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 2017

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 2017 (the "**Period Under Review**"), together with the comparative figures for the corresponding period in 2016. 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 2017

	Notes	**Six months ended 31 December 2017** ***HK$'000*** **(unaudited)**	Six months ended 31 December 2016 *HK$'000* (unaudited)
Revenue	4	**48,161**	64,864
Direct cost		**(35,075)**	(49,926)
Gross profit		**13,086**	14,938
Other income	4	**103**	41
Administrative expenses		**(21,307)**	(19,714)
Listing expenses		**–**	(4,916)
Loss before income tax expense	5	**(8,118)**	(9,651)
Income tax expense	6	**(152)**	(157)
Loss for the period and attributable to owners of the Company		**(8,270)**	(9,808)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(34)**	(91)
Other comprehensive income for the period and attributable to owners of the Company, net of tax		**(34)**	(91)
Total comprehensive income for the period and attributable to owners of the Company		**(8,304)**	(9,899)
Losses per share			
Basic and diluted (HK cents)	8	**(0.34)**	(0.45)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	As at 31 December 2017 HK$'000 (unaudited)	As at 30 June 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**6,448**	4,301
Deposit		**1,328**	1,328
		7,776	5,629
Current assets			
Amounts due from customers for contract work	9	**292**	2,341
Trade and other receivables	10	**14,988**	17,644
Income tax recoverable		**918**	1,278
Cash and cash equivalents		**60,418**	68,789
		76,616	90,052
Total assets		**84,392**	95,681
Current liabilities			
Trade and other payables	11	**22,369**	25,768
Amounts due to customers for contract work	9	**879**	449
		23,248	26,217
Net current assets		**53,368**	63,835
Total assets less current liabilities		**61,144**	69,464
Non-current liabilities			
Deferred tax liabilities		**55**	55
Other payable		**688**	704
		743	759
Total liabilities		**23,991**	26,976
NET ASSETS		**60,401**	68,705
Capital and reserves			
Share capital	12	**24,000**	24,000
Reserves		**36,401**	44,705
TOTAL EQUITY		**60,401**	68,705

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 address of the headquarter and principal place of business in Hong Kong is 20th Floor, 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 is principally engaged in the trading of millwork, furniture and façade 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2017 are presented in Hong Kong Dollar ("**HK$**"), which is the same as the functional currency of the Company.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2017 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 2017.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 31 December 2017 are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 30 June 2017, except for the following new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") that have been adopted by the Group for the first time in 2017 for the current period's interim financial information.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in *Annual Improvements 2014 - 2016 Cycle*	Disclosure of Interests in Other Entities

The adoption of the new and revised HKFRSs has had no significant financial effect on the interim financial information.

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:

(a) Revenue from external customers

	Six months ended 31 December 2017 *HK$'000* **(unaudited)**	Six months ended 31 December 2016 *HK$'000* (unaudited)
Hong Kong (place of domicile)	**18,232**	32,453
Asia (excluding Hong Kong and the Peoples's Republic of China ("**PRC**"))	**13,921**	9,692
PRC	**398**	1,185
Europe	**2,699**	11,886
United States ("**U.S.**")	**10,750**	8,733
Middle East	**1,354**	915
Others	**807**	–
	29,929	32,411
	48,161	64,864

The revenue information above is based on the locations of the customers.

(b) *Specified non-current assets*

	As at 31 December 2017	As at 30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong (place of domicile)	**6,414**	4,260
PRC	**1**	1
Europe	**33**	40
	6,448	4,301

4. 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 Period Under Review are as follows:

An analysis of the Group's revenue is as follows:

	Six months ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of products		
– Millwork and furniture	**29,843**	27,346
– Façade fabrication	**2,295**	1,894
Income from interior solutions projects	**13,810**	32,793
Design and project consultancy service income	**2,213**	2,831
	48,161	64,864

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

	Six months ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income		
Bank interest income	**103**	41

5. LOSS BEFORE INCOME TAX EXPENSE

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

	Six months ended 31 December 2017 *HK$'000* **(unaudited)**	Six months ended 31 December 2016 *HK$'000* (unaudited)
Depreciation of property, plant and equipment	**731**	233
Operating lease rentals in respect of:		
– Land and buildings	**2,755**	816
– Plant and equipment	**48**	22
Exchange (gain)/loss, net	**(119)**	127
Employee benefit expenses (including Directors' and chief executive's remuneration)	**11,872**	10,244

6. INCOME TAX EXPENSE

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

	Six months ended 31 December 2017 *HK$'000* **(unaudited)**	Six months ended 31 December 2016 *HK$'000* (unaudited)
Current tax – Hong Kong profits tax		
– tax for the period	**–**	8
Current tax – overseas profits tax		
– tax for the period	**152**	149
Income tax expense	**152**	157

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 Under Review. For the six months ended 31 December 2016, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

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

7. DIVIDENDS

For the six months ended 31 December 2017, no dividend has been declared by the Company.

8. LOSSES PER SHARE

The calculation of the basic losses per share amount is based on the loss for the period attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,400,000,000 (For the six months ended 31 December 2016: 2,162,637,000) in issue during the Period Under Review.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 31 December 2017.

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

	Six months ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Losses		
Losses for the purpose of basic losses per share	**(8,270)**	(9,808)

	Number of shares	
	As at 31 December 2017	As at 31 December 2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share *(Note)*	**2,400,000**	2,162,637

Note:

Weighted average of 2,162,637,000 ordinary shares for the six months ended 31 December 2016, being the number of shares in issue immediately after the completion of capitalisation issue of shares are deemed to have been issued throughout the six months ended 31 December 2016.

9. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 December 2017 HK$'000 (unaudited)	As at 30 June 2017 HK$'000 (audited)
Contracts in progress at the end of the Period Under Review:		
Contract costs incurred	**3,139**	6,430
Recognised profits less recognised losses	**647**	1,358
	3,786	7,788
Less: progress billings	**(4,373)**	(5,896)
	(587)	1,892
Represented by:		
Amounts due from customers for contract work	**292**	2,341
Amounts due to customers for contract work	**(879)**	(449)
	(587)	1,892

As at 31 December 2017, retentions held by customers for contract work included in trade and other receivables (Note 10) amounted to HK$708,000 (As at 30 June 2017: HK$2,695,000).

As at 31 December 2017, no advances received from customers for contract work was included in trade and other payables (Note 11) (As at 30 June 2017: HK$33,000).

10. TRADE AND OTHER RECEIVABLES

	Notes	As at 31 December 2017 HK$'000 (unaudited)	As at 30 June 2017 HK$'000 (audited)
Trade receivables	i	**10,347**	10,113
Retention receivables *(Note 13)*	ii	**708**	2,695
Deposits and other receivables	iii	**2,475**	2,646
Prepayments	iii	**2,786**	3,518
Total		**16,316**	18,972
Less: Non-current portion			
Deposit	iii	**(1,328)**	(1,328)
Total current portion		**14,988**	17,644

Notes:

(i)

	As at 31 December 2017 HK$'000 (unaudited)	As at 30 June 2017 HK$'000 (audited)
Trade receivables	**10,347**	10,113
Less: provision for impairment on trade receivables	**–**	–
	10,347	10,113

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	As at 31 December 2017 *HK$'000* **(unaudited)**	As at 30 June 2017 *HK$'000* (audited)
Less than 1 month	**3,083**	3,409
1 to 3 months	**3,417**	2,585
3 to 6 months	**1,795**	1,427
More than 6 months but less than 1 year	**429**	54
More than 1 year	**1,623**	2,638
	10,347	10,113

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

	As at 31 December 2017 *HK$'000* **(unaudited)**	As at 30 June 2017 *HK$'000* (audited)
Neither past due nor impaired	**1,665**	2,822
Less than 1 month past due	**3,206**	1,815
1 to 3 months past due	**1,634**	1,606
More than 3 months past due but less than 12 months	**2,219**	1,232
More than 1 year past due	**1,623**	2,638
	10,347	10,113

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.

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

Retention receivables as at 31 December 2017 and 30 June 2017 were neither past due nor impaired and expected to be recovered within 1 year after the reporting date. These related to customers for whom there was no recent history of default.

(iii) The above balances of other receivables, prepayments and deposits as at 31 December 2017 and 30 June 2017 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.

11. TRADE AND OTHER PAYABLES

	As at 31 December 2017	As at 30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables *(note (a))*	**10,215**	11,326
Receipts in advance *(note (b))*	**4,746**	7,249
Other payables and accruals *(note (c))*	**8,096**	7,897
Total	**23,057**	26,472
Less: Non-current portion		
Other payable *(note (c))*	**(688)**	(704)
Total current portion	**22,369**	25,768

Notes:

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

	As at 31 December 2017	As at 30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current or less than 1 month	**2,104**	4,998
1 to 3 months	**1,056**	2,207
4 to 6 months	**1,592**	2,252
7 to 12 months	**1,792**	525
More than 1 year	**3,671**	1,344
	10,215	11,326

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 1 year from the reporting date.

(c) Other payables under current portion are non-interest bearing and have average payment terms of 31 to 90 days.

Other payable under non-current portion is non-interest bearing and expected to be settled more than 12 months after the Period Under Review.

12. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK0.01 each		
Authorised:		
At 31 December 2017 and 30 June 2017	**10,000,000,000**	100,000
Issued and fully paid:		
At 31 December 2017 and 30 June 2017	**2,400,000,000**	24,000

During the Period Under Review, no movement in the Company's issued ordinary shares was noted.

13. RELATED PARTY TRANSACTIONS

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

	Notes	**Six months ended 31 December 2017** *HK$'000* **(unaudited)**	Six months ended 31 December 2016 *HK$'000* (unaudited)
Purchases of woodwork from related companies	(i)	**2,648**	1,908
Contract revenue from interior solutions projects from a related company	(ii)	**3,442**	–
Purchase of property, plant and equipment from a related company	(iii)	**–**	11

Notes:

(i) The amount represents purchases of woodwork from Max Furniture Shenzhen Company Limited of HK$54,000 (For the six months ended 31 December 2016: HK$281,000) and Max Contracting Limited HK$2,594,000 (For the six months ended 31 December 2016: HK$1,627,000). Mr. Lee Wai Sang ("**Mr. Sandi Lee**"), the chairman, executive Director, the chief executive officer of the Company and a controlling shareholder of the Company, has approximately 33.3% beneficial interest in Max Contracting Limited. Mr. Sandi Lee also has approximately 33.3% beneficial interest in Max Furniture Shenzhen Company Limited.

(ii) The amount represents income from interior solutions projects of HK$3,442,000 (For the six months ended 31 December 2016: Nil) from HFL Limited recognised during the Period Under Review. Mr. Sandi Lee is a director of HFL Limited and Mr. Sandi Lee and Ms. Leung Mo Shan Jackie, the spouse of Mr. Sandi Lee and a controlling shareholder of the Comany, have 45% beneficial interests in HFL Limited.

(iii) For the six months ended 31 December 2016, the amount represented selling price of property, plant and equipment from Max Contracting Limited.

(b) Outstanding balances with related parties:

	As at 31 December 2017 *HK$'000* **(unaudited)**	As at 30 June 2017 *HK$'000* (audited)
Period end balance included in trade and other payables		
Max Contracting Limited	**2,679**	3,503

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 covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. The Group has been conducting its business since 1999 and has been expanding its business to China, U.S., Europe, Middle East and other Asian countries.

For the Period Under Review, the Group's revenue, gross profit and loss for the period were approximately HK$48.2 million (for the six months ended 31 December 2016: approximately HK$64.9 million), approximately HK$13.1 million (for the six months ended 31 December 2016: approximately HK$14.9 million) and approximately HK$8.3 million (for the six months ended 31 December 2016: approximately HK$9.8 million), respectively. Accordingly, an increase in consolidated net loss of approximately HK$3.4 million was recorded after excluding non-recurring listing expenses of approximately HK$4.9 million incurred during the six months ended 31 December 2016.

The decline in the financial performance of the Group during the Period Under Review was primarily due to (i) the decrease in the Group's revenue (for the Period Under Review: approximately HK$48.2 million; for the six months ended 31 December 2016: approximately HK$64.9 million) and gross profit (for the Period Under Review: approximately HK$13.1 million; for the six months ended 31 December 2016: approximately HK$14.9 million) mainly due to the delay of implementing the business strategies of certain major customers of the Group; and (ii) the relocation of the Group's headquarter and principal place of business in Hong Kong with higher rental expenses.

The gross profit margin increased from approximately 23.0% for the six months ended 31 December 2016 to approximately 27.2% for the Period Under Review mainly due to improvement of the working process and revenue mix.

Business Strategies and Outlook

Leveraging the years of experience in the high-end markets under the belt of our management team, our long-standing working relations with international brands and the effort made to explore potential business opportunities all over the world, the Group is confident in the prospects.

Going forward, the Group will focus on its core business and will effectively utilize the available resources to explore sound business opportunities which is associated with its core business through selective acquisition, partnership or joint venture agreement to strengthen its revenue base and maximize the returns to the shareholders of the Company as well as the value of the Group.

For sales of millwork, furniture and facade fabrication (for the Period Under Review: approximately HK$32.1 million; for the six months ended 31 December 2016: approximately HK$29.2 million), the Group has been committing to enhance its innovation as well as research and development capabilities through the operation of the Group's research and development center ("**R&D center**") which has come into operation in Hong Kong since 2017. With the inspiration from the R&D center, the management is confident in soliciting new business from potential customers in various industries. During the Period Under Review, the Group has been actively searching for potential business opportunities from the provision of millwork and furniture to international museums and hypermarkets in Europe and the negotiation progress is satisfactory.

For the interior solutions services (for the Period Under Review: approximately HK$13.8 million; for the six months ended 31 December 2016: approximately HK$32.8 million), despite the slowdown of the business strategies of some of the international luxury conglomerate, the Group has dedicated to and the management is confident in developing the interior solutions business in through entering the luxury housing market and high-end restaurants market in the PRC and other Asian countries after the well-establishment in those markets in prior years.

For design and project consultancy services (for the Period Under Review: approximately HK$2.2 million; for the six months ended 31 December 2016: approximately HK$2.8 million), the Group has been continuing to expand its design and creative team through recruiting elite and experienced designers. Also, the Group has set up a design office in Shenzhen subsidiary during the Period Under Review. It is believed that such expansion and the past experience of being awarded of large-scale design project such as the design project of the atrium dome of the Grand Lisboa Palace in the first half of 2017 will further strengthen the Group's competitive edge for pursuing other large-scale design projects in the future.

Financial Review

Revenue

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

Revenue of the Group decreased by approximately 25.7% from approximately HK$64.9 million for the six months ended 31 December 2016 to approximately HK$48.2 million for the Period Under Review. The decline in revenue was mainly due to the delay of implementing the business strategies of certain major customers of the Group during the Period Under Review.

Direct cost

Direct cost of the Group primarily consisted of costs of material and subcontracting charges. Direct cost decreased by approximately 29.7% from approximately HK$49.9 million for the six months ended 31 December 2016 to approximately HK$35.1 million for the Period Under Review, representing approximately 77.0% and 72.8% to the revenue of the Group for the corresponding periods, respectively. The decrease in direct cost was in line with the decrease in revenue during the Period Under Review.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 12.1% from approximately HK$14.9 million for the six months ended 31 December 2016 to approximately HK$13.1 million for the Period Under Review. The gross profit margin increased to approximately 27.2% for the period ended 31 December 2017 (for the six months ended 31 December 2016: approximately 23.0%) as a result of the improvement of the working process and revenue mix which has been mentioned above.

Other Income

The Group recorded other income of approximately HK$103,000 for the Period Under Review (for the six months ended 31 December 2016: approximately HK$41,000) which mainly consisted of bank interest income. The increase in bank interest income was due to the increase in average cash balance during the Period Under Review.

Administrative expenses

Administrative expenses 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 by approximately HK$1.6 million from approximately HK$19.7 million for the six months ended 31 December 2016 to approximately HK$21.3 million for the Period Under Review was mainly due to the relocation of the Group's headquarter and principal place of business in Hong Kong during the Period Under Review with higher rental expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derived cash inflow from operating activities primarily through provision of services including millwork and furniture provision, façade development and fabrication, interior solutions services and design and project consultancy services. Cash outflow from operating activities primarily comprises direct cost, 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 2017, the cash and cash equivalents amounted to approximately HK$60.4 million (As at 30 June 2017: approximately HK$68.8 million) which were mainly denominated in HK$, U.S. dollars ("**USD**") and Renminbi ("**RMB**"). The Group did not have any bank borrowings for the Period Under Review.

As at 31 December 2017, the Group has a bank facility of HK$20.0 million (As at 30 June 2017: HK$20.0 million) with Hang Seng Bank Limited that has not been utilized and is available for drawdown. The Board believes that the Group is in a healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

CAPITAL STRUCTURE

During the Period Under Review, there was no change to the Group's capital structure. Considering 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 31 December 2017, 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 borrowing was recorded as of 31 December 2017 and 30 June 2017. As at 31 December 2017 and 30 June 2017, the gearing ratio of the Group as determined by interest-bearing borrowings divided by total capital was nil.

Charge on Assets

As at 31 December 2017, no assets of the Group were pledged to secure its loans and banking facilities (30 June 2017: Nil).

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (30 June 2017: Nil).

INTERIM DIVIDEND

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

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 2017. Save as disclosed in this results announcement and the prospectus of the Company dated 30 August 2016, 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 Period Under Review.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2017, the Group had 44 employees (As at 30 June 2017: 39 employees). Total employee benefits (including Directors' and chief executive's remuneration) were approximately HK$11.9 million (for the six months ended 31 December 2016: approximately HK$10.4 million). The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group.

CAPITAL COMMITMENTS

Other than operating lease commitments, the Group has no capital commitment as at 31 December 2017 (as at 30 June 2017: 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 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. Presently, there is no hedging policy with respect to the foreign exchange exposure.

USE OF PROCEED FROM THE LISTING

The net proceeds from the share offer amounted to approximately HK$64.6 million. As of 31 December 2017, the net proceeds received were utilised as follows:

Intended application of the net proceeds	Planned application	Amount utilised up to 31 December 2017	Unutilised net proceeds as at 31 December 2017
	HK$'million	*HK$'million*	*HK$'million*
Pursuing suitable acquisition and partnership opportunities	19.3	–	19.3
Incorporation of overseas subsidiaries	14.9	2.8	12.1
Establishment of research and development center in Hong Kong	11.0	0.4	10.6
Recruiting high caliber talents	7.1	3.6	3.5
Utilised as additional working capital and other general corporate purposes	6.5	6.5	–
Brand promotion	5.8	5.7	0.1
Total	64.6	19.0	45.6

The unutilised net proceeds have been placed as interest deposit with licensed bank 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 during the Period Under Review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted the code provisions 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.

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 during the Period Under Review.

Code provision A.2.1 of the CG Code requires the roles between the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lee Wai Sang assumes the roles of both the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of providing a strong and consistent leadership to the Group and allows for more effective planning and management of the Group. In addition, the Board is of the view that the balanced composition of executive and the independent non-executive Directors on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will continue to review and consider splitting the roles of chairman of the Board and 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.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors. 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 Under Review.

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 during the Period Under Review.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information. The Audit Committee comprises all three independent non-executive Directors, namely Mr. So Chi Hang (as committee chairman), Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin. The Group's unaudited condensed consolidated interim financial statements for the Period Under Review have been reviewed by the Audit Committee.

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 2017 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 of the Company 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, 28 February 2018

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.