

01 July 2024

CRUSHMETRIC Group Limited
(the “Company” or the “Group”)

Final audited results for the year ended 31 December 2023

CRUSHMETRIC Group Limited (AQSE: CUSH), the AQUIS Stock Exchange quoted consumer design and production group, presents its audited consolidated financial statements for the year ended 31 December 2023.

Key financial highlights:

- Revenue for the year ended 31 December 2023: HK\$6,884,086 (2022: HK\$10,826,825)
- Loss for the year: HK\$67,855,735 (Loss for 2022: HK\$5,848,042)
- The basic loss per share for the year: HK\$0.28 (Loss per share for 2022: HK\$0.06)
- The Group’s cash position as at 31 December 2023: HK\$521,605 (2022: HK\$128,658)

Chairman’s Statement

I report the 2023 financial year results for CRUSHMETRIC Group Limited.

CRUSHMETRIC Group Limited, acts as the holding company of a group engaged in (i) design and production that integrates shape changing technology (“CRUSH”) into a catalogue of products that is designed and invented by the artist and co-founder of CRUSHMETRIC Limited, Noah Deledda. This technology is built on his own series of dented aluminium can sculptures and (ii) the sale and distribution of the CRUSHMETRIC products through online and offline channels worldwide.

Review of significant activities

(i) Convertible Bond

(a) Renewal of Convertible Bond 1: Principal Amount USD650,000

On 19 July 2021, the Group entered into an extension agreement for the Convertible Bond. The maturity date has by agreement been extended to 19 July 2024 and the Coupon payment of the CB has been adjusted to six percent (6%) per annum payable in cash plus three percent (3%) per annum payable in Ordinary Shares of the Group for the first nine months from 20 January 2023 to 19 October 2023 and the Coupon payment of the CB will be six percent (6%) per annum payable in cash plus four percent (4%) per annum payable in Ordinary Shares of the Group for the period from 20 October 2023 to 19 July 2024.

(b) Convertible Bond 2: Principal Amount SGD250,000

On 24 February 2023, the Group entered into an agreement to issue an unsecured convertible bond (“the Bond”) to Future Vision Pte. Ltd (“Future”). Future has agreed to subscribe in cash for the Bond for a principal amount of SGD\$250,000 (approximately £150,820). The bond has a coupon of ten percent (10%) per annum.

The Bond, at the election of the Investor, may be converted into ordinary shares of the Group (“Underlying shares”) or will otherwise be redeemable at maturity on 23rd February 2026 (“Maturity Date CB2”). The Bond shall be convertible into the Underlying Shares at an Exchange Price which is calculated at a GBP 0.2 per share where 50% of the Bond can be converted within the first year and the rest can be converted on the Maturity Date (CB2) at the discretion of the Investor.

(c) Convertible Bond 3: Principal Amount USD1,000,000

On 11 April 2023, the Group entered into an agreement to issue an unsecured convertible bond (“the Bond”) to Sky Solar HK Investments Limited (“Sky”). Sky has agreed to subscribe in cash for the Bond for a principal amount of USD\$1,000,000 (approximately £790,400). The bond has a coupon of ten percent (10%) per annum.

The Bond, at the election of the Investor, may be converted into ordinary shares of the Group (“Underlying shares”) or will otherwise be redeemable three years from the date of receipt of the Principal Amount (“Maturity Date CB3”). The Bond shall be convertible into the Underlying Shares at an Exchange Price which is calculated at a GBP 0.2 per share where 50% of the Bond can be converted within the first year, 25% of the Bond can be converted in the second year and the rest of 25% can be converted on the Maturity Date (CB3) at the discretion of the Investor.

(ii) New Tenancy Agreement

On 23 April 2023, one of the group’s subsidiaries, CRUSHMETRIC eCommerce (HK) Limited has signed a tenancy agreement with two years fixed terms for a new office located in Hong Kong.

(iii) Legal Proceeding of a fellow subsidiary – Star Collaboration (Guangzhou) Limited

There were two litigations and legal proceedings in one of the Group’s subsidiaries, Star Collaboration (Guangzhou) Limited (“Star C”), where the Group holds 57% shares of this subsidiary. Details as below:

Distributor Disputes

1. In 2021, a distributor of Star C failed to comply with the distribution agreement, and as a result proceedings were issued and judgment given in favour of Star C for payment to it of RMB2,500,000 (Approximately GBP 286,000) - Steps are being taken to recover the debt and costs.

2. There is a continuing liability under a judgment against Star C awarded in 2021 in favour of another distributor. The amount owing thereunder is RMB1,500,000 (equivalent to approximately GBP166,000). The Company is currently negotiating the payment terms with this distributor.

Financial review

(i) Revenue, gross profit and other revenue

The delay of the launch of the CRUSHMETRIC Tumblers in the current year result in lower revenue generated during the year. The Group’s revenue for the year ended 31 December 2023 amounted to HK\$6,884,086 which represented a 36% decrease as compared to the year ended 31 December 2022 (approximately HK\$10,826,000 in 2022). It mainly included sale of CRUSHMETRIC products.

The Group’s gross profit and gross profit margin for the year ended 31 December 2023 amounted to HK\$4,996,344 and 73% (gross loss and gross loss margin 2022: HK\$4,404,354 and 41%) respectively. The Group’s other revenue for the year ended 31 December 2023 amounted to HK\$46,191, a decrease of 97% compared to the year ended 31 December 2022 because there was other income of the reversal of the accrued royalty fee from CRUSHMETRIC Limited last year.

(ii) Operating expenses

The Group’s distribution costs for the year ended 31 December 2023 amounted to HK\$3,768,216 which increased by 858% as compared to the year ended 31 December 2022. The amount mainly consists of around \$2 million for events and advertisings to promote the Company’s products and approximately \$1.2million paid as commission. The Group’s administrative expenses for the year ended 31 December 2022 were approximately HK\$8,040,000 compared to approximately HK\$11,050,000 for the year ended 31 December 2022, a decrease of 27%.

(iii) Profit and profit per share

The Group’s loss for the year amounted to HK\$67,855,735 (Loss for 2022: HK\$5,848,042). As a result, the Group’s basic loss per share for the year was HK\$0.28 (Loss per share for 2022: HK\$0.06). The loss

for the year significantly increased due to the recognition of impairment loss of Goodwill amounted to \$58,798,718.

The Directors do not recommend the payment of a dividend.

(iv) Balance sheet items

The Group's tangible fixed assets as at 31 December 2023 amounted to HK\$300,001 which mainly comprised of leasehold improvements, furniture and fixtures and office equipment. An increase of approximately HK\$79,000 over the balance as at 31 December 2022, was mainly due to the acquisition of moulds for the year.

The Group's goodwill as at 31 December 2023 was valued at HK\$235,194,874 with a decrease of approximately HK\$58,798,718 compared with HK\$293,993,592 as at 31 December 2022. The decrease was due to a recognition of an impairment loss of HK\$58,798,718 when management perform the required year end impairment review.

The Group's right-of-use assets and Lease liabilities-right-of-use assets as at 31 December 2023 amounted to HK\$718,150 and HK\$739,105 respectively which represented an increase of approximately HK\$348,000 and an increase of approximately HK\$348,000 respectively as compared to the year ended 2022. The increase was due to the new lease agreement signed during the year.

The Group's inventories as at 31 December 2023 amounted to HK\$402,018 with an increase of approximately HK\$60,000 over the balance as at 31 December 2022. This was mainly due to purchase of inventories during the year.

The Group's other receivables and prepayments as at 31 December 2023 amounted to HK\$1,116,808 with a decrease of approximately HK\$45,000 over the balance as at 31 December 2022.

The Group's trade payables as at 31 December 2023 amounted to HK\$3,249,124 with a decrease of HK\$1,070,000 over the balance as at 31 December 2022.

The Group's cash and cash equivalents increased from HK\$128,658 as at 31 December 2022 to HK\$521,605 as at 31 December 2023. For details of these movements, please refer to the Group's cash flow statement included in the non-statutory group financial statements.

Outlook

The Group has faced a decrease in sales in the first half year of 2023 not only due to the challenging market conditions but also because the Company has dedicated more resources for new product research and preparation. In the second half year, we have spent more resources in social media and marketing partners so as to promote the CRUSHMETRIC series of products. Overall, the sales in the whole year of 2023 decreased by HK\$3.9 million although the revenue in the second half year has increased compare to the first half year. This was due to the delay of the launch of our new product – the Tumbler. We believe that Tumbler is the Company's biggest and key product which will give the Company better margins.

We will continue to launch different popular colour variations of our SwitchPens and Tumblers to boost sales in the coming year. We also have changed the sales strategy that we will do more B2B and wholesale distribution which The Board believes will bring more sales revenue and reduce the marketing and logistic costs.

The Board will continue to take all reasonable efforts to ensure that sufficient working capital is maintained. The Board's objective as always is to improve the business of the Group, minimise cost and generate more sales income through online products and at all times to protect and safeguard the best interests of the shareholders.

On behalf of the Board of Directors, I would like to thank our management and staff for the great loyalty and dedication they continue to show through these delicate times. I would also like to extend our utmost appreciation to all our partners, shareholders, customers, business associates and suppliers, for their continued support.

Ivor Colin Shrago
Chairman
28 June 2024

The audit opinion contains the following statement:

“Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which explains, amongst other matters, that the Group is reliant on trading materially in line with projections and, should it fail to do so, on further support from shareholders, in particular the Directors who have agreed not to recall their loans in a manner that would prejudice the going concern of the Group and who have confirmed their ongoing support to the Group’s business activities for the forthcoming twelve months. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

The financial information in this announcement is derived from the Group’s audited consolidated financial statements for the year ended 31 December 2023 which are available at the Company’s website www.crushmetricgroup.com.

The Directors of the Company accept responsibility for the contents of this announcement.

For further information, please contact:-

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CRUSHMETRIC Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 2023

	2023	2022
From continuing operations in 2022	HK\$	HK\$
Revenue	6,884,086	10,826,825
Cost of sales	(1,887,742)	(6,422,471)
Impairment loss on inventory	-	-
Gross profit/(loss)	4,996,344	4,404,354
Other revenue	46,191	1,646,139
Distribution costs	(3,768,216)	(393,306)
Administrative expenses	(8,040,262)	(11,049,827)
Foreign exchange gain/(loss), net	(723,045)	(266,084)
Adjusted Operating (loss)/profit	(7,489,088)	(5,658,724)
Impairment loss for intangible asset and goodwill	(58,798,718)	-
Impairment loss on trade receivable	(171,135)	(45,759)
Operating (loss)/profit	(66,458,941)	(5,704,483)
Loss on disposal of subsidiaries	242,357	-
Finance costs	(1,642,123)	(86,398)
Interest income	4,681	433
(Loss)/profit before taxation	(67,854,026)	(5,790,448)
Taxation	(1,709)	(57,594)
(Loss)/profit for the for year	(67,855,735)	(5,848,042)
Other comprehensive income / (loss)		
Exchange differences arising from translation	278,675	1,010,343
Total comprehensive result for the year	(67,577,060)	(4,837,699)
(Loss)/profit for the year attributable to:		
The equity holders of the parent entity	(66,925,167)	(5,595,532)
Non-controlling interests	(930,568)	(252,510)
(Loss)/profit for the for year	(67,855,735)	(5,848,042)

Total comprehensive (loss)/profit for the year attributable to:		
The equity holders of the parent entity	(66,646,492)	(4,585,189)
Non-controlling interests	(930,568)	(252,510)
	(67,577,060)	(4,837,699)
(Loss)/profit per share – from continuing operations (HK\$)		
Basic	(0.28)	(0.06)

CRUSHMETRIC Group Limited
Consolidated Statement of Financial Position
As of 31 December 2023

			As at 31 December 2023	As at 31 December 2022
			HK\$	HK\$
Assets				
<i>Non-current assets</i>				
Fixed assets			300,001	221,258
Other intangible assets			-	-
Goodwill			235,194,874	293,993,592
Right-of-use assets			718,150	370,640
			236,213,025	294,585,490
<i>Current assets</i>				
Inventories			402,018	341,561
Trade receivables			9,411	757,271
Other receivables and prepayments			1,116,808	1,162,149
Cash and cash equivalents			521,605	128,658
			2,049,842	2,389,639
Total assets			238,262,867	296,975,129
Equity and liabilities				
Equity				
Share capital			1,870,234	1,870,234
Share premium			392,450,040	392,450,040
Retained earnings			(208,215,501)	(141,569,009)
Equity attributable to the parent entity			186,104,773	252,751,265
Non-controlling interests			(1,471,970)	(541,646)
Total equity			184,632,803	252,209,619
Liabilities				
<i>Current liabilities</i>				
Trade payables			3,249,124	4,319,057
Other payables and accruals			30,883,251	31,961,020
Taxation payable			59,302	57,594
Amounts due to directors			3,076,886	2,930,515
Lease liabilities – right-of-use assets			377,946	275,620
Borrowings			15,622,396	5,106,144
			53,268,905	45,064,411
<i>Non-current liabilities</i>				
Lease liabilities – right-of-use assets			361,159	115,560
Total liabilities			53,630,064	44,765,510
Total equity and liabilities			238,262,867	296,975,129

CRUSHMETRIC Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	As at 31 December 2023	As at 31 December 2022
	<i>HK\$</i>	<i>HK\$</i>
OPERATING ACTIVITIES		
Cash used in operations	(7,894,613)	(1,078,397)
INVESTING ACTIVITIES		
Purchase of fixed assets	(157,076)	(4,253)
Interest received	4,681	433
Acquisition of subsidiaries, net of cash acquired	-	3,185
Net cash used in investing activities	(152,395)	(635)
FINANCING ACTIVITIES		
Issuance of shares	-	1,590,000
Issuance of convertible bond	9,286,544	-
Repayment on leases	(446,210)	(555,778)
Interest paid	(401,447)	(283,751)
Net cash generated from financing activities	8,438,887	750,471
Net (decrease)/increase in cash and cash equivalents	(391,879)	(328,561)
Cash and cash equivalents at beginning of year	128,658	435,836
Effects of currency translation on cash and cash equivalents	1,068	21,383
Cash and cash equivalents at end of year	521,605	128,658