward, the Group is confident in the future prospects. For the future direction of the business as well as large-scale plans, the Board has the following proposals:

- The United States (the "US") office was opened in New Jersey in early February 2017. It also marked the beginning of a new administration and commencement of new policies for the US government. The Group will make the appropriate allocation of resources and explore new business opportunities, so as to meet the expected strong domestic economy in the US.
- With the set up of the Milan subsidiary in February 2017, the Group plans to set up another branch in Europe in order to meet the future development of the Group as well as expanding its business to meet the new opportunities brought about by the future European Union.
- The Group will continue to focus on the provision of total interior design solutions and at the same time seek to diversify its business and look for new business opportunities in the coming years.
- The Hong Kong research and development center has come into operation in February 2017, whereupon the commencement of its operation will compliment the Group's future development.

The above proposals will be the blueprint for our future development and the Board will endeavor to maximize the interests of the Group and the holders of the shares of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 8.5%, or HK\$5.1 million, from approximately HK\$59.8 million for the Last Corresponding Period to approximately HK\$64.9 million for the Reporting Period. The increase in revenue was primarily due to the revenue from (i) large lump sum contracts of interior solutions projects with total amounts of approximately HK\$27.3 million, representing 42.1% of total revenue, and (ii) large lump sum contracts of millwork and furniture projects with total amounts of approximately HK\$21.2 million, representing 32.7% of total revenue.

Other Income

Other income for the Reporting Period, which is interest income from bank deposit, amounted to approximately HK\$41,000 (2015: HK\$2,000).

Direct Cost

The Group's direct cost increased by approximately 26.7% or HK\$10.5 million, from approximately HK\$39.4 million for the Last Corresponding Period to approximately HK\$49.9 million for the Reporting Period. The increase in direct cost was primarily due to (i) increase in costs associated with interior solutions projects as a result of the change in the Group's revenue mix with a higher proportion of interior solutions projects carried out for the Reporting Period; and (ii) a new concept development of millwork and furniture projects for a new client which required an intensive research and higher development costs.

Gross profit and gross margin

Gross profit decreased by approximately 26.7% or HK\$5.5 million, from approximately HK\$20.4 million for the Last Corresponding Period to approximately HK\$14.9 million for the Reporting Period. Gross profit margin decreased by approximately 11.1% from approximately 34.1% for the Last Corresponding Period to approximately 23.0% for the Reporting Period. The decrease was mainly due to the change of the Group's revenue mix to a higher proportion of interior solutions projects during the Reporting Period.

Loss for the Reporting Period

The Group recorded a loss of approximately HK\$9.8 million for the Reporting Period, mainly due to (i) the increase in non-recurring expenses in relation to the listing of shares on the Main Board of the Stock Exchange (the "**Listing**"); (ii) the increase in administrative expenses; and (iii) the decrease of the Group's gross profit.

Administrative Expenses

Administrative expenses mainly consist of employee benefit expenses, rental and utilities, marketing and advertisement, entertainment, legal and professional fees, depreciation, transportation and traveling expenses. For the six months ended 31 December 2016, administrative expenses increased by 281.4% from the Last Corresponding Period of approximately HK\$7.0 million to approximately HK\$19.7 million, which mainly due to the increase in staff costs as a result of the increase in headcount and remuneration package of executive Directors, the increase in marketing and advertising expenses and the increase in the expenses in relation to the engagement of professional consultants such as Hong Kong legal advisor, investor relations consultant and overseas tax consultant since the Listing.

LIQUIDITY AND FINANCIAL RESOURCES

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 31 December 2016, the cash and bank balances amounted to approximately HK\$76.0 million (30 June 2016: HK\$11.0 million) which were mainly denominated in HKD, Renminbi (“RMB”) or US dollars (“US\$” or “USD”). The Group did not have any bank borrowings in 2016 and 2015. In light of the current financial position of the Group and provided that there is no unforeseeable circumstance, the management does not anticipate the need of change in capital structure. As at 31 December 2016, the Group had a bank facility of HK\$20.0 million with Hang Seng 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.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 September 2016 (the “**Listing Date**”). Since then and up to 31 December 2016, the Company’s capital structure has not changed. The Company’s equity only consists of ordinary shares.

As at 31 December 2016, the Company’s issued share capital amounted to HK\$24,000,000 and the number of issued ordinary shares was 2,400,000,000 with nominal value of HK\$0.01.

Borrowings and gearing ratio

No bank borrowings was recorded as of 31 December 2016 (30 June 2016: Nil). As at 31 December 2016, the gearing ratio of the Group as determined by interest-bearing borrowings divided by total capital was nil (30 June 2016: Nil).

Charge on Assets

As at 31 December 2016, no assets of the Group were pledged to secure its loans and banking facilities (30 June 2016: Nil).

Contingent Liabilities

As at 31 December 2016, the Group had no significant contingent liabilities (30 June 2016: Nil).

INTERIM DIVIDEND

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

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

The Group did not have any significant investment held as at 31 December 2016. Save as disclosed in this results announcement and the Prospectus, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any material acquisition and disposal during the Reporting Period.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2016, the Group had 32 employees (30 June 2016: 28 employees). Total staff costs (including Directors' emoluments) were approximately HK\$10.4 million, as compared to approximately HK\$4.4 million for the six month ended 31 December 2015. The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong, is offered to retain elite employees. Apart from basic remuneration, share options may be granted under the share option scheme of the Company, which was adopted on 22 August 2016 to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group.

FOREIGN EXCHANGE RISK

At present, 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 and RMB. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary.

CAPITAL COMMITMENTS

Other than operating lease commitments, the Group has no capital commitment as at 31 December 2016 (30 June 2016: Nil).

SUBSEQUENT EVENT

- (a) The incorporation of an overseas subsidiary in Berlin is in progress.
- (b) A research and development centre in Hong Kong has come into operation in February 2017.

USE OF PROCEED FROM THE LISTING

The net proceeds from the Listing amounted to approximately HK\$64.6 million. The Company has, and will continue to utilise the net proceeds from the Listing for the purposes consistent with the “Future Plans and Use of proceeds” section as set out in the Prospectus.

The below table sets out the planned applications of the net proceeds and actual usage from the Listing Date up to 31 December 2016:

Use of proceeds	Percentage of total net proceeds	Planned applications <i>HK\$ in million</i>	Actual usage up to 31 December 2016 <i>HK\$ in million</i>	Unutilized net proceeds as at 31 December 2016 <i>HK\$ in million</i>
Pursuing suitable acquisition and partnership opportunities	30%	19.3	0	19.3
Financing the incorporation of overseas subsidiaries in Milan, Beijing, New York and Tokyo	23%	14.9	0.3	14.6
Financing the establishment of research and development center in Hong Kong	17%	11.0	0	11.0
Recruiting high caliber talents in management, design, sales and marketing and enhance internal training to support future growth	11%	7.1	0.2	6.9
Additional working capital and other general corporate purposes	10%	6.5	0	6.5
Promoting our brand by strengthening our marketing efforts to further increase our market share	9%	5.8	2.6	3.2
Total		64.6	3.1	61.5

The unutilized net proceeds have been placed as interest deposits with licensed banks in Hong Kong.

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 from the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (“**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Throughout the period since the Listing Date and up to 31 December 2016, the Company has complied with all applicable code provisions as set out in the CG Code except for deviation from code provision A.2.1.

Code provision A.2.1 of the CG Code requires the roles of the chairman and the chief executive officer be separated and should not be performed by the same individual. Mr. Lee assumes the roles of both the chairman and the chief executive officer of the Company. In view of Mr. Lee's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Lee continues to act as both the chairman and the chief executive officer of the Company. The Board believes that vesting both the roles of the chairman and the 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 independent non-executive Directors on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of the chairman and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

AUDIT COMMITTEE

The Company established the Audit Committee on 22 August 2016 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. So Chi Hang (chairman of the Audit Committee), Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin. 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 Group's unaudited condensed consolidated interim financial statements for the six months ended 31 December 2016 have been reviewed by the Audit Committee.

COMPLIANCE WITH THE MODEL CODE

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. Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2016.

The Group’s senior management who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company since the Listing Date and up to 31 December 2016.

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 interim report of the Company for the six months ended 31 December 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 Executive Director

Hong Kong, 24 February 2017

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.