Geotech Holdings Ltd.
致浩達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1707

2020

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chen Zhi *(Chairman)*
Mr. Qiu Dong
Mr. Kung Ho Man
(Appointed as Executive Director and Chief Executive Officer on 25 November 2020)
Mr. Yau Kin Wing Sino *(Resigned on 25 November 2020)*

Independent Non-Executive Directors
Mr. Chan Tsang Mo
Mr. Shen Zejing
Mr. So Wai Man
Mr. Fung Chi Kin *(Resigned on 1 August 2020)*

AUDIT COMMITTEE

Mr. Chan Tsang Mo *(Chairman)*
Mr. Shen Zejing
Mr. So Wai Man
Mr. Fung Chi Kin *(Resigned on 1 August 2020)*

REMUNERATION COMMITTEE

Mr. So Wai Man *(Chairman)*
Mr. Chan Tsang Mo
Mr. Chen Zhi
Mr. Shen Zejing

NOMINATION COMMITTEE

Mr. Chen Zhi *(Chairman)*
Mr. Chan Tsang Mo
Mr. Shen Zejing
Mr. So Wai Man
Mr. Fung Chi Kin *(Resigned on 1 August 2020)*

COMPANY SECRETARY

Ms. Li Yan *(Appointed on 17 July 2020)*
Mr. Ip Ying Hang *(Resigned on 17 July 2020)*

AUTHORISED REPRESENTATIVES

Mr. Chen Zhi
Ms. Li Yan *(Appointed on 17 July 2020)*
Mr. Ip Ying Hang *(Resigned on 17 July 2020)*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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P.O. Box 1350
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
(formerly known as Estera Trust (Cayman) Limited)
Windward 3
Regatta Office Park
P.O. Box 1350
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
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North Point
Hong Kong

AUDITORS

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
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28 Hennessy Road
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HONG KONG LEGAL ADVISORS

Zhong Lun Law Firm
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Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong Branch
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

1707

WEBSITE

www.geotech.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Geotech Holdings Ltd. (the "**Company**", together with its subsidiaries, the "**Group**", "**we**", "**our**" or "**us**"), I present the audited annual results of the Group for the year ended 31 December 2020.

Looking back to the year, although the outbreak of novel coronavirus epidemic (COVID-19) (the "**Outbreak**") did not have significant adverse impact on the construction and engineering business in Hong Kong, the development of property-related services and the business in Cambodia of the Group was affected to a certain extent. Despite benefits from Employment Support Scheme under the Anti-epidemic Fund and the Construction Industry Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region in respect of the Outbreak, the Group's results for the year ended 31 December 2020 were not satisfactory, and net loss was further increased as compared to 2019.

For the year ended 31 December 2020, the Group's revenue decreased by 6.7% from approximately HK$355.3 million in 2019 to approximately HK$331.6 million in 2020. During the year, most of the Group's revenue were still contributed from the construction and engineering services, while the decrease in revenue was mainly due to the decline in supply of slope work projects available for tender from public sector. Meanwhile, the gross profit for construction and engineering segment significantly decreased from HK$10.5 million for the year ended 31 December 2019 to HK$3.2 million for the year ended 31 December 2020 with impairment loss of approximately HK$14.9 million being recognised on trade and other receivables, resulting in the increase in net loss. The revenues and gross profits of the Group's property-related services amounted to approximately HK$6.0 million and approximately HK$2.0 million, respectively. Such increase was mainly due to full year's contribution for provision of property management consultancy services since the commencement of its business expansion in the second half of 2019. Further details of business performances of the Group for the year ended 31 December 2020 are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" in this annual report.

As stated above, the prospect of Group's construction and engineering services and property-related services is expected to be challenging in the coming years. Looking forward, the Group will continue to review its existing operations and businesses to formulate long-term business strategies. Based on the review, the Group will explore or seek other business opportunities to strengthen and consolidate its revenue base.

I strongly believe that the Group will be able to share the benefits of its continuous growth with our shareholders and deliver a greater shareholders' value in the very near future. Last but not least, I would like to express my deep gratitude to the Board and the employees of the Group for their hard work, their professionalism and valuable contributions. I would also like to express my sincere gratitude to our customers, suppliers and other business partners for their trust and continued support.

Chen Zhi
Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the provision of (i) construction and engineering services; and (ii) property-related services for the year ended 31 December 2020.

Construction and Engineering Services

Geotech Engineering Limited ("**Geotech Engineering**"), an indirect wholly-owned subsidiary of the Company, is principally engaged in construction and engineering services and a leading slope works contractor in Hong Kong with over 20 years' of experience in the civil engineering industry. It is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status) and "Ground investigation field work" (Group I status) and also an approved contractor included in the List of Approved Contractors for Public Works under the category of "Site formation" (Group B probationary status). In addition, Geotech Engineering is also registered as a specialist contractor in the categories of site formation works and ground investigation field works with the Building Authority.

Total revenue of construction and engineering services for the year ended 31 December 2020 amounted to approximately HK$325.7 million, representing a decrease of approximately 7.8% as compared with total revenue of approximately HK$353.3 million last year. The decrease in revenue was mainly due to the reduction in new contracts being awarded to the Group since 2019 as a result of the decline in supply of slope work projects available for tender from public sector, in particular those under the Landslip Prevention and Mitigation Programme (the "**Programme**")* launched by the Geotechnical Engineering Office of the Civil Engineering and Development Department ("**CEDD**") of the Government of Hong Kong Special Administrative Region ("**HKSAR**"). Revenue in this segment continued to be deriving principally from slope works, ground investigation field works and road and drainage works, with public sector projects including those from the Programme commissioned by the CEDD, other government departments and statutory bodies, amounted to approximately 97.5% of total revenue in this segment (2019: approximately 95.4%).

During the year, Geotech Engineering has continued its strategy through a variety of operational initiatives:

- in response to keen market competition, the Group has continued with its competitive pricing strategy during the year in order to maintain the Group's competitiveness in the slope works sector in particular;

- in order to undertake more construction projects given Geotech Engineering's capacity, it has continued its collaboration with subcontractors by focusing on project management role and subcontracting a substantial part of works required; and

- other than slope works, the Group continued to seek opportunities to diversify into other types of civil engineering works by tendering projects jointly with partners for contracts which involve various works category (including roads and drainage). In November 2020, Geotech Engineering entered into a joint arrangement with an independent third party, for the purpose of executing a public works contract under the roads and drainage category. The Directors consider that this strategy is beneficial to the Group's diversification in construction and engineering services in Hong Kong.

* *The Programme had been implemented by the Government of HKSAR since 2010 on a rolling basis.*

Following the outbreak of coronavirus (COVID-19) in early 2020 (the "**Outbreak**"), completion progress of certain construction projects were being delayed due to the interruption of supplies of labour and construction materials and such delay was resumed to normal at the end of February 2020. During the year ended 31 December 2020, the Outbreak did not have significant adverse impact on the Group's construction and engineering operation in Hong Kong. The Group has taken strict preventive measures on both on-site and office levels throughout the year to mitigate the risks arising from the Outbreak.

As at 31 December 2020, the Group had 76 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2019: 60 contracts) with a total outstanding contract sum of approximately HK$437.5 million (31 December 2019: approximately HK$595.9 million) and these contracts are expected to be completed during or before 2023. Subsequent to the year ended 31 December 2020 and up to the date of this annual report, the Group has secured certain construction contracts with an aggregate total contract sum of approximately HK$9.6 million and these contracts are expected to be completed by 2022. Having considered the decline in supply of slope work projects available for tender from public sector, in particular those under the Programme launched by the Geotechnical Engineering Office of the CEDD of the Government of HKSAR, the Board expects that the industry conditions of the construction and engineering services, in particular the slope works sector in Hong Kong, to remain challenging in the coming years.

Chen Xu Jian Zhu Construction Decoration Engineering (Cambodia) Co., Ltd. ("**Chen Xu**"), an indirect wholly-owned subsidiary of the Company was granted the class three construction license by the Ministry of Land Management, Urban Planning and Construction in the Kingdom of Cambodia ("**Cambodia**") in February 2020. However, the Outbreak has stalled the construction boom in Cambodia and securing construction business as a contractor had been difficult in the year.

Property-related Services

The market environment for the property-related services was challenging for the year given the uncertainties in the external economic and business environment under the Outbreak. During the year, the Group recorded revenue of approximately HK$6.0 million for the provision of property management consultancy services in Hong Kong, of which approximately HK$4.1 million was generated from continuing connected transactions. Details of the continuing connected transactions are set out in Note 27(b) in the consolidated financial statements and section headed "CONTINUING CONNECTED TRANSACTIONS" in this annual report. There was no new client in respect of property management consultancy nor property leasing agency services during the year ended 31 December 2020.

OUTLOOK

Apart from focusing on construction and engineering services in Hong Kong, the Group considered to explore other business expansion in order to enhance the future development and strengthen the revenue bases of the Group. The Board believes that the Group's strategy to diversify its business could provide a better return to the shareholders of the Company (the "**Shareholders**").

In line with the Board's strategy as stated above, the Group is taking a cautious approach for future development:

- having considered the industry conditions of the construction and engineering services in Hong Kong as stated above, the Group will closely monitor the market and respond to changes in market conditions. Going forward, in order to broaden the types of works in the construction and engineering sector other than slope works and ground investigation field works, Geotech Engineering strives to partner with potential partner(s) for tendering projects in various types of civil engineering works;

- taking into consideration the ongoing Outbreak situation in Cambodia, the Group will take a cautious approach in the development of our construction and decoration business in Cambodia in 2021;

- although our property-related services is expected to remain challenging in the coming years given the uncertainties in the external economic and business environment under the Outbreak. By leveraging our management experiences and knowledge gained in the industry in the last two years, the Group will strive to seek various opportunities in property-related services; and

- having considered the above, the Group may also seek to diversify and explore other investment opportunities in the future.

In view of the ongoing Outbreak situation, it is expected to continue to present challenges to our businesses in 2021. The Group would continue to assess the risks and uncertainties arising from the Outbreak and continue to take strict measures to mitigate the potential adverse impact on the Group.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately HK$23.7 million or approximately 6.7% from approximately HK$355.3 million for the year ended 31 December 2019 to approximately HK$331.6 million for the year ended 31 December 2020. The Group's total revenue for the year was contributed by the construction and engineering services and property-related services.

(a) Construction and Engineering Services

The Group's revenue generated from the construction and engineering services decreased by approximately HK$27.6 million or approximately 7.8% from approximately HK$353.3 million for the year ended 31 December 2019 to approximately HK$325.7 million for the year ended 31 December 2020. Such decrease was mainly due to the reduction in new contracts being awarded to the Group since 2019 as a result of the decline in supply of slope work projects available for tender from public sector, in particular those under the Programme launched by the Geotechnical Engineering Office of the CEDD of the Government of HKSAR.

(b) Property-related Services

The Group's revenue from property-related services increased by approximately HK$4.0 million from approximately HK$2.0 million for the year ended 31 December 2019 to approximately HK$6.0 million for the year ended 31 December 2020. Such increase was mainly due to full year's contribution for provision of property management consultancy services since the commencement of its business expansion in the second half of 2019. Included in the revenue was continuing connected transactions amounting to approximately HK$4.1 million and the details of the transactions are set out in note 27(b) in the consolidated financial statements and the section headed "CONTINUING CONNECTED TRANSACTIONS" in this annual report.

Gross Profit and Gross Profit Margin

The Group's total gross profit for the year ended 31 December 2020 amounted to approximately HK$5.2 million, representing a decrease of 52.0% compared with approximately HK$10.9 million for the year ended 31 December 2019. The Group's gross profit margin for the year ended 31 December 2020 was approximately 1.6%, as compared with approximately 3.1% for the year ended 31 December 2019.

(a) Construction and Engineering Services

The gross profit from construction and engineering services for the year ended 31 December 2020 amounted to approximately HK$3.2 million, representing a decrease of approximately 69.5% as compared with approximately HK$10.5 million for the year ended 31 December 2019. The gross profit margin from construction and engineering services for the year ended 31 December 2020 was approximately 1.0%, as compared with approximately 3.0% for the year ended 31 December 2019. The significant reduction in the gross profit from construction and engineering services was mainly due to (i) additional construction costs incurred for certain slope works contracts in dealing with unexpected geological difficulties in construction sites and delay in construction progress of certain projects where additional resources including staff costs have been employed; and (ii) the decline in overall gross profit margin for slope works contracts during the year ended 31 December 2020, following certain projects with relatively high gross profit margin were completed in the year ended 31 December 2019 and first half of 2020. During the year ended 31 December 2020, the Group continued to focus on project management role with substantial use of subcontractors for a large proportion of revenue, generating relatively low profit margin.

(b) Property-related Services

The gross profit and gross profit margin from property-related services for the year ended 31 December 2020 amounted to approximately HK$2.0 million representing an increase of approximately HK$1.6 million as compared with approximately HK$0.4 million for the year ended 31 December 2019. The gross profit margin for the year ended 31 December 2020 was approximately 33.0%, as compared with approximately 17.6% for the year ended 31 December 2019. The increase in gross profit and gross margin were in line with the increase in revenue and mainly attributed to a stringent cost control on the direct staff costs and the gross profit margin was relatively high as a result.

Other Income

Other income mainly included rental income from lease of machinery, bank interest income, safety consultancy income, government grants and sundry income. For the year ended 31 December 2020, other income amounted to approximately HK$11.6 million (2019: approximately HK$5.2 million). The increase in other income was mainly due to (i) government grants of approximately HK$6.9 million (2019: nil) from Employment Support Scheme under the Anti-epidemic Fund and the Construction Industry Anti-epidemic Fund provided by the Government of HKSAR in respect of the Outbreak in the second half of 2020; and (ii) handling charges of approximately HK$1.9 million (2019: approximately HK$0.9 million) paid by subcontractors requesting our assistance in the procurement of construction materials for our construction contracts.

Administrative Expenses

Administrative expenses primarily comprise staff costs, depreciation and legal and professional fees. The administrative expenses of the Group for the year ended 31 December 2020 amounted to approximately HK$29.7 million, representing an increase of approximately 4.8% compared with approximately HK$28.3 million for the year ended 31 December 2019. Despite the decrease in legal and professional fee, included in administrative expenses was staff costs amounting to approximately HK$20.5 million (2019: HK$15.9 million), such increase was mainly due to increase in staff costs to enhance the finance, company secretary and compliance functions.

Impairment Loss on Trade and Other Receivables, net

An impairment loss on trade and other receivables (net) of approximately HK$14.9 million was recognised for the year ended 31 December 2020 compared with approximately HK$0.8 million for the year ended 31 December 2019.

In accordance with HKFRS 9, the Group makes allowances on items subject to expected credit losses ("**ECL**") (including trade and other receivables) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. An ECL assessment is performed at each reporting date using a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group also performs ECL assessment of whether a financial instrument's credit risk has increased significantly since initial recognition.

The increase in impairment loss for the year was mainly due to the significant increase in credit risk of other receivables (advance to subcontractors and materials and expenses paid on behalf of subcontractors) arising from two subcontractors since its initial recognition, having considered the financial difficulties of the two subcontractors and the expected collectability of the future cash flows. An impairment loss of approximately HK$14.9 million was recognised for the year ended 31 December 2020 (2019: approximately HK$0.8 million). The Group has implemented a credit policy to monitor the performance of its subcontractors by performing aging analysis and review past history of payments made and the subcontractors' financial position. The Group holds on-going discussion with the said subcontractors, and also considers to pursue legal actions against the relevant subcontractors if recovery from them become practically impossible and the management considers that such actions are likely to result in recovery of payment.

Further details of the impairment loss are set out in Notes 2.7 (accounting policies), 17 (movements and staging) and 30.4 (credit risk) to the consolidated financial statements in this annual report.

Finance Costs

Finance costs mainly represent finance charge on lease liabilities. Finance costs for the year ended 31 December 2020 was approximately HK$0.1 million, representing a decrease of approximately 29.3% compared with approximately HK$0.2 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in finance charges on leased motor vehicles.

Income Tax (Expense)/Credit

Income tax expense of approximately HK$0.2 million was recognised for the year ended 31 December 2020 in contrast to income tax credit of approximately HK$1.0 million for the year ended 31 December 2019 as a result of decrease in tax credit from deferred taxation during the year ended 31 December 2020.

Net Loss

Net loss for the year ended 31 December 2020 amounted to approximately HK$28.1 million, as compared to the net loss of approximately HK$12.5 million for the year ended 31 December 2019. Despite the increase in other income, the Group's net loss for the year ended 31 December 2020 was mainly due to (i) the decrease in gross profit; (ii) the increase in administrative expenses; and (iii) the impairment loss on trade and other receivables (net) as discussed above. As a result, the Group's net loss margin for the year ended 31 December 2020 was worsened to approximately 8.5%, as compared to net loss margin of approximately 3.5% for the year ended 31 December 2019.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, the Company's issued share capital was HK$16.8 million and the number of its issued ordinary shares of the Company (the "**Shares**") was 1,680 million with par value of HK$0.01 each.

As at 31 December 2020, the Group had total cash and bank balances of approximately HK$156.3 million (31 December 2019: approximately HK$143.3 million). The Group had no bank borrowing as at 31 December 2020 (31 December 2019: nil). Other borrowings of the Group as at 31 December 2020 were lease liabilities of approximately HK$3.0 million (31 December 2019: approximately HK$7.4 million). Details of lease liabilities are set out in Note 21 to the consolidated financial statements in this annual report. All borrowings were denominated in Hong Kong dollars. The interest rates on lease liabilities were charged at fixed rates with effective rates ranging from 4.13% to 5.29% for the year ended 31 December 2020 (2019: 4.13% to 5.29%). The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity as at the year-end date and multiplied by 100%. Total borrowings of the Group were the lease liabilities of approximately HK$3.0 million (31 December 2019: approximately HK$7.4 million). The gearing ratio of the Group as at 31 December 2020 was approximately 1.2% (31 December 2019: approximately 2.8%). The decrease in gearing ratio was mainly due to lower total indebtedness level from repayment of lease liabilities of the Group.

Pledge of Assets

As at 31 December 2020, the carrying amounts of the Group's motor vehicles of approximately HK$1.0 million were pledged under leases (31 December 2019: approximately HK$1.1 million).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue are settled in Hong Kong dollars and the assets and liabilities are primarily denominated in HK$. The Group's exposures to foreign exchange mainly arise from its cash and bank deposits denominated in United States Dollars ("**US$**") amounting to approximately HK$38.3 million as at 31 December 2020 (31 December 2019: approximately HK$38.8 million). Most of the operating transactions from the Group's operation in Cambodia are settled in US$.

However, HK$ are pegged to US$ under the Linked Exchange Rate System, the Group is not exposed to any significant foreign exchange risk against US$ and therefore has not entered into any derivatives agreement nor committed to any financial instrument to hedge its foreign exchange exposure during the year ended 31 December 2020 (2019: nil).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year ended 31 December 2020, the Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Use of Net Proceeds from the listing of shares of the Company on 12 October 2017" in this annual report, the Group did not have other future plans for material investments or capital assets as at 31 December 2020.

Employees and Remuneration Policies

As at 31 December 2020, 146 employees were on the Group's payroll (31 December 2019: 180 employees). For the year ended 31 December 2020, total staff costs (including Directors' remuneration) amounted to approximately HK$37.2 million (2019: approximately HK$27.6 million). Total staff costs comprised salaries, Directors' fee and allowances, discretionary bonuses and retirement scheme contributions. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy of the Group's employees are being reviewed periodically to ensure that the salary and benefit levels of employees of the Group are competitive (with reference to market conditions and individual qualifications, position and experience). The Group continues to provide adequate job training to the employees to equip them with practical knowledge and skills. Apart from the defined contribution retirement benefit schemes in Hong Kong and Cambodia and job training programs, salaries increment and discretionary bonuses are being awarded to employees according to the assessment of individual performance and market situation. For remuneration policies of the Directors and senior management and share option schemes, please refer to sections headed "REMUNERATION COMMITTEE" and "SHARE OPTION SCHEME" in this annual report respectively.

Environmental Policies and Performance

The Company is committed to environmental protection and sustainable development through the adoption and promotion of environmental management plan in its operations to increase staff's awareness on environmental protection and energy conservation. Information of the environmental policies and performance of the Group is set out in the section headed "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 30 to 42 in this annual report.

Capital Commitments

As at 31 December 2020, the Group had no capital commitments (31 December 2019: nil).

Contingent Liabilities

As at 31 December 2020 and 2019, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

During the year ended 31 December 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings by two subcontractors. Up to the date of approval of the consolidated financial statements, such legal proceedings are still in process. Based on the information available and advice from the Company's legal counsel, the Board considered that there is reasonable merit in the defence to the proceedings.

As such, the Board is of the view that such claims and litigations would not cause any material adverse impact on the operation and financial position of the Group and no provision is required to be made in the consolidated financial statements.

Use of Net Proceeds from the listing of shares of the Company on 12 October 2017 (the "Listing")

Net proceeds from the Listing ("**Net Proceeds**") amounted to approximately HK$72.8 million. As at 31 December 2020, a total amount of approximately HK$63.2 million out of the Net Proceeds had been used by the Group. The application of Net Proceeds during the year ended 31 December 2020 were in accordance with the section headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 28 September 2017 and the adjusted timeline as disclosed in the 2019 annual report of the Company (the "**Plan**") and the details are as follows:

	Planned use of Net Proceeds remained unused as at 1 January 2020 HK$'000	**Actual use of Net Proceeds during the year ended 31 December 2020** HK$'000	**Unused amount of Net Proceeds as at 31 December 2020** HK$'000	
Acquisition of the site facilities and equipment	9,928	279	9,649	
Expansion of our workforce at both office level and site level	3,293	3,293	—	
Total	13,221	3,572	9,649	*(Note)*

Note:

As at 31 December 2020, the unused amount of Net Proceeds was placed as interest-bearing deposits with licensed banks in Hong Kong. The Group will gradually apply the remaining Net Proceeds in the manner in accordance with actual business needs and use up the remaining Net Proceeds by the end of 2022 as previously disclosed in the Plan.

Fund Raising Activity — Placing of new shares under general mandate (the "Placing")

The net proceeds from the Placing (after deducting the placing commission, and other professional fees and expenses) amounted to approximately HK$88.7 million and as at 1 January 2020, approximately HK$57.6 million of the net proceeds remained unused. During the year ended 31 December 2020, approximately HK$13.2 million of the net proceeds from the Placing has been used for general working capital of the Group as planned. The rest of the net proceeds (approximately HK$44.4 million) which remain unused as at 31 December 2020 are intended to be used for general working capital of the Group and any potential investment opportunities by the end of 2021 as previously disclosed in the 2019 annual report of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chen Zhi（陳志先生）, aged 33, was appointed as an executive Director in December 2018. He is the chairman of the Board (the "**Chairman**") and controlling shareholder of the Company and the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Chen is also a director of certain subsidiaries of the Company. Mr. Chen holds a bachelor's degree of Business Administration from the National University of Management, Cambodia. Currently, he is a director, chairman and controlling shareholder of Prince Real Estate (Cambodia) Group Co., Ltd., the holding company for a group of companies principally engaged in property related industry that includes the provision of the development and leasing of commercial and residential properties in Cambodia (the "**Prince Group**"). Mr. Chen has over eight years of experience in the areas of property agency and development. In addition, Mr. Chen also has extensive experience in internet industry in Cambodia and Singapore, and is a director of several internet industry related companies in Cambodia and Singapore.

Mr. Qiu Dong（邱東先生）, aged 33, was appointed as an executive Director in January 2019. Mr. Qiu is also a director of a subsidiary of the Company. Mr. Qiu has over eight years of experience in the sales of construction stones and building decoration. Mr. Qiu is a chief executive officer of a group company principally engaged in providing real estate construction and decoration projects of the Prince Group. He is also a general manager of a company engaged in stone sales and interior decoration in China.

Mr. Kung Ho Man（龔浩文先生）, aged 46, was appointed as an executive Director and chief executive officer of the Company in November 2020. He is primarily responsible for overall construction projects management and daily operation of the construction and engineering services of the Group. Mr. Kung is also a director of certain subsidiaries of the Company. Mr. Kung obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering through part-time studies from the Hong Kong University of Science and Technology in November 1996 and in November 1999, respectively. Mr. Kung was awarded an Executive Diploma in Management from the Hong Kong University of Science and Technology in February 2006 through part-time study. He then completed an Environmental Management Course for Construction Managers from Construction Industry Training Authority in September 2007 on a part-time basis. Mr. Kung obtained a certificate on Occupational Safety & Health Management issued by the Occupational Safety & Health Council in January 2005. He obtained certificate in relation to Highways Department Site Audit Inspection Standards (Safety & Roadwork Obligations) course issued by the Construction Industry Training Authority in July 2007. Mr. Kung also obtained a certificate on Basic Accident Prevention issued by the Occupational Safety & Health Council in October 2016. Mr. Kung has been a member of the Hong Kong Institution of Engineers since March 2003. He has been registered as a Registered Professional Engineer under Engineers Registration Board since July 2004. Mr. Kung has over 20 years of experience in construction and engineering services.

Mr. Kung joined the Group since July 2001 as site agent and was appointed as an executive Director and the chief executive officer of the Company from June 2016 to January 2019. He also held the positions as a director of certain subsidiaries of the Group including Praise Marble Limited, Geotech Engineering and GeoResources Limited until January 2019. In July 2020, he was re-appointed as a director of Geotech Engineering, the principal operating subsidiary of the Group engaging in construction and engineering services. Prior to joining our Group, Mr. Kung also gained his experience in construction and engineering from his services in the government of Hong Kong Special Administrative Region.

Independent Non-Executive Directors

Mr. Chan Tsang Mo（陳增武先生）, aged 36, was appointed as an independent non-executive Director in January 2019. He is the chairman of the audit committee of the Board ("**Audit Committee**") and a member of the Remuneration Committee and the Nomination Committee. Mr. Chan has over 10 years of finance, accounting and treasury experience. Mr. Chan assumed various positions in professional accounting and financial firms including as a senior auditor (mainly responsible for accounting, auditing and taxation assignments) of RSM Nelson Wheeler (principally engaged in the provision of accounting services) from December 2009 to January 2011, as a supervisor in the corporate services division (mainly responsible for accounting, payroll, treasury and audit assignments) of Intertrust Resources Management Limited (principally engaged in the provision of legal and financial administrative services) from June 2011 to June 2013, and as an accounting manager (mainly responsible for the management and supervision of tax and financial matters) of Reignwood International Investment (Group) Co., Ltd. (principally engaged in investment services) from October 2013 to April 2016.

Mr. Chan was an executive director of Ares Asia Limited (stock code: 645), the shares of which are listed on the Main Board of the Stock Exchange, from June 2014 to March 2016. From May 2016 to October 2017, he worked as a financial controller in Wan Cheng Metal Packaging Company Limited (stock code: 8291), the shares of which are listed on GEM Board of the Stock Exchange and was responsible for overseeing the consolidated accounts and preparing financial information, forecast memorandum, notes to the consolidated financial statements and checklists for the listing application of the company. Mr. Chan was an independent non-executive director of Rentian Technology Holdings Limited (stock code: 885) from March to October 2020, the shares of which are listed on the Main Board of the Stock Exchange. From February 2019 to May 2020, Mr. Chan served as an independent non-executive director of Hong Kong Finance Investment Holding Group Limited (stock code: 7), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was also appointed as the company secretary of China Oil Gangran Energy Group Holdings Limited (stock code: 8132), the shares of which are listed on GEM Board of the Stock Exchange with effect from April 2020. Since August 2017, he has been a director of Morton Professional Services Limited and is responsible for advising on company formation, business establishments and legal compliance related matters.

Mr. Chan has been admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2010 and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan graduated from the City University of Hong Kong with a Bachelor of Business Administration degree in Accountancy in November 2006.

Mr. Shen Zejing（沈澤敬先生）, aged 63, was appointed as an independent non-executive Director in January 2019. Mr. Shen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Shen is currently the partner of Hylands Law Firm. Mr. Shen holds a bachelor's degree in law from China University of Political Science and Law and is a practicing lawyer in China. Mr. Shen has over 30 years of experience in the fields of corporate, securities law business, foreign-related legal business and litigation business. He has provided legal services to a number of well-known conglomerates and institutions, acting as their legal counsels to advise and represent those conglomerates and institutions in both the litigation and non-litigation matters related to financial, real estate, corporate and other aspects.

Mr. So Wai Man（蘇偉民先生）, aged 48, was appointed as an independent non-executive Director in December 2018. Mr. So is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. So is currently the finance director of a medical and healthcare company. Mr. So holds a bachelor's degree of Business Administration in Accounting from the Hong Kong University of Science and Technology and he is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. So has over 20 years of experience in corporate finance, planning and strategic implementation, change management and people development and he has served key financial and management positions in several multi-national corporations with a diverse exposure in different industries ranging from creative agency, event agency, retail and manufacturing companies.

SENIOR MANAGEMENT

Mr. Ip Ying Hang（葉映恒先生）, aged 35, is the financial controller of the Company. He graduated from Hong Kong Baptist University in November 2009 with a bachelor's degree in Commerce in Accountancy. Mr. Ip has been a member of the Hong Kong Institute of Certified Public Accountants since March 2015 with over nine years of experience in auditing, accounting and financial management in Hong Kong. He joined the Group in December 2015 as the financial controller and company secretary (resigned in July 2020) of Geotech Engineering. Before that, Mr. Ip worked at SHINEWING (HK) CPA Limited from July 2011 to November 2014 at which his last position was assistant manager and then worked at KPMG from November 2014 to December 2015 at which his last position was manager.

Ms. Li Yan（李欣女士）, aged 37, is the company secretary of the Company. Ms. Li joined the Group as company secretary of a subsidiary in February 2020 and was appointed as the company secretary of the Company ("**Company Secretary**") in July 2020. She holds a bachelor's degree in Accountancy from Macquarie University. Ms. Li is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Ms. Li had worked for an international accounting firm and as internal auditor and financial controller for a number of listed companies in Hong Kong with over 10 years of experience in accounting, auditing, finance and company secretarial matters.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of maintaining a high standard of corporate governance. The Company believes that an effective corporate governance practice is fundamental to enhancing Shareholders value and safeguarding the interests of Shareholders and other stakeholders. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") have been adopted as the Company's corporate governance practices.

CORPORATE GOVERNANCE CODE

Compliance with the Corporate Governance Code

The Company has adopted and complied with applicable code provisions (the "**Code Provision(s)**") set out in the CG Code contained in Appendix 14 to the Listing Rules except for the deviation from Code Provision A.2.7 during the year ended 31 December 2020. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code from time to time.

Code Provision A.2.7 stipulates that the chairman of the Board (the "**Chairman**") should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year ended 31 December 2020, a formal meeting could not be arranged between the Chairman and the independent non-executive Directors without the presence of other Directors due to the tight schedules of the Chairman and the independent non-executive Directors. Although such meeting was not held during the year, the Chairman maintains open dialogue channels with independent non-executive Directors. In particular, Mr. Chan Tsang Mo, the chairman of Audit Committee reported to the Chairman after liaising with independent non-executive Directors to inform the Chairman that nothing has come to their attention for the Chairman's consideration.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 December 2020.

THE BOARD

Role and function

The Board is primarily responsible for directing and supervising the affairs of the Group, including but not limited to overall business development, all significant financial, operational and strategic decisions, internal controls and risk management assessment, review of corporate governance policies and practices and other functions reserved to the Board under the amended and restated memorandum and articles of association of the Company (the "**Articles**"). The management is responsible for the day-to-day operations of the Group. To oversee particular aspects of the Company's affairs, the Board has established Board committees including the Audit Committee, the Nomination Committee and the Remuneration Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. Further details of these committees are set out in the sections headed "AUDIT COMMITTEE", "NOMINATION COMMITTEE" and "REMUNERATION COMMITTEE" below.

Composition

As at the date of this annual report, the Board is chaired by Mr. Chen Zhi and comprised six members, consisting of three executive Directors and three independent non-executive Directors. The list of Directors is set out in the section headed "DIRECTORS' REPORT" in this annual report. Biographical details of Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board sets measurable objectives to implement the Board Diversity Policy and reviews such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. During the year ended 31 December 2020, the Nomination Committee has considered a number of factors including but not limited to the age, education background and working experience of the candidates when selecting the new Director.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**"), which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Dividend Policy

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The recommendation of the payment of dividend is subject to the determination of the Board, and any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rules and the Articles.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. In compliance with the CG Code, the position of the chairman and the chief executive officer of the Company are held by separate individuals.

As at the date of this annual report, Mr. Chen Zhi serves as the Chairman of the Board and is responsible for overall business development, financial and strategic planning of the Group. Following Mr. Yau Kin Wing Sino's resignation as chief executive officer of the Company ("**CEO**") in November 2020, Mr. Kung Ho Man serves as the CEO since then and is responsible for overall construction projects management and the daily operation of the construction and engineering services of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this annual report, the Company has three independent non-executive Directors representing more than one-third of the Board in compliance with Rule 3.10(1) and 3.10A of the Listing Rules. Among the three independent non-executive Directors, Mr. Chan Tsang Mo and Mr. So Wai Man have the appropriate professional qualifications in accounting or related financial management expertise in compliance with Rule 3.10(2) of the Listing Rules.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Group nor has any relationship with other Directors.

The Company has received annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

APPOINTMENTS AND RE-ELECTIONS OF DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of one year and thereafter shall continue year to year subject to termination provisions therein, provisions on retirement by rotation and re-election of Directors as set out in the Articles.

In accordance with Article 108(a) of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article 112 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the Company's code of conduct; and (v) the Company's compliance with the CG Code disclosure requirements.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, every newly appointed Director is provided with a comprehensive induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. During the year ended 31 December 2020, all Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they continue to make contribution to the Board in an informed and relevant manner. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

The Directors are required to provide the Company with details of the training records. Based on those training records, the Directors received the following training during the year ended 31 December 2020:

	Type of training	
Name of Director	**Reading and/ or on-line training**	**Seminars and/ or workshops**
Executive Directors		
Mr. Chen Zhi	✓	–
Mr. Qiu Dong	✓	–
Mr. Kung Ho Man(1)	–	✓
Mr. Yau Kin Wing Sino(2)	✓	–
Independent non-executive Directors		
Mr. Chan Tsang Mo	✓	–
Mr. Fung Chi Kin(3)	✓	–
Mr. Shen Zejing	✓	–
Mr. So Wai Man	✓	–

Notes:

(1) Mr. Kung Ho Man was appointed as executive Director on 25 November 2020. Mr. Kung has received induction training upon his appointment to ensure appropriate understanding of the business and operations of the Group and awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

(2) Mr. Yau Kin Wing Sino resigned as executive Director on 25 November 2020.

(3) Mr. Fung Chi Kin resigned as independent non-executive Director on 1 August 2020.

Board Meetings

Regular Board meetings are scheduled at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Minutes of the Board and committee meetings are prepared and kept by the Company Secretary, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the Company Secretary, and are allowed to seek external professional advice if needed.

The management is committed to provide the Board with appropriate and sufficient explanation and information of the Group's affairs through financial reports and business and operational reports in a timely manner, to enable them to make informed decisions. The Directors are also provided with access to the Group's management and the Company Secretary at all times to obtain relevant information for carrying out their duties as Directors.

During the year ended 31 December 2020, six Board meetings and one general meeting were held. The attendance records of each member of the Board is set out below:

Name of Director	Number of general meetings attended/ Number of general meetings during the tenure of directorship	Number of Board meetings attended/ Number of Board meetings during the tenure of directorship
Executive Directors		
Mr. Chen Zhi	1/1	3/6
Mr. Qiu Dong	1/1	3/6
Mr. Kung Ho Man[(1)]	0/0	0/0
Mr. Yau Kin Wing Sino[(2)]	1/1	6/6
Independent non-executive Directors		
Mr. Chan Tsang Mo	1/1	6/6
Mr. Fung Chi Kin[(3)]	1/1	3/4
Mr. Shen Zejing[(3)]	1/1	6/6
Mr. So Wai Man	1/1	6/6

Notes:

(1) Mr. Kung Ho Man was appointed as executive Director on 25 November 2020. No Board meeting was held after his appointment.

(2) Mr. Yau Kin Wing Sino resigned as executive Director on 25 November 2020.

(3) Mr. Fung Chi Kin resigned as independent non-executive Director on 1 August 2020.

BOARD COMMITTEES

The Board has delegated specific functions to three Board Committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs.

Details of the membership of each of the three committees during the year and up to the date of this annual report are as follows:

	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Zhi	–	M	C
Mr. Qiu Dong	–	–	–
Mr. Kung Ho Man	–	–	–
Mr. Yau Kin Wing Sino(1)	–	–	–
Independent non-executive Directors			
Mr. Chan Tsang Mo	C	M	M
Mr. Shen Zejing	M	M	M
Mr. So Wai Man	M	C	M
Mr. Fung Chi Kin(2)	M	–	M

Notes:

(1) Mr. Yau Kin Wing resigned as executive Director on 25 November 2020.

(2) Mr. Fung Chi Kin resigned as member of Audit Committee and Nomination Committee on 1 August 2020.

C: Chairman of the relevant Board Committees
M: Member of the relevant Board Committees

AUDIT COMMITTEE

The Company established the Audit Committee on 21 September 2017 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 of the Listing Rules. As at the date of this annual report, the Audit Committee comprised three members, namely Mr. Chan Tsang Mo (chairman), Mr. Shen Zejing and Mr. So Wai Man.

The principal duties of the Audit Committee include monitoring the integrity of the consolidated financial statements of the Group, reviewing the effectiveness of the Group's internal control (including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment, reappointment and/or removal of the external auditor for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

During the year ended 31 December 2020, the Board had no disagreement with the Audit Committee's view on the appointment of the external auditors. The consolidated financial statements for the year ended 31 December 2020 and this annual report have been reviewed by the Audit Committee.

During the year ended 31 December 2020, two meetings of the Audit Committee were held to review the Group's interim and annual financial results for submission to the Board for approval, make recommendation on the re-appointment of the external auditors, review the internal control and risk management systems of the Group, review and monitor the effectiveness of internal audit function and oversee the audit process.

Members of the Audit Committee and the attendance of each member are as follows:

Audit Committee	**Number of meetings attended**
Mr. Chan Tsang Mo *(chairman)*	2/2
Mr. Fung Chi Kin(1)	1/1
Mr. Shen Zejing	2/2
Mr. So Wai Man	2/2

Notes:

(1) Mr. Fung Chi Kin resigned as member of the Audit Committee on 1 August 2020. The Audit Committee held one meeting during his tenure.

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of the Company's external auditor and reviewing any non-audit functions performed by the external auditor. For the year ended 31 December 2020, the Group engaged Grant Thornton as the Group's external auditor and the remuneration paid and payable to Grant Thornton is set out as follows:

	2020 HK\$'000	2019 HK\$'000
Audit services	**800**	840
Non-audit services	**193**	236

The fees incurred for non-audit services represented fees paid to Grant Thornton for review of 2020 interim results and agreed-upon procedures in connection with the Group's continuing connected transactions during the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements of the Group and to ensure that the consolidated financial statements of the Group are prepared in a manner which give a true and fair view of the state of affairs of the Group on a going concern basis and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the Consolidated Financial Statements of the Group for the year ended 31 December 2020 has been prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statements by external auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), about their reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "INDEPENDENT AUDITOR'S REPORT" in this annual report.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 September 2017 with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. As at the date of this annual report, the Nomination Committee comprises four members, namely Mr. Chen Zhi (chairman), Mr. Chan Tsang Mo, Mr. Shen Zejing and Mr. So Wai Man.

During the year ended 31 December 2020, two meetings of the Nomination Committee were held to review the structure, size and composition (including the skills, knowledge and experience) of the Board, the Board Diversity Policy, assess the independence of independent non-executive Directors, and make recommendations to the Board on the appointment of new Director and composition of the Board Committees.

Members of the Nomination Committee and the attendance of each member are as follows:

Nomination Committee	**Number of meetings attended**
Mr. Chen Zhi *(chairman)*	1/2
Mr. Chan Tsang Mo	2/2
Mr. Fung Chi Kin[(1)]	0/0
Mr. Shen Zejing	2/2
Mr. So Wai Man	2/2

Notes:

(1) Mr. Fung Chi Kin resigned as member of the Nomination Committee on 1 August 2020. No Nomination Committee meeting was held during his tenure.

In considering the nomination of new Directors, the Company has proposed the candidate to the Nomination Committee which reviewed and made recommendation to the Board based on the expertise, skills and experience of the candidate appropriate to the requirements of the business of the Company. The composition of the Board has a significant element of diversity in terms of skills, regional and industry experience and background.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 September 2017 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and packages relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. As at the date of this annual report, the Remuneration Committee comprises four members, namely Mr. So Wai Man (chairman), Mr. Chen Zhi, Mr. Chan Tsang Mo and Mr. Shen Zejing.

Under the Group's remuneration policy, the remunerations of the Directors and senior management are determined with reference to their responsibilities, workload, individual performance, the time devoted to the Group and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his or her own remuneration.

During the year ended 31 December 2020, two meetings of the Remuneration Committee were held for making recommendations to the Board on the remuneration packages of individual Directors and newly appointed Director Mr. Kung. Details of the Directors' remuneration are set out in Note 12 to the Consolidated Financial Statements of the Company for the year ended 31 December 2020.

Members of the Remuneration Committee and the attendance of each member are as follows:

Remuneration Committee	**Number of meetings attended**
Mr. So Wai Man *(chairman)*	2/2
Mr. Chan Tsang Mo	2/2
Mr. Chen Zhi	1/2
Mr. Shen Zejing	2/2

The remuneration for the Directors comprises Directors' fee, salaries, allowances and benefits, discretionary bonuses and retirement scheme contributions. Salary adjustments are made where the Remuneration Committee takes into account performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

SENIOR MANAGEMENT REMUNERATION

The remuneration of the members of the senior management excluding Directors of the Group by band for the year ended 31 December 2020 and 2019 is set out below:

	Number of Individuals	
	2020	2019
Emolument bands		
Not exceeding HK$1,000,000	2	1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

The Board, through the Audit Committee, has conducted a review of effectiveness on both design and implementation of the risk management and internal control systems of the Group for the year ended 31 December 2020, covering all material controls, including financial, operational and compliance controls. Such review will be made at least annually to monitor the adequacy and the effectiveness of the risk management and the internal control system of the Group. In this respect, the Audit Committee communicates any material issues to the Board.

Although the Company does not have internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged CT Partners Consultants Limited ("**CT Partners**") to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls for the year ended 31 December 2020, and the results of the independent review and assessment from CT Partners were summarised and reported to the Audit Committee and the Board. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

Moreover, improvements in internal control and risk management measures as recommended by CT Partners to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of CT Partners as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

INSIDE INFORMATION POLICY

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

COMPANY SECRETARY

During the year ended 31 December 2020, Mr. Ip Ying Hang was the Company Secretary up to 17 July 2020. Following the resignation of Mr. Ip, Ms. Li Yan was appointed as the Company Secretary on 17 July 2020. Ms. Li has confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2020 in compliance with Rule 3.29 of the Listing Rules. Her biographical details are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website at www.geotech.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and other corporate communications will be updated on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website in a timely fashion.

The 2021 annual general meeting (the "**AGM**") of the Company will be held on 29 June 2021. The notice of the AGM, setting out details of the proposed resolutions, voting procedures and other relevant information, will be sent to Shareholders at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by post at Unit 1920, 19/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Shareholders are requested to follow Article 64 of the Articles for putting forward a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the section headed "Procedures for Convening General Meetings by Shareholders" in this annual report.

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business or at the Company's branch share registrar and transfer office in Hong Kong. The period for lodgment of the notices required under this article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public, to make rational and informed decisions.

SHAREHOLDERS' ENQUIRIES

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by post to the Company's principal place of business in Hong Kong at Unit 1920, 19/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong (Tel: (852) 3469 5188 and Fax: (852) 3020 1705).

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividends warrants, the registered Shareholders can contact branch share registrar and transfer office in Hong Kong:

Boardroom Share Registrars (HK) Limited
Address: Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
Tel: (852) 2153 1688
Fax: (852) 3020 5058

CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles on 21 September 2017, a copy of which has been posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.geotech.hk). There had been no change in the Company's constitutional documents during the year ended 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Between Geotech Holdings Ltd. and its operating subsidiaries (the "**Group**", "**we**" or "**our**"), we have more than 20 years' experience in civil engineering and construction work in Hong Kong. We specialise in undertaking slope works as a main contractor, and we also undertake ground investigations as a subcontractor. Geotech Engineering Limited, our principal operating subsidiary, is an approved contractor with the Development Bureau and the Housing Authority. This had brought us many opportunities to serve the community of Hong Kong by participating in public works related to landslip prevention and remedial work to slopes or retaining walls. We pledge to deliver premium services to fulfil our commitment to customers.

Being in the construction industry, we always pay due regard to the importance of adhering to safety standards and quality control as they can directly affect our staff and reputation. Accordingly, our management system was certified to comply with the International Organisation for Standardisation ("**ISO**") 9001:2015 which is related to quality management, and Occupational and Health Safety Assessment Series ("**OHSAS**") 18001:2007 which is related to occupational health and safety management. Also, given the nature of our specialties, we fully understand the importance of protecting our natural landscape and the environment. This is reflected in us being certified under ISO 14001:2015 in relation to environmental management.

Our environmental, social and governance ("**ESG**") report (the "**ESG Report**") focuses on the Group's key business activities carried out in Hong Kong. These activities include construction and engineering services, which represent the Group's major source of revenue. In order to assess and identify our ESG issues, the Group has collected relevant data and prepared this ESG Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Exchanges and Clearing Limited covering the review year from 1 January 2020 to 31 December 2020 (the "**Review Year**").

Stakeholder Engagement

Being transparent and honest to our stakeholders is one of the keys to sustainable development. Continuous communication with our stakeholders enables us to make informed decisions and to accurately assess the potential impacts of our business decisions. The table below shows a list of the Group's stakeholders and our methods to communicate with them.

Stakeholder Groups	Specific Stakeholders	Communication Channels
Investors	• Shareholders	• Corporate website • Annual financial report • Seminars • Conference call • Annual general meeting
Employees	• Senior Management • Staff • Potential recruits	• Training • Face-to-face meetings/ performance reviews and appraisals • Interview
Customers	• Government departments • Construction contractors	• Customer satisfaction survey • Company hotline
Suppliers/Subcontractors	• Material suppliers • Subcontractors	• Supplier assessment • Daily work review • Site inspection/meeting with Subcontractors
Government	• Governments • Regulators	• Written or electronic correspondence

Materiality Analysis

To ensure that this ESG Report addresses the issues that are critical to the Group and significant to our stakeholders, we have conducted a materiality assessment of the Group's ESG agenda. By doing so, we identify the areas for improvement in our ESG works, and devise more comprehensive, transparent and specific responses to enhance the quality of this annual report.

I. ENVIRONMENTAL

I.1 Our environmental policy

Through our quality and environmental management systems, we continued to emphasise sustainable development in our construction work. As a result, the Group successfully renewed its certifications for ISO 9001:2015 and ISO 14001:2015.

The following remains to be key objectives of our environmental policies in accordance with our "Environmental Policy Statement":

- Strictly comply with the relevant environmental legislation and regulations;
- Prevent our operations from harming the environment or public health;
- Manage our supply chains effectively to include suppliers' or subcontractors' environmental protection initiatives as part of our selection considerations;
- Be open and responsive to the environmental expectations and concerns of our stakeholders; and
- Provide sufficient resources and facilities for the implementation of environmental nuisance abatement, waste management and pest control management.

Together with a team of environmental management professionals, we established a Safety and Environmental Department which is responsible for ensuring strict compliance with relevant environmental protection regulations in our operations. This has been achieved by the effective implementation of our "Environmental Management Plan" (the "**EM plan**").

The EM plan is our organisational framework which sets out the duties and responsibilities of our environmental management functions. This includes an environmental management team for each project, a Site Safety & Environmental Committee, and a Site Safety & Environmental Management Committee.

Minimising impact of our operations to the environment and natural resources

Guidelines for air pollution abatement is incorporated into the EM plan. It specifies the measures that our construction teams should follow to prevent air pollution. For example, when dusty construction activities such as demolition, drilling, rock or artificial hard material excavations are carried out in close proximity to the public, our on-site project team should provide dust abatement measures, such as water spraying or the fitting of vacuum cleaning devices, to the satisfaction of the registered engineer onsite.

Mitigation measures are also in place with regards to gaseous emissions, notably black smoke/fumes, from different construction equipment.

In terms of waste handling, we strive to:

- Divert waste to other construction sites for re-use
- Use water-based finishing materials wherever practicable
- Re-use hard standing/old bricks
- Re-use wood packaging in formwork
- Use recyclable containers for fixtures & fittings

The Group adopts a "Waste Management Hierarchy" to evaluate our methods of waste management. Four principles — "Avoidance and Minimisation", "Re-use", "Recover and Recycle" and "Treatment and Disposal" — dictate our approach to treat waste generated from construction sites, and we always choose the options that would have the least impact and are more sustainable to the environment in the long term. Specifically, five waste targets are set:

- All excavated material or pure construction and demolition inert material (e.g. hard rock, sand, soil and broken concrete) should be sorted onsite for re-use onsite or for disposal to designated outlets (e.g. Public Fill Reception Facility);
- All metal waste should be sorted and recovered onsite for collection by recycling contractors and companies;
- All cardboard and paper packaging (for plant, equipment and materials) should be sorted onsite. They should be stockpiled properly in a dry condition and covered to prevent cross-contamination with other construction and demolition waste;
- All chemical waste must be collected and disposed of properly by licensed collectors/contractors; and
- All demolition debris should be sorted onsite. Broken concrete, reinforcement bars, mechanical electrical fittings, and other hardware and fittings/materials that have established recycling outlets should be recovered.

Although our construction projects generate only minimal waste water, our onsite project teams are well aware of and are required to implement waste water pollution abatement measures whenever possible. As an example, surface runoff is to be prevented from washing across the site and spilling over to areas outside the site by diverting all the water to treatment facilities before discharge and sealing up hoarding skirts.

If our site personnel detect any environmental non-compliance, a programme of corrective actions will be implemented accordingly to rectify the situation. Weekly or monthly environmental inspections will be performed at construction sites to uncover any environmental non-compliance.

As a result of our effective waste disposal strategies and policies, the Group has minimised the environmental risks and impacts caused by construction wastes disposed from its operation.

During the Review Year, we did not receive any complaints or notice requesting improvement from the Environmental Protection Department regarding environmental breaches.

During the Review Year, to the best of the Group's knowledge, we did not have any non-compliance issues in relation to environmental laws and regulations in Hong Kong, including but not limited to, Air Pollution Control Ordinance (Cap. 311), Noise Control Ordinance (Cap. 400), Public Health and Municipal Services Ordinance (Cap. 132), Waste Disposal Ordinance (Cap. 354) and Environmental Impact Assessment Ordinance (Cap. 499).

We do not produce any hazardous waste from our operations.

I.2 Greenhouse gas ("GHG") emissions

GHG emissions may be inevitable for our industry, but we always strive to minimise harmful emissions because of the Group is convinced that GHG is the key contributor of climate change and such trend needs to be mitigated.

Since the major source of the Group's GHG emissions is the use of motor vehicles, we focused our carbon footprint policies on regulating the use of vehicles, including:

- Closely monitoring the fuel consumption on every motor vehicle to ensure there's no waste of fuel;
- Purchasing environmentally friendly motor vehicles and put into consideration the weight of the vehicle;
- Regularly servicing the vehicles to maintain the engine functions; and
- Using fuel with a sulphur content not exceeding 0.005% in accordance with the Air Pollution Control Ordinance.

Consumption of electricity is also one of the sources of GHG emissions. To lower its consumption, eco-friendly labels were placed close to air conditioning switches to remind staff to set the temperature at an eco-friendly level of 25°C. These labels were also placed close to lighting switches to remind them to switch off lights which are not in use.

As a result, for the Review Year, the Group had reduced overall GHG emissions in aspects including "use of vehicles", "mobile combustion sources" and "generation of purchased electricity" as compared to the year ended 31 December 2019.

During the Review Year, we did not use any liquified petroleum gas and therefore have no relevant GHG emissions to report.

The following presents our GHG emissions in different key performance indicators ("**KPI**") for the Review Year:

GHG emissions from use of vehicles:

Aspects 1.1	Unit	**2020**	2019
Nitrogen oxides	gram	**173,437.09**	222,678.87
Sulphur oxides	gram	**1,460.73**	1,730.50
Respiratory suspended particles	gram	**13,660.62**	16,862.19

GHG emissions from mobile combustion sources:

Aspects 1.2	Unit	**2020**	2019
Scope 1			
Carbon dioxide	kg	**235,081.91**	278,383.55
Methane	kg	**451.37**	558.76
Nitrous oxide	kg	**28,350.78**	34,334.07

Indirect GHG emission from the generation of purchased electricity:

Aspects 1.2	Unit	**2020**	2019
Scope 2			
Indirect GHG Emissions	kg (CO2 equivalent)	**130,092.48**	102,899.16

Hazardous wastes produced:

Aspects 1.3	Unit	**2020**	2019
Hazardous waste disposal	tonnes	**N/A***	N/A*
Hazardous waste intensity	tonnes/construction contract	**N/A***	N/A*

* The operation of the Group did not generate any hazardous waste for the Review Year and for the year ended 31 December 2019 and hence does not have relevant KPI to report.

Non-hazardous wastes produced:

Aspects 1.4	Unit	**2020**	2019
Non-hazardous waste disposal	Tonnes	**7,393.03**	9,262.80
Non-hazardous waste intensity	Tonnes/construction project	**616.09**	617.52

I.3 Use of Resources

In our day-to-day office operations, we strive to lower our energy consumption, fully utilise resources, and recycle waste.

Our staff recycle used paper for printing, re-use old envelopes for internal communication or drafting, and prefer electronic to printed communication. To cut down GHG emission at source, most of our printing paper is purchased from suppliers who use cultivated trees.

We encourage staff to bring their own lunch and avoid takeaways to reduce the use of foam lunch boxes. To reduce food waste, we also remind them to only order what they can eat and not over-order.

We participated in the Green Office Award Labelling Scheme ("**GOALS**") and attended training on responsible management in order to achieve sustainable development goals.

Eco-friendly labels were placed close to air conditioning switches to remind staff to set the temperature at an eco-friendly level of 25˚C, and close to lighting switches to remind them to switch off lights which are not in use.

During the Review Year, the Group did not encounter any issue in sourcing water that is fit for purpose. Eco-friendly labels were also placed beside water taps to remind employees the importance of water conservation.

As a reflection of our efforts in promoting environmental management at construction sites, the Group received an "Outstanding Environmental Management & Performance Award" under the Contractors Site Award Scheme, co-organised by the Construction Industry Council, and the Development Bureau of the Hong Kong government.

The following shows our direct energy and water consumption for the Review Year:

Direct energy consumption in total and intensity

Aspects 2.1	Unit	**2020**	2019
Electricity usage	kWh	**206,496.00**	163,332.00
Electricity usage intensity	kWh/no. of offices (including offices of the Group and construction site offices)	**34,416.00**	27,222.00

Water consumption in total and intensity

Aspects 2.2	Unit	2020	2019
Water consumption	cu.m	**26,534.00**	6,976.00
Water consumption intensity	cu.m/no. of offices (inc. offices of the Group and construction site offices)	**3,790.57**	872.00

II. SOCIAL

II.1 Employment and Labour Practices

Our people

The Group continued to enjoy the support of its dedicated staff who benefits from competitive remuneration packages in line with their positions, job nature, qualifications and experience.

We review our compensation and benefits programmes regularly to ensure that they remain competitive. Through regular and effective staff appraisals and communications, outstanding staff members are rewarded with internal promotions and salary increases.

Our management is always ready to listen to our staff and maintains close communication with them. Close working relationships are maintained via regular internal monthly meetings between our directors and construction teams. At our head office, staff are always welcome to reflect their opinions to their supervisors, while management would provide feedback to staff mostly during appraisals and when considered appropriate.

The Group prides itself as an equal opportunity employer. It complies with laws and regulations which prohibit unfair discrimination, including the Sex Discrimination Ordinance (Cap. 480), the Race Discrimination Ordinance (Cap. 602) and the Disability Discrimination Ordinance (Cap. 487). We build an equitable workplace, starting from having a fair and equitable recruitment process in which we select people only based on their experience and skills. An applicant's gender, religion or skin colour would not in any degree affect his or her chance of being recruited to join the Group. The same principle applies to our staff appraisal and counselling processes.

The Group implements a zero-tolerance approach towards forced and child labour, and the hiring of illegal immigrants in either our office or construction sites is strictly prohibited. Our Human Resources & Administrative Department adopts stringent controls in the recruitment process to prevent such illegal practices.

We maintain high standards of business ethics and require our employees to abide by the Group's code of conduct as stated in our staff handbook.

During the Review Year, to the best of the Group's knowledge, we did not have any non-compliance issues in relation to labour laws and regulations, including but not limited to, Employment Ordinance (Cap. 57), Employees Compensation Ordinance (Cap. 282), Minimum Wage Ordinance (Cap. 608) and Mandatory Provident Fund Schemes Ordinance (Cap. 485).

Protecting staff health and safety

The Group remains certified under OHSAS 18001:2007 in the Review Year. It reflects our compliance with occupational health and safety standards. To ensure workers are fully aware of the potential dangers working at construction sites, they need to attend "specific induction training" and "toolbox training" before they are allowed entry into construction sites. "Refresher training" will also be offered from time to time to remind workers of the importance to follow safety rules.

We require all staff who work on construction sites to always wear personal protective equipment, including safety helmets, safety boots, dust masks, reflective vests and safety goggles. Our safety officers and safety supervisors are responsible for overseeing whether all safety measures are in place and are adhered to by our staff. Safety Officers perform site inspections on a regular basis and rectify any breaches and unsafe conditions promptly once discovered.

The Group is committed to promote safety awareness among its employees. This is reflected in the Group earning the Considerate Contractors Site Award in October 2020 under the 26th Considerate Contractors Site Award Scheme, co-organised by the Construction Industry Council, and the Development Bureau of the Hong Kong Government.

We have always tried our best to mitigate the risk of work injury. Nevertheless, due to the nature of the construction industry, it can be difficult to completely eliminate its occurrence.

For the Review Year, four construction site accidents were reported. Regrettably, one of the injury cases was fatal. Details of the fatal case are set out on page 44 section headed "LITIGATIONS" in this annual report.

To prevent any fatal accidents from happening again, firstly, the Group engaged an independent safety consultant to conduct an investigation into the cause of the accident and obtained a number of safety recommendations. The Group was able to obtain insights into the weak points of the existing safety management system and prepare an accident prevention program.

Secondly, with reference to the above the safety function of the Group prepared an accident prevention program which included a safety enhancement plan. The program included both short term and long term measures to control risk of work injuries occurring. The Group is keen on continuous improvement in site safety management by way of further communication between frontline staff and site management and other stringent measures, particularly for the prevention of fall-related accidents.

For the Review Year, lost days due to work injuries were 459 man-days. Yearly fatality rate was 2.4 out of 1,000 workers. To the best of the Group's knowledge, the Group has been convicted of three charges involving in the fatal case in relation to occupational health and safety laws and regulations are as follows:

- Regulations 38A(2), 38A(3), 68(1)(a) and 68(2)(g) of Construction Sites (Safety) Regulations (Cap. 59I) made under the Factories and Industrial Undertaking Ordinance (Cap. 59)

- Sections 6A(1), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance (Cap. 59)

For the Review Year, the Group provided protection against the pandemic to our staff and also stakeholders to our operations, including communities close to construction sites, clients, and subcontractors, the Group had implemented the following measures:

- Flexible working hours to allow staff to avoid traffic rush hours and thus lessen chance of contacting the disease;
- Providing face masks and disinfectant products at head office and site offices for staff's use;
- Taking temperatures of staff before allowing them access into the Group's premises;
- Requiring staff to adhere to the Group's office hygiene requirement in response to COVID-19; and
- Placing educational material regarding COVID-19 inside our offices to raise staff's hygiene awareness.

Saved as disclosed above, we have no non-compliance relating to occupational health and safety laws and regulations.

Training and Development

To motivate employees' self-learning and development, we offer training sponsorship, which is granted for courses relevant to an applicant's job duties and career development.

To help new employees' integration into the Group's culture, we provide a staff handbook and an orientation course for them to familiarise themselves with their job duties and our expectations.

From time to time, we provide training courses to employees to extend their knowledge and to become better equipped for their job duties.

For safety related site training, we follow the requirement of Construction Site Safety Manual of the Development Bureau of Hong Kong to prepare training plans for all our projects. The required duration for each session for induction training is one hour and for toolbox talks are 15 minutes. The total number of hours delivered for these two types of training during the Review Year were 3,389 hours.

Trainings on topics such as working at height, wearing personal protective equipment, handling harmful substances, and compliance to ISO requirements were organised during the Review Year.

II.2 Operational Practices

Supply Chain Management

The performance of our suppliers and subcontractors are key elements in our environmental management. We evaluate subcontractors' performance from time to time through:

- Weekly environmental inspections
- Attendance at environmental meetings and training
- Reviewing records of environmental incidents
- Reviewing complaints from the public

We also implement a penalty system regarding environmental breaches to regulate the environmental behaviours of subcontractors. Environmental breaches are classified into different categories and each attracts penalties depending on the seriousness of its environmental impact. Our subcontractors need to adhere to our requirements as serious breaches can mean losing business with us.

Whenever we need to source for new materials, we carry out a fair and unbiased tender process. Selection criteria includes the price offered by the supplier, their capability in meeting our requirement in terms of product and service quality, as well as service support.

Service pledge to our customers

A cornerstone to our success has been the trust we build between ourselves and customers. Accordingly, we have customer communication channels, including a company hotline and construction site representatives, for handling customer enquiries and complaints. We pledge to resolve any enquiries and complaints to the satisfaction of our customers.

We also strive to deliver the best construction service available. Each of our construction project would be assigned a project team to be the in charge of the quality of construction works delivered. The teams would frequently perform site visits to their respective projects in order to monitor the workmanship of workers and subcontractors. The quality of our works would also be certified by representatives of customers regularly and the Group maintains ongoing communication with them.

Health and safety of our services

The Group has ensured the health and safety of our construction services by compliance with the standards in ISO 45001:2018. ISO audits are conducted regularly by external consultants to demonstrate the Group's compliance with the relevant ISO standards. Our construction teams always carry out works according to the applicable health and safety standards as set out in the service contracts and certifications from professional engineers who are engaged by clients. These serve to demonstrate that the Group has adhered to the highest quality and safety standards.

The Group established a corporate safety management committee which is responsible in overseeing the health and safety system of the Group. Monthly safety meetings are held to review safety management matters such as accident statistics and reporting, latest development of applicable health and safety regulations, and safety training statistics.

Advertising

The Group's major advertising channel is its website. Based on our policy, all information disclosed on its website is prepared by members of the Group's senior management to ensure that such information is accurate and suitable for use in advertising.

Privacy matters relating to our services

The Group attaches great attention to the confidentiality of personal and sensitive business data. As regards to handle confidential and important information during our course of operation, the Group has privacy and intellectual property protection management measures in place. For instance, we strive to minimise access to confidential information of clients. We also ensure that all the data collected from our clients are treated as strictly confidential and are properly dealt with by our staff. More importantly, our clients' data can only be accessed by designated personnel to prevent information leakage to unauthorised persons or parties.

The Group considers that the risk relating to ESG issues on product labelling is considered immaterial to the Group and disclosure on the relevant policies is hence not applicable.

To the best of the Directors' knowledge, the Group is not aware of any cases of non-compliance of the applicable laws and regulation on customer health and safety, advertising, labelling, and privacy matters relating to our services provided.

Anti-Corruption

Over the years, we are not aware of any non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. We stand firmly by our anti-corruption policies and procurement practices as stated in our internal manuals. Acceptance of kickbacks, commissions or any form of benefits are strictly prohibited during any procurement, contract negotiations or other business dealings.

The manuals also provide guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, and equal opportunities.

The gift policy in our internal manuals clearly states the required process and procedure for handling and accepting gifts and advantages.

In the Review Year, to the best of our knowledge, no fraud or corruption occurred within the Group, and we have fully complied with the laws and regulations relating to anti-bribery and corruption, including Prevention of Bribery Ordinance (Cap. 201).

II.3 Community Involvement

The Group supports and encourages its employees to participate in volunteer works or charity activities to help contribute to the society.

Donation to the Hong Kong Institution of Engineers

The "LPM Contractors Scholarship" is established to provide financial assistance and encouragement to undergraduate students to pursue studies in geotechnical engineering. It will be offered to final year undergraduate students at the University of Hong Kong to encourage geotechnical engineering students for greater success. The Group donated to the institution for supporting and nurturing engineering students during the Review Year.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company is located at Unit 1920, 19/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the section headed "CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME" on page 62 in this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 129 to 130 in this annual report. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 and discussion on the Group's future business development are set out in the section headed "CHAIRMAN'S STATEMENT" and "MANAGEMENT DISCUSSION AND ANALYSIS" on page 3 and pages 4 to 12 respectively in this annual report. The description of key risks and uncertainties facing the Group and financial risk management and fair value measurement are set out in this Directors' Report on pages 42 to 44 in this annual report and Note 30 to the consolidated financial statements respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In conducting its business, the Group endeavours to protect the environment in which it operates. The Group has established environmental management systems and been certified under ISO 14001:2015 for its construction and engineering services. During the year, there was no non-compliance in relation to air pollution, noise control, waste disposal. Green office practices are also encouraged in the operation of the Group's businesses, such as recycle used paper for printing, re-use old envelopes for internal communication, prefer electronic to printed communication and reduce energy consumption by setting the temperature at an eco-friendly level of 25°C and by switching off idle lighting. A detailed discussion on the Group's environmental policies and performance and the stakeholder relationships are contained in the "Environmental, Social and Governance Report" on page 30 to 42 of this annual report.

LITIGATIONS

References are made to Note 17 to the condensed consolidated interim financial statements in the interim results announcement published by the Company on 25 August 2020 in relation to the fatal accident occurred in March 2020 (the "**Accident**"); and the announcements published by the Company on 22 September 2020, 20 October 2020, 22 December and 28 December 2020, Geotech Engineering received twelve summonses as a result of the Accident and, as the result of the Court hearing held on 21 December 2020, the case has been concluded and Geotech Engineering was convicted of three charges and the Court has imposed a total fine of HK$42,000 for such offences. The Board does not expect the Accident to result in any material adverse impact on the operation and financial position of the Group.

Save as the above and disclosed in Note 28 to the consolidated financial statements, the Group was not involved in any material litigation and no material litigation or claim was pending or threatened or made against the Group as far as the Board was aware of.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Group did not have any significant event subsequent to the year ended 31 December 2020 and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights to attend and vote at the AGM to be held on 29 June 2021, the register of members of the Company will be closed from 24 June 2021 to 29 June 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the AGM, non-registered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on 23 June 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the year ended 31 December 2020 are set out in Note 14 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

The following are some principal risks and uncertainties facing the Group, which may materially and adversely affect its businesses, financial condition or results of operations in (i) construction and engineering services; and (ii) property-related services.

(1) Uncertain external factors

The Group's operation of the construction and engineering services and property-related services are mainly located in Hong Kong. Uncertain external factors including the downturn in the economy of Hong Kong and public health issues such as the Outbreak, may materially and adversely affect the Group's business in construction and engineering services and property-related services, results of operations and prospects. The Group will continue to closely monitor the market situation and to consider appropriate strategies to promptly respond to the risks to minimise potential adverse effects on the Group's financial performance and financial condition.

(2) Construction and engineering services — reliance on the public sector contracts granted by the Government departments and statutory bodies

The Government departments and statutory bodies have been and are expected to continue to be the Group's largest customers in construction and engineering services. During the year ended 31 December 2020, revenue attributed to the public sector projects represented approximately 97.5% (2019: approximately 95.4%) of the Group's total revenue. If there is any reduction or significant delay in the spending of the Government departments and statutory bodies in the construction and civil engineering industry, the Group's business in construction and engineering services, results of operations and financial positions of the Group may be materially and adversely affected. In order to cope with the risk of relying on the public sector contracts in the construction and engineering market, the Group will continuously explore or seek other developments that are beneficial to the long-term development of the Group so as to diversify the risks.

(3) Competitive tendering process and making of estimates

The construction and engineering business of the Group operates on a non-recurring and project-by-project basis. We have no long-term commitments with our customers but rely on successful tenders that determine the award of construction contracts. The number of contracts awarded to the Group, therefore, may vary from time to time. Upon completion of its contracts on hand, the Group's financial performance may adversely be affected if the Group is unable to secure new tenders or obtain new contract with comparable contract sums or at all. As such, to cope with the keen market competition, the Group has adopted a competitive pricing strategy for tendering in order to maintain the competitiveness of tenders which may further narrow the profit margin. The Group will assess and adjust its business strategy from time to time to adapt to the market environment in order to maintain the Group's competitiveness in the construction and engineering market.

Further, in the tendering process, the Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. However, the actual implementation of projects may not accord with our estimation at the time of tender due to cost overruns and/or subject to other related construction risks. If our estimates of the overall risks, revenue or costs prove inaccurate, the Group will experience lower profitability or even make losses on contracts, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

(4) Highly regulated industry — reliance on registrations, licences and/or certifications

The construction and engineering industry is a highly regulated industry and our business is subject to various government regulations. In accordance with the regulations and contract requirements, the Group is required to obtain or maintain certain registrations, licences and/or certification ("**Licences**") to operate its business. All such Licences are granted/renewed and maintained upon the satisfactory compliance by the Group with, among others, the applicable criteria set by the relevant government departments or organisations including Development Bureau and Building Authority. Such criteria may include the maintenance of quality standards, financial capability, expertise, management, environmental and safety. Circumstances which may lead to taking of regulatory actions against a contractor and/or subcontractor include but not limited to poor site safety record, violation of laws, misconduct etc. These Licences may only be valid for a limited period of time and are subject to periodic reviews and renewal by relevant government departments and organisations. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. Failure to renew or maintain these Licenses and regulatory actions such as suspension, downgrading or demotion of relevant construction and engineering businesses operated by the Group, may have an adverse effect on our business, results of operation, financial condition and prospects unless we have similar Licences within the Group.

(5) Property-related services — management's estimates

The Group's property management consultancy services are charged on a fixed fee basis, it is important to accurately estimate the cost in preparing fee quotation/proposal to customers and to make sure the fixed fee covers all the costs to be incurred for the provision of such services. If the Group fails to estimate the potential increase in costs accurately, it may experience lower profitability or even make losses, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2020 was HK$16,800,000 divided into 1,680,000,000 ordinary shares with par value of HK$0.01 per Share.

Detailed movements of the share capital of the Company during the year ended 31 December 2020 are set out in Note 23 to the consolidated financial statements.

RESERVES

Detailed movements of the Group's reserves during the year ended 31 December 2020 are set out in the section headed "CONSOLIDATED STATEMENT OF CHANGES IN EQUITY" on page 65 in this annual report.

As at 31 December 2020, the Company has reserves amounted to approximately HK$135.8 million available for distribution (31 December 2019: approximately HK$152.5 million).

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, Geotech Engineering, a subsidiary of the Company was convicted of three charges in relation to occupational health and safety laws and regulations. Details of the convictions are set out on page 38 in this annual report and the announcements published by the Company on 22 December and 28 December 2020.

Save as disclosed above, the Group was not aware of any non-compliance with laws and regulations that would have a significant impact on the Group for the year ended 31 December 2020.

DIRECTORS

The Directors who held office during the year and up to the date of this annual report are:

Executive Directors

Mr. Chen Zhi *(Chairman)*
Mr. Qiu Dong
Mr. Kung Ho Man *(Appointed on 25 November 2020)*
Mr. Yau Kin Wing Sino *(Resigned on 25 November 2020)*

Independent Non-Executive Directors

Mr. Chan Tsang Mo
Mr. Fung Chi Kin *(Resigned on 1 August 2020)*
Mr. Shen Zejing
Mr. So Wai Man

In accordance with Article 108(a) of the Articles, Mr. Qiu Dong, Mr. Shen Zejing and Mr. So Wai Man will retire by rotation and, being eligible, offer themselves for re-election as Directors at the Company's forthcoming AGM.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the date of the appointment, unless terminated by not less than six months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from the date of the appointment and thereafter shall continue year to year, unless terminated by not less than one month's notice in writing served by either party on the other.

Save as disclosed above, none of the Directors, including those proposed to be re-elected at the forthcoming AGM, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 13 to 15 in this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which, pursuant to Section 352 of the SFO, have been entered in the register referred to therein; or (iii) pursuant to the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transaction, notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interest	No. of shares held/ interested in	Approximate percentage of shareholding
Mr. Chen Zhi	Interests in a controlled corporation *(note)*	920,480,000	54.79%

Note: 920,480,000 Shares are held by Star Merit Global Limited ("**Star Merit**"), representing approximately 54.79% of the entire issued share capital of the Company. Star Merit is wholly and beneficially owned by Mr. Chen Zhi. Therefore, Mr. Chen Zhi is deemed to be interested in all the Shares held by Star Merit by virtue of Part XV of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2020, none of the Directors nor the chief executives of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, so far as is known to the Directors, the following entity (other than a Director and the chief executive of the Company) had, or was deemed to have, interests or short positions (directly or indirectly) in shares or underlying shares or debentures which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the Shares

Name of Shareholder	Capacity/Nature of interest	No. of Shares held/ interested in	Approximate percentage of shareholding
Star Merit	Beneficial owner	920,480,000	54.79%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2020, the Directors were not aware of any other entity which or person other than a Director and the chief executive of the Company who had, or was deemed to have an interest or a short position in the shares or the underlying shares or debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "SHARE OPTION SCHEME" in this annual report, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the related party and connected transactions/continuing connected transactions disclosed in Note 27 to the consolidated financial statements and the section headed "CONTINUING CONNECTED TRANSACTIONS" in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interests, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party and connected transactions/continuing connected transactions disclosed in Note 27 to the consolidated financial statements and the section headed "CONTINUING CONNECTED TRANSACTIONS" in this annual report, no contract of significance to which the Company or any of its subsidiaries was a party, and in which the controlling shareholder of the Company or any of its subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2020, the Group has entered into the following continuing connected transactions which were subject to annual reporting under rule 14A.49 of the Listing Rules:

On 27 December 2019, Nova Management Services Limited ("**Nova**") (as the consultant), an indirect wholly-owned subsidiary of the Company, entered into a property leasing and management consultancy agreement (the "**Property Management Consultancy Agreement**") with Cheer Capital Limited ("**Cheer Capital**") (as the property owner), in relation to the provision of property management consultancy services for a commercial property in Hong Kong owned by Cheer Capital (the "**Property**") for a term of three years from 1 January 2020 to 31 December 2022.

On the same date, Nova (as the agent) also entered into a property leasing agency agreement (the "**Leasing Agency Agreement**") with Cheer Capital (as the property owner) in relation to the provision of property leasing agency services in relation to the Property for prospective tenants referred by Cheer Capital or existing tenants of the Property (collectively the "**Agency Tenant(s)**"). Such services include handling enquires and introductions, negotiation on leasing terms and conditions, site visit(s) arrangement and preparation and execution of formal agreement(s) with the Agency Tenants, for a term of three years commencing from 1 January 2020 to 31 December 2022.

Through the engagements of the Property Management Consultancy Agreement and the Leasing Agency Agreement which are of a recurrent nature, it enables a more diversified revenue base and securing stable cash inflow for the Group.

Cheer Capital is a company indirectly and wholly-owned by Mr. Chen Zhi, the chairman of the Board and an executive Director and the controlling shareholder of the Company. As such, Cheer Capital is a connected person of the Company and the transactions contemplated under the Property Management Consultancy Agreement and Leasing Agency Agreement constitute continuing connected transactions (collectively, the "**Continuing Connected Transactions**"). Detailed terms of the Property Management Consultancy Agreement and Leasing Agency Agreement were set out in the announcement of the Company dated 27 December 2019.

It is expected that the aggregated annual caps pursuant to the Property Management Consultancy Agreement and Leasing Agency Agreement shall be approximately HK$5,731,000, HK$5,275,000 and HK$6,876,000 for each of the three years ending 31 December 2022. During the year under review, there was no services provided by Nova pursuant to the Leasing Agency Agreement. The income received for services provided by Nova pursuant to the Property Management Consultancy Agreement amounted to HK$4,080,000 which is within the aggregated annual cap of approximately HK$5,731,000 for the year ended 31 December 2020. Details of the transactions are set out in Note 27(b) to the consolidated financial statements.

The independent non-executive Directors of the Company have reviewed and confirmed that the above Continuing Connected Transactions for the year ended 31 December 2020 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the Continuing Connected Transactions under rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's auditor has reported to the Board and confirmed that for the year ended 31 December 2020 (i) nothing has come to their attention that causes them to believe that the Continuing Connected Transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing has come to their attention that causes them to believe that the Continuing Connected Transactions as disclosed in Note 27(b) to the consolidated financial statements have exceeded the annual cap as disclosed in the Company's announcement dated 27 December 2019.

Details of other connected transactions/continuing connected transactions exempt from annual reporting requirement under Chapter 14A of the Listing Rules and/or related party transactions are set out in the Note 27 to the consolidated financial statements in this annual report.

COMPETING INTERESTS

Based on the confirmations received from each of the Directors, none of the Directors, controlling shareholder of the Company nor their respective close associates (as defined in the Listing Rules) had interests in any business which competes or is likely to compete, directly or indirectly, with the Group's businesses during the year ended 31 December 2020 (or in respect of former Directors, up to their resignation date), and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities. Such permitted indemnity provision has been in force throughout the year ended 31 December 2020 and at the time of approval of this annual report.

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 21 September 2017 (the "**Share Option Scheme**") and effective for a period of ten years to 20 September 2027. It is a share incentive scheme established to recognise and acknowledge the contributions that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee (full-time and part-time), advisor, consultant, supplier, customer, distributor, contractor, agent, business partner or service providers of the Group and to promote the success of the business of the Group.

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all share option schemes of the Company shall not exceed 140,000,000 shares, being 10% of the 1,400,000,000 shares of the Company in issue as at 12 October 2017, being the date the Shares were listed on the Stock Exchange. The Company may issue a circular to the Shareholders and seek approval from the Shareholders in general meeting for refreshing the 10% limit such that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not exceed 10% of the total number of Shares in issue as at the date of the approval from the Shareholders.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, any further grant of options in excess of this 1% limit shall be subject to the approval of Shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading date; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading dates immediately preceding the date of grant; or (iii) the nominal value of a Share.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to the participant at the time of making an offer for the grant of share option.

The total number of securities available for issue under the Share Option Scheme, and all other share option schemes of the Company must not exceed 140,000,000 Shares, representing 8.33% of the total number of Shares as at the date of this annual report.

No share options have been granted under the Share Option Scheme since 21 September 2017. An offer of the grant of a share option shall be accepted by the eligible participants within a period of twenty-one days from the date of offer of grant of share option. The consideration paid by each grantee for the acceptance and grant of each share option is HK$1.00, which has to be paid within twenty-one days.

There were no options outstanding as at 31 December 2020 (31 December 2019: nil) and no share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2020. For further details of the Share Option Scheme, please refer to the paragraph headed "D. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 28 September 2017.

DONATIONS

The Group's charitable donations during the year ended 31 December 2020 amounted to approximately HK$30,000 (2019: approximately HK$30,000).

EQUITY LINKED AGREEMENTS

Save as disclosed in this annual report in relation to the Share Option Scheme, no equity-linked agreements were entered into for the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the percentage of the Group's total revenue attributable to the Group's largest customer and the five largest customers respectively in aggregate accounted for approximately 51.7% and 93.5% (2019: approximately 43.6% and 87.9%). The percentage of the Group's total purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 28.2% and 80.3% (2019: approximately 23.8% and 70.9%) respectively for the year ended 31 December 2020.

To the best of the Directors' knowledge, none of the Directors nor their close associates (as defined in the Listing Rules), nor any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's number of issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

The Group has maintained good relationship with employees. In addition, the Group offers employees competitive salaries, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of employees, which forms the basis of the decisions with respect to salary increments, bonuses and promotions.

Customers

The Group has established stable business relationship with major customers in construction and engineering services who are mostly Government departments including Civil Engineering and Development Department of the Government, Water Supplies Department and Highways Department. Among the five largest customers (in terms of revenue) during the year ended 31 December 2020, the Group has been providing services to most of them for a period ranging from three to twenty years.

A majority of the Group's five largest customers have long-standing business relationships with the Group for a period ranging from approximately three to twenty years. The Group will therefore endeavour to accommodate their demands for the Group's services to the extent that the Group's resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality contractor in construction and engineering industry provides the Group's customers certain business advantages to ensure that their projects are executed in accordance with quality standards.

Suppliers and subcontractors

The Group maintains an internal list of approved suppliers in its construction and engineering services. The Group carefully evaluates the performance of suppliers and select them based on a number of factors such as their prices, quality, past performances and timeliness of delivery. The Group will review and update the internal list of approved suppliers according to assessment of their performances on an ongoing basis.

The Group maintains an internal list of approved subcontractors in its construction and engineering services. The Group carefully evaluates the performance of subcontractors and select subcontractors based on a number of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. The Group will review and update the internal list of approved subcontractors according to assessment of their performances on an ongoing basis.

Subject to the Group's capacity, resources level, cost effectiveness, complexity of the projects and customers' requirements, the Group may subcontract civil engineering works such as geotechnical works, drainage works, earthworks, concreting, formwork erection, fixing steel bar and landscaping to other subcontractors in a project. The Group is accountable to customers for the works subcontracted to the Group's subcontractors.

The Directors consider that the long-term business relationships with major customers, suppliers and subcontractors would further enhance the Group's market recognition and enable the Group to attract more potential business opportunities.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and defined contribution retirement benefit schemes as stipulated by Cambodia local authorities. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient level of public float for its Shares as required under the Listing Rules during the year ended 31 December 2020 and up to the date of this annual report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders of the Company.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year ended 31 December 2020 are set out in Note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" on pages 16 to 29 in this annual report.

DIVIDEND POLICY

Information on the dividend policy adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" on pages 17 to 18 in this annual report.

FINAL DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 December 2020 (2019: nil).

AUDIT COMMITTEE

The Audit Committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2020.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by Grant Thornton, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM of the Company. A resolution for the re-appointment of Grant Thornton as auditor of the Company is to be proposed at the forthcoming AGM. There is no change in auditor of the Company since the date of the Listing.

On behalf of the Board
Chen Zhi
Chairman and executive Director

Hong Kong, 30 March 2021

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the members of Geotech Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Geotech Holdings Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 62 to 128, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for construction contracts

Refer to the summary of significant accounting policies in Note 2.14, Note 4a and Note 5 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group recognised revenue and costs from construction contracts amounted to approximately HK$325,668,000 and HK$322,429,000 respectively for the year ended 31 December 2020. The Group's revenue and costs of construction contracts are recognised based on output method by reference to the direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.	Our audit procedures in relation to the accounting of construction contracts included the following: • Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects; • Inspected the key terms and conditions of construction contracts and verify the total contract revenue; • Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or variation orders as set out in the construction contracts or the agreements entered with customers;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
These transaction requires the management's estimation and judgement of the contract revenue, direct cost and variation works (if any) which may have an impact on the construction contract and corresponding profit margin incurred, we therefore identified such as a key audit matter.	• Selected, on a sample basis, the construction contracts to examine project manager's budget of the cost components to actual cost incurred, such as cost of materials, subcontracting charges and labour costs, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.; and • Evaluated the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and discussed with management and the respective project managers about the progress of the projects and cost incurred for work performed but not certified.

KEY AUDIT MATTERS (continued)

Expected credit losses ("ECL") assessment of trade and other receivables and contract assets

Refer to the summary of significant accounting policies in Note 2.7, Note 4b, Note 17 and Note 18 to the consolidated financial statements.

Key Audit Matter

As at 31 December 2020, the Group's carrying amount of trade and other receivables and contract assets amounted to approximately HK$86,372,000 (net of impairment loss of HK$15,685,000) and HK$35,061,000 (net of impairment loss of HK$238,000) respectively, accounted for approximately 40.5% of the Group's total assets in aggregate.

The ECL assessment of trade and other receivables and contract assets involved significant management's judgement and use of estimates to ascertain the recoverability.

Management performed credit evaluations for the Group's customers and assessed ECL. These evaluations focused on the past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

We have identified the ECL assessment of trade and other receivables and contract assets as a key audit matter because of its significance to the consolidated financial statements and the assessment involves significant management's judgement and use of estimates in evaluation of ECL.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the ECL assessment of trade and other receivables and contract assets included the following:

- Understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of trade and other receivables and contract assets. Those controls related to the identification of events that triggered the provision for impairment of receivables from construction contracts and estimation of the impairment provisions;

- Obtained management's assessment on the collectability of individual significant customers, and corroborated management's assessment against relevant supporting evidence, including credit history and financial capability of these customers; and

- Assessed the reasonableness of management's ECL allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

OTHER INFORMATION (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

30 March 2021

Chan Tze Kit
Practising Certificate No.: P05707

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**331,648**	355,307
Direct costs		**(326,433)**	(344,436)
Gross profit		**5,215**	10,871
Other income	6	**11,637**	5,242
Administrative expenses		**(29,702)**	(28,332)
Impairment loss on trade and other receivables, net		**(14,930)**	(755)
Reversal of impairment loss/(impairment loss) on contract assets		**67**	(305)
Finance costs	7	**(145)**	(205)
Loss before income tax	8	**(27,858)**	(13,484)
Income tax (expense)/credit	9	**(207)**	986
Loss for the year		**(28,065)**	(12,498)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Fair value gain on financial assets at fair value through other comprehensive income		**44**	102
Total comprehensive expense for the year attributable to equity holders of the Company		**(28,021)**	(12,396)
		HK cents	HK cents
Loss per share attributable to equity holders of the Company			
Basic and diluted	11	**(1.67)**	(0.81)

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**2,536**	5,176
Financial assets at fair value through other comprehensive income ("**FVOCI**")	15	**1,297**	1,253
Finance lease receivables	16	**–**	963
Deferred tax assets	22	**599**	889
		4,432	8,281
Current assets			
Trade and other receivables	17	**103,100**	125,675
Contract assets	18	**35,061**	40,452
Finance lease receivables	16	**657**	1,995
Tax recoverable		**–**	1,817
Cash and bank balances	19	**156,335**	143,299
		295,153	313,238
Current liabilities			
Trade and other payables	20	**54,213**	44,099
Lease liabilities	21	**2,812**	4,428
Tax payable		**170**	–
Contract liabilities	18	**2,154**	1,801
		59,349	50,328
Net current assets		**235,804**	262,910
Total assets less current liabilities		**240,236**	271,191
Non-current liabilities			
Lease liabilities	21	**180**	2,992
Deferred tax liabilities	22	**77**	199
		257	3,191
Net assets		**239,979**	268,000

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	23	**16,800**	16,800
Reserves	24	**223,179**	251,200
Total equity		**239,979**	268,000

Mr. Chen Zhi
Director

Mr. Kung Ho Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital HK$'000 (Note 23)	Share premium* HK$'000 (Note 24)	Capital reserve* HK$'000 (Note 24)	Financial assets fair value reserve* HK$'000 (Note 24)	Retained earnings* HK$'000	Total HK$'000
Balance as at 1 January 2019	14,000	81,362	10,011	30	86,289	191,692
Loss for the year	–	–	–	–	(12,498)	(12,498)
Other comprehensive income, net of tax:						
Items that will not be classified subsequently to profit or loss						
– Fair value gain on financial assets at FVOCI	–	–	–	102	–	102
Total comprehensive expenses for the year	–	–	–	102	(12,498)	(12,396)
Transaction with owners:						
Issuance of ordinary shares by placing *(Note 23)*	2,800	85,904	–	–	–	88,704
Balance as at 31 December 2019 and 1 January 2020	16,800	167,266	10,011	132	73,791	268,000
Loss for the year	–	–	–	–	(28,065)	(28,065)
Other comprehensive income, net of tax:						
Items that will not be classified subsequently to profit or loss						
– Fair value gain on financial assets at FVOCI	–	–	–	44	–	44
Total comprehensive expenses for the year	–	–	–	44	(28,065)	(28,021)
Balance as at 31 December 2020	**16,800**	**167,266**	**10,011**	**176**	**45,726**	**239,979**

* The reserves accounts comprise the Group's reserves of HK$223,179,000 (31 December 2019: HK$251,200,000) as at 31 December 2020 in the consolidated statement of financial position.

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Cash flow from operating activities		
Loss before income tax	(27,858)	(13,484)
Adjustments for:		
Depreciation	2,942	2,095
Finance costs	145	205
Impairment loss on trade and other receivables, net	14,930	755
(Reversal of impairment loss)/impairment loss on contract assets	(67)	305
Interest income	(1,225)	(1,819)
Loss on disposal of property, plant and equipment	129	46
Operating loss before working capital changes	(11,004)	(11,897)
Decrease/(increase) in trade and other receivables	9,619	(23,343)
Decrease in contract assets	5,458	15,251
Increase/(decrease) in trade and other payables	10,114	(6,060)
Increase in contract liabilities	353	131
Cash generated from/(used in) operations	14,540	(25,918)
Interest paid	(226)	(361)
Income tax refunded	1,948	234
Net cash generated from/(used in) operating activities	16,262	(26,045)
Cash flow from investing activities		
Interest received	1,225	1,819
Purchase of property, plant and equipment	(506)	(357)
Proceeds from disposal of property, plant and equipment	962	1,769
Increase in amount due from joint operator	(560)	(99)
Net cash generated from investing activities	1,121	3,132
Cash flow from financing activities		
Net proceeds from issuance of share capital by placing	–	88,704
Payment of lease liabilities	(4,347)	(4,839)
Net cash (used in)/generated from financing activities	(4,347)	83,865
Net increase in cash and cash equivalents	13,036	60,952
Cash and cash equivalents at the beginning of year	143,299	82,347
Cash and cash equivalents at end of year represented by cash and bank balances *(Note 19)*	156,335	143,299

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Geotech Holdings Ltd. (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). With effect from 16 December 2020, the address of the registered office has been changed from P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands, and its principal place of business is Unit 1920, 19/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of construction and engineering services and property-related services.

The Company's immediate and ultimate holding company is Star Merit Global Limited ("**Star Merit**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Chen Zhi ("**Mr. Chen**"). The ultimate controlling shareholder of the Company is Mr. Chen.

These consolidated financial statements for the year ended 31 December 2020 (the "**Consolidated Financial Statements**") were approved for issue by the board of directors (the "**Directors**") of the Company on 30 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented in the consolidated financial statements. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVOCI which are stated at fair value. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company, and all values are rounded to the nearest thousands ("**HK$'000**"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Joint operations

A joint arrangement is a contractual arrangement between the Group and other parties, where they have contractually agreed to share joint control, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses relating to its interest with similar items on a line by line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Group recognises its interest in the joint operation from the date that joint control commences until the date on which the Group ceases to have joint control over the joint operation. Unrealised profits and losses resulting from transactions between the Group and its joint operations are eliminated to the extent of the Group's interest in the joint operation, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. When the Group ceases to have joint control over the joint operation, it is accounted for as a disposal of the entire interest in the joint operation, with a resulting gain or loss being recognised in profit or loss.

2.4 Foreign currency translation

In the individual financial statements of the consolidated group entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets (as described in Note 2.11)) are initially recognised at acquisition cost, includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. They are subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of assets less their residual values, if any over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant and machinery	30%
Motor vehicles	20% to 30%
Furniture and fixtures	20%
Leasehold improvement	33⅓% to 50%
Computer and software	20% to 30%

Accounting policy for depreciation of right-of-use assets is set out in Note 2.11.

Estimates of the assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.6 Financial instruments

a) Financial assets

Recognition and derecognition

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

a) Financial assets (continued)

Classification and initial measurement of financial assets

Except for those trade receivables and retention receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, or other income, except for expected credit losses ("**ECL**") of financial assets which is presented as a separate item in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

a) Financial assets (continued)

Subsequent measurement of financial assets

Debt investments

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, finance lease receivables and trade and other receivables fall into this category of financial instruments.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "financial assets fair value reserve" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

a) Financial assets (continued)

Subsequent measurement of financial assets (continued)

Equity investments (continued)

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "financial assets fair value reserve" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

b) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial liabilities

The Group's financial liabilities include lease liabilities and trade and other payables.

Financial liabilities (other than lease liabilities) are recognised when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value and where applicable, adjusted for transaction costs. Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.17).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Accounting policy for lease liabilities are set out in Note 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

b) Financial liabilities (continued)

Classification and measurement of financial liabilities (continued)

Lease liabilities

Lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.11).

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.7 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included trade receivables, retention receivables, contract assets recognised and measured under HKFRS 15 and other financial assets measured at amortised cost.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of financial assets and contract assets (continued)

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables, finance lease receivables, retention receivables and contract assets

For trade receivables, finance lease receivables, retention receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables, finance lease receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other financial assets measured at amortised cost on an individual basis for significant balance and equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of financial assets and contract assets (continued)

Other financial assets measured at amortised cost (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of ECL assessment of trade receivables, retention receivables, contract asset, finance lease receivables and other financial assets at amortised cost are set out in Note 30.4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets) and the Company's interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2.14) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2.7 and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2.6).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2.14). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2.6).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Leases

a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices for certain classes of assets if the non-lease components were material.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

a) *Definition of a lease and the Group as a lessee (continued)*

Measurement and recognition of leases as a lessee (continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve month or less.

On the consolidated statement of financial position, right-of-use assets have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

b) *The Group as a lessor*

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

b) The Group as a lessor (continued)

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its premises and the sub-lease contracts are classified as finance lease.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

2.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction are deducted from the share premium.

2.14 Revenue recognition

Revenue arises mainly from the contracts for the construction services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;

2. Identifying the performance obligations;

3. Determining the transaction price;

4. Allocating the transaction price to the performance obligations; and

5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Construction contracts

Revenue from construction contracts are recognised over time as the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the construction work services performed. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Revenue recognition (continued)

Construction contracts (continued)

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

The Group generally provides warranties for repairs to any construction defects and does not provide extended warranties in its construction contract with customers. As such, most existing warranties are considered as assurance-type warranties under HKFRS 15, which are accounted for under HKAS 37. Retention receivables are reclassified to trade receivables when the retention period expires.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Rental income

Accounting policies for rental income are set out in Note 2.11.

Property management consultancy service income

The performance obligation to provide the property management consultancy service income are satisfied over time. Revenue is recognised over time on time proportion basis.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under “Other income” in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.17 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Accounting for income taxes (continued)

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (the "**CODM**") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors, being the CODM are determined following the Group's major services lines.

The Group has identified the following reportable segments:

(a) Construction and engineering services; and

(b) Property-related services.

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Segment reporting (continued)

The measurement policies that the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the operating segment:

- income tax; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment.

Segment assets include all assets but financial assets at FVOCI and corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, and which primarily applies to the Group's headquarters.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

2.20 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Related parties (continued)

(b) **(continued)**

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than as noted below, the adoption of these newly effective amended HKFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented:

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

3. ADOPTION OF NEW AND AMENDED HKFRSs (continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material" (continued)

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group's consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[6]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date not yet determined
6 Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are set out in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

(a) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see Note 4(b)), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Construction contracts

As explained in Note 2.14, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers or their agents. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders (if any), prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. When the outcome of a construction contract cannot be estimated reliably (uncertified work or unagreed income), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Significant judgement is required in estimating the contract revenue, contract costs and variation work (if any) which may have an impact on progress of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimated contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any uncertified work and unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results. Details of the contract assets and contract liabilities are disclosed in Note 18.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting judgements (continued)

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the year ended 31 December 2020, all extension options in leases of offices have not been included in determination of the lease liability because the amount of payments in the optional periods is not favourable compare to market rates.

In addition, the Group exercised considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

(b) Estimate uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and other receivables and contract assets within the scope of ECL

The Group makes allowances on items subject to ECL (including trade and other receivables and contract assets) based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in Note 2.7 and 30.4. As at 31 December 2020, the aggregate carrying amounts of trade and other receivables and contract assets amounted to HK$86,372,000 (net of impairment loss of HK$15,685,000) (31 December 2019: HK$105,716,000 (net of impairment loss of HK$755,000)) and HK$35,061,000 (net of impairment loss of HK$238,000) (31 December 2019: HK$40,452,000 (net of impairment loss of HK$305,000)) respectively. Details of the trade and other receivables and contract assets are disclosed in Note 17 and Note 18 respectively.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's principal activities are disclosed in Note 1 of the consolidated financial statements.

Revenue recognised for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
	HK$'000	HK$'000
Construction and engineering services	**325,668**	353,292
Property-related services	**5,980**	2,015
	331,648	355,307

All performance obligations of revenue of the Group are satisfied over time.

(b) Segment information

The Group's operating activities are attributable to construction and engineering services and property-related services. The Group organised its business units based on its segment purposes and the internal management reports are prepared in accordance with accounting policies which conform to HKFRSs as further described in Note 2.19, which is regularly reviewed by the executive directors, being the CODM, for the purposes of resource allocation and assessment of segment performance. The CODM has identified construction and engineering services and property-related services as reportable segments.

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

For the year ended 31 December 2020

	Construction and engineering services HK$'000	Property-related services HK$'000	Total HK$'000
Reportable segment revenue			
– From external customers	325,668	5,980	331,648
Reportable segment results *(Note)*	(20,685)	1,219	(19,466)
Unallocated corporate income			728
Unallocated corporate expenses			(9,120)
Loss before income tax			(27,858)

Note:

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results				
– Bank interest income	597	–	565	1,162
– Reversal of impairment loss on contract assets	67	–	–	67
– Depreciation of non-financial assets	(2,934)	(3)	(5)	(2,942)
– Impairment loss on trade and other receivables, net	(14,930)	–	–	(14,930)
– Loss on disposal of property, plant and equipment	(129)	–	–	(129)
– Finance costs	(145)	–	–	(145)
Other segment item				
Additions to non-current assets	1,358	22	13	1,393

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

As at 31 December 2020

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Reportable segment assets	242,163	2,608	54,814	299,585
Reportable segment liabilities	58,091	87	1,428	59,606

For the year ended 31 December 2019

	Construction and engineering services HK$'000	Property-related services HK$'000	Total HK$'000
Reportable segment revenue			
– From external customers	353,292	2,015	355,307
Reportable segment results *(Note)*	(6,390)	(503)	(6,893)
Unallocated corporate income			831
Unallocated corporate expenses			(7,422)
Loss before income tax			(13,484)

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

For the year ended 31 December 2019 (continued)

Note:

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results				
– Bank interest income	826	–	831	1,657
– Depreciation of non-financial assets	(2,093)	–	(2)	(2,095)
– Impairment loss on trade and other receivables	(755)	–	–	(755)
– Impairment loss on contract assets	(305)	–	–	(305)
– Loss on disposal of property, plant and equipment	(46)	–	–	(46)
– Finance costs	(205)	–	–	(205)
Other segment item				
Additions to non-current assets	2,096	–	14	2,110

As at 31 December 2019

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Reportable segment assets	255,668	1,689	64,162	321,519
Reportable segment liabilities	52,170	11	1,338	53,519

Geographical information

The Group's revenue from external customers based on the location of the operation is derived solely in Hong Kong (place of domicile). Most non-current assets of the Group based on the location of assets are located in Hong Kong. Accordingly, no segment analysis by geographical information is presented.

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2020 HK$'000	2019 HK$'000
Construction and engineering services segment		
– Customer A	**171,599**	155,034
– Customer B	**105,078**	79,645
– Customer C	**N/A***	41,351

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Consultancy fee income	**120**	285
Rental income from lease of machinery	**431**	1,044
Safety consultancy income	**446**	691
Bank interest income	**1,162**	1,657
Interest income from finance lease receivables *(Note 16)*	**63**	162
Government grant *(Note (i))*	**6,882**	–
Sundry income *(Note (ii))*	**2,533**	1,403
	11,637	5,242

Notes:

(i) Government grant represented (a) the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region ("**HKSAR**") in respect of the outbreak of novel coronavirus (COVID-19) (the "**Outbreak**"); and (b) the Construction Industry Anti-epidemic Fund provided by the Government of HKSAR which aims to support the construction industry against the Outbreak by improving the anti-contagion measures at construction sites and strengthening the workers' personal protective equipment.

(ii) Sundry income mainly represented handling charges of approximately HK$1,878,000 (2019: approximately HK$861,000) paid by subcontractors requesting our assistance in the procurement of construction materials for our construction contracts.

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Finance charge on lease liabilities	**145**	205

8. LOSS BEFORE INCOME TAX

	2020 HK$'000	2019 HK$'000
Loss before income tax is stated after charging/(crediting):		
(a) Staff costs (including Directors' remuneration *(Note 12(a))*		
Salaries, fee and allowances	**35,126**	23,900
Discretionary bonuses	**657**	2,758
Retirement scheme contributions	**1,382**	936
Staff costs (including Directors' remuneration) *(Note)*	**37,165**	27,594
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**406**	401
– Right-of-use assets	**1,181**	126
Administrative expenses		
– Owned assets	**851**	1,227
– Right-of-use assets	**504**	341
	2,942	2,095
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 on 1 January 2019	**485**	1,256
Subcontracting charges (included in direct costs)	**296,813**	319,330
Loss on disposal of property, plant and equipment	**129**	46
Auditors' remuneration	**981**	1,211

8. LOSS BEFORE INCOME TAX (continued)

Note: Staff costs (including Directors' remuneration)

	2020 HK$'000	2019 HK$'000
Direct costs	16,689	11,718
Administrative expenses	20,476	15,876
	37,165	27,594

9. INCOME TAX EXPENSE/(CREDIT)

	2020 HK$'000	2019 HK$'000
Provision for Hong Kong Profits Tax		
– Current tax	139	115
– Over provision in respect of prior years	(100)	(23)
	39	92
Deferred tax income/(expense) *(Note 22)*	168	(1,078)
Total income tax expense/(credit)	207	(986)

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profit for the year.

No provision for overseas profit tax has been made as the Group had no assessable profits generated in overseas operation during the year ended 31 December 2020 (2019: nil).

9. INCOME TAX EXPENSE/(CREDIT) (continued)

The taxation for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before income tax	(27,858)	(13,484)
Tax at Hong Kong Profits Tax rates of 16.5%	(4,597)	(2,225)
Tax effect of expense not deductible for tax purpose	4,425	1,481
Tax effect of non-taxable income	(1,196)	(136)
Tax losses not recognised	1,728	(81)
Over provision in respect of prior years	(100)	(23)
Others	(53)	(2)
Income tax expense/(credit) for the year	207	(986)

10. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

11. LOSS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the year attributable to equity holders of the Company	(28,065)	(12,498)
	'000	'000
Number of shares		
Weighted average number of ordinary shares	1,680,000	1,551,890

11. LOSS PER SHARE (continued)

The calculation of the basic loss per share for the year ended 31 December 2020 is based on the loss for the year attributable to equity holders of the Company of approximately HK$28,065,000 (2019: approximately HK$12,498,000) and the weighted average number of ordinary shares of 1,680,000,000 (2019: 1,551,890,000) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2019 representing the weighted average of ordinary shares of 1,551,890,000 in issue during the year ended 31 December 2019 which includes (i) 1,400,000,000 ordinary shares in issue as at 1 January 2019; and (ii) 280,000,000 new ordinary shares issued pursuant to the placing (Note 23) on 17 June 2019, as if all these shares had been in issue throughout the year ended 31 December 2019.

There were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Remuneration of the Directors disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of Information about Benefits of Directors), is as follows:

	Fee HK$'000	Salaries, allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2020					
Executive Directors:					
Mr. Chen	–	1,200	–	18	1,218
Mr. Qiu Dong *(Note (i))*	–	600	–	18	618
Mr. Yau Kin Wing Sino *(Note (ii))*	–	1,187	–	17	1,204
Mr. Kung Ho Man *(Note (iii))*	–	126	–	–	126
Independent non-executive Directors:					
Mr. Chan Tsang Mo *(Note (i))*	180	–	–	–	180
Mr. Fung Chi Kin *(Note (v))*	210	–	–	–	210
Mr. Shen Zejing *(Note (i))*	240	–	–	–	240
Mr. So Wai Man	180	–	–	–	180
	810	3,113	–	53	3,976

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

	Fee HK$'000	Salaries, allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive Directors:					
Mr. Chen	–	1,200	–	19	1,219
Mr. Qiu Dong *(Note (i))*	–	577	–	18	595
Mr. Yau Kin Wing Sino *(Note (ii))*	–	1,314	107	18	1,439
Mr. Kung Ho Man *(Note (iii))*	–	136	–	2	138
Ms. Tang Ka Wa Danise *(Note (iv))*	–	90	–	2	92
Independent non-executive Directors:					
Mr. Chan Tsang Mo *(Note (i))*	173	–	–	–	173
Mr. Fung Chi Kin *(Note (v))*	360	–	–	–	360
Mr. Shen Zejing *(Note (i))*	231	–	–	–	231
Mr. So Wai Man	180	–	–	–	180
Mr. Cheung Wai Lun Jacky *(Note (iv))*	7	–	–	–	7
Mr. Chow Chun To *(Note (iv))*	7	–	–	–	7
Mr. Wei Qianjing *(Note (iv))*	7	–	–	–	7
	965	3,317	107	59	4,448

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

Notes:

(i) Appointed on 15 January 2019.

(ii) Redesignated as a Chief Executive Officer on 15 January 2019 and resigned on 25 November 2020. The remuneration for Chief Executive Officer was also included.

(iii) Resigned on 15 January 2019 and reappointed on 25 November 2020 as the Chief Executive Officer of the Company. His remuneration also includes his service as Chief Executive Officer.

(iv) Resigned on 15 January 2019.

(v) Resigned on 1 August 2020.

For the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the above Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2019: nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group include three (2019: two) Directors for the year ended 31 December 2020, whose emoluments are disclosed in Note 12(a). The aggregate of the emoluments in respect of the remaining two (2019: three) individuals are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, fee and allowances	**1,677**	2,654
Discretionary bonuses	**155**	384
Retirement scheme contributions	**33**	54
	1,865	3,092

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands:		
Nil–HK$1,000,000	**1**	2
HK$1,000,001–HK$1,500,000	**1**	1

For the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a Director or management of any members of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Premises held under leases *(Note)* HK$'000	Plant and machinery HK$'000	Motor vehicles *(Note)* HK$'000	Furniture and fixtures HK$'000	Leasehold improvement HK$'000	Computer and software HK$'000	Total HK$'000
Cost							
As at 1 January 2019	—	2,264	10,639	2,475	1,810	1,066	18,254
Additions	1,423	5	316	225	117	24	2,110
Disposals	—	—	(2,617)	(1,059)	(588)	(378)	(4,642)
As at 31 December 2019	1,423	2,269	8,338	1,641	1,339	712	15,722
As at 1 January 2020	1,423	2,269	8,338	1,641	1,339	712	15,722
Additions	887	27	246	19	109	105	1,393
Disposals/Written off	(376)	(5)	(2,898)	(340)	(498)	(166)	(4,283)
As at 31 December 2020	1,934	2,291	5,686	1,320	950	651	12,832
Accumulated depreciation							
As at 1 January 2019	—	(1,322)	(6,726)	(1,481)	(923)	(826)	(11,278)
Charge for the year	(163)	(324)	(1,007)	(99)	(456)	(46)	(2,095)
Depreciation written back upon disposals	—	—	1,993	256	377	201	2,827
As at 31 December 2019	(163)	(1,646)	(5,740)	(1,324)	(1,002)	(671)	(10,546)
As at 1 January 2020	(163)	(1,646)	(5,740)	(1,324)	(1,002)	(671)	(10,546)
Charge for the year	(1,251)	(491)	(812)	(81)	(267)	(40)	(2,942)
Depreciation written back upon disposals/ written off	376	2	1,846	305	498	165	3,192
As at 31 December 2020	(1,038)	(2,135)	(4,706)	(1,100)	(771)	(546)	(10,296)
Net book value							
As at 31 December 2020	896	156	980	220	179	105	2,536
As at 31 December 2019	1,260	623	2,598	317	337	41	5,176

Note: As at 31 December 2020, the carrying amounts of the Group's right-of-use assets in relation to premises and motor vehicles are HK$896,000 (2019: HK$1,260,000) and HK$954,000 (2019: HK$1,141,000) respectively. The depreciation charge for the year ended 31 December 2020 of the Group's right-of-use assets in relation to premises and motor vehicles are HK$1,251,000 (2019: HK$163,000) and HK$434,000 (2019: HK$304,000) respectively. As at 31 December 2020, the carrying amounts of the Group's motor vehicles of HK$954,000 (31 December 2019: HK$1,141,000) are pledged under leases.

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2020 and 2019 are as follows:

Company name	Place of incorporation/ establishment and operation	Type of legal entity	Issued and fully paid up share capital/ Registered capital	Equity interest attributable to the Group		Principal activities
				2020	2019	
Indirectly held						
Geotech Engineering Limited	Hong Kong	Limited liability company	HK$10,000,000	100%	100%	Provision of construction and engineering services
GeoResources Limited	Hong Kong	Limited liability company	HK$10,000	100%	100%	Provision of trading, design and engineering services
Richway Construction Engineering Limited	Hong Kong	Limited liability company	HK$1	100%	100%	Provision of construction and engineering services
Yau Wing Construction & Engineering Limited	Hong Kong	Limited liability company	HK$1	100%	100%	Provision of construction and engineering services
Nova Management Services Limited	Hong Kong	Limited liability company	HK$1	100%	100%	Provision of property-related services
Chen Xu Jian Zhu Construction Decoration Engineering (Cambodia) Co., Ltd.	Kingdom of Cambodia	Limited liability company	KHR2,840 million (2019: KHR2,200 million)/ KHR3,200 million	100%	100%	Provision of construction and decoration services

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Unlisted securities — Unit Trust Fund	**1,297**	1,253

The fair value of the Group's financial assets at FVOCI has been measured as described in Note 30.6.

16. FINANCE LEASE RECEIVABLES

The maturity analysis of the undiscounted lease payments receivables from finance leases are as follows:

	2020 HK$'000	2019 HK$'000
Total undiscounted lease payments receivables:		
Within one year	**669**	2,077
After one year but within two years	**–**	981
	669	3,058
Unearned interest income	**(12)**	(100)
Present value of the finance lease receivable	**657**	2,958
Present value of the finance lease receivables:		
Within one year	**657**	1,995
After one year but within two years	**–**	963
	657	2,958
Less: portion due within one year included under current assets	**(657)**	(1,995)
Portion due after one year included under non-current assets	**–**	963

16. FINANCE LEASE RECEIVABLES (continued)

Movements in finance lease receivables

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	2,958	2,367
Addition	–	2,991
Derecognition	(933)	–
Receipts	(1,431)	(2,562)
Interest income from finance lease receivables (Note 6)	63	162
Balance as at 31 December	657	2,958

The finance lease receivables represent the sublease arrangement entered by the Group with subcontractors in respect of premises typically run for an initial period of two years to three years. The leases do not include contingent rentals and variable lease payments. The subleases are entered with the same terms of the respective head-leases and no gain or loss recognised from the deemed disposal of the right-of-use assets from the head-leases.

17. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	29,001	27,801
Less: impairment loss	(184)	(208)
	28,817	27,593
Retention receivables	17,103	21,237
Other receivables *(Note (i))*	53,402	54,710
Prepayment	16,728	19,959
Utility and other deposits	1,892	2,624
Less: impairment loss	(15,501)	(547)
	73,624	97,983
Amount due from joint operator *(Note (ii))*	659	99
	103,100	125,675

Notes:

(i) Other receivables include materials and expenses of slope work contracts paid on behalf of subcontractors, for which expenses are recharged to subcontractors.

(ii) The amount is unsecured, interest-free and repayable on demand.

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

17. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

Based on the invoice dates, the ageing analysis of the trade receivables, net of impairment loss, is as follows:

	2020	2019
	HK$'000	HK$'000
0–30 days	**24,822**	24,728
31–60 days	**997**	339
61–90 days	**315**	135
Over 90 days	**2,683**	2,391
	28,817	27,593

Retention receivables

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

The retention receivables were expected to be recovered/settled as follows:

	2020	2019
	HK$'000	HK$'000
Due within one year	**3,681**	2,313
Due after one year	**13,422**	18,924
	17,103	21,237

Retention receivables are interest-free and repayable approximately one year after the expiry of the maintenance period of construction projects.

At the end of the reporting date, the Group reviewed trade receivables, retention receivables and other receivables for evidence of impairment on collective basis. Based on ECL assessment, impairment loss of HK$15,685,000 has been recognised as at 31 December 2020 (31 December 2019: HK$755,000). For details of the ECL assessment, please refer to Note 30.4.

17. TRADE AND OTHER RECEIVABLES (continued)

The movements in the impairment loss on trade receivables are as follows:

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	208	–
Impairment loss recognised during the year	–	208
Impairment loss reversed during the year	(24)	–
Balance as at 31 December	184	208

The movements in the impairment loss on retention receivables are as follows:

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	155	–
Impairment loss recognised during the year	–	155
Impairment loss reversed during the year	(52)	–
Balance as at 31 December	103	155

The movements in the impairment loss on other receivables are as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Balance as at 1 January 2019	–	–	–	–
Impairment loss recognised during the year	392	–	–	392
Balance as at 31 December 2019 and 1 January 2020	392	–	–	392
Impairment loss recognised during the year	21	12,700	2,285	15,006
Balance as at 31 December 2020	413	12,700	2,285	15,398

(i) As at 31 December 2020, included in other receivables represent other receivables amounting to HK$22,963,000 from a debtor which has significant increase in credit risk since initial recognition, therefore, an impairment loss of HK$12,700,000 was recognised based on lifetime ECL (i.e. Stage 2).

(ii) As at 31 December 2020, included in other receivables represent other receivables amounting to HK$2,285,000 from a debtor which has financial difficulties. Having considered the liquidity condition of debtors, the balances are considered as credit-impaired and, therefore, an impairment loss of HK$2,285,000 was recognised based on lifetime ECL (i.e. Stage 3).

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

18.1 Contract assets

	2020 HK$'000	2019 HK$'000
Contract assets arising from construction contracts	35,299	40,757
Less: impairment loss	(238)	(305)
	35,061	40,452

The amount of contract assets is expected to be recovered/settled within one year.

At the end of the reporting date, the Group reviewed contract assets for evidence of impairment on collective basis. Based on ECL assessment, impairment loss of HK$238,000 has been recognised as at 31 December 2020 (31 December 2019: HK$305,000). For details of the ECL assessment, please refer to Note 30.4.

The movements in the impairment loss on contract assets are as follows:

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	305	–
Impairment loss recognised during the year	–	305
Impairment loss reversed during the year	(67)	–
Balance as at 31 December	238	305

18.2 Contract liabilities

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from construction contracts from billings in advance of performance	2,154	1,801

All of the contract liabilities is expected to be recovered/settled within one year.

18. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

18.2 Contract liabilities (continued)

Movements in contract liabilities

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	1,801	1,670
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,652)	(1,623)
Increase in contract liabilities as a result of billing in advance of construction activities	2,005	1,754
Balance as at 31 December	2,154	1,801

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	356,752	325,914
More than one year	80,722	269,961
	437,474	595,875

19. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash at bank *(Note 27 (b))*	156,275	143,148
Cash on hand	60	151
	156,335	143,299

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Directors consider that the fair values of cash at bank are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

20. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables *(Note (i))*	23,092	19,576
Retention payables *(Note (ii))*	21,213	15,440
Accruals and other payables	9,908	9,083
	54,213	44,099

All amounts are short-term and hence, the carrying values of the Group's trade payables, retention payables and accruals and other payables are considered to be a reasonable approximation of fair value.

Ageing analysis of trade payables based on the invoices date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	17,626	15,931
31–60 days	1,362	2,199
61–90 days	637	406
Over 90 days	3,467	1,040
	23,092	19,576

Notes:

(i) Payment terms granted by suppliers are 30 to 60 days from the invoice date of the relevant purchases.

(ii) Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

21. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	2020 HK$'000	2019 HK$'000
Total minimum lease payments:		
Within one year	**2,875**	4,654
After one year but within two years	**182**	2,875
After two years but within three years	**–**	182
	3,057	7,711
Future finance charges	**(65)**	(291)
Present value of lease obligation	**2,992**	7,420
Present value of minimum lease payment:		
Within one year	**2,812**	4,428
After one year but within two years	**180**	2,812
After two years but within three years	**–**	180
	2,992	7,420
Less: portion due within one year included under current liabilities	**(2,812)**	(4,428)
Portion due after one year included under non-current liabilities	**180**	2,992

As at 31 December 2020 and 2019, the Group had lease arrangements for motor vehicles. These lease periods are for two to three years. At the end of the lease term, the Group has the option to purchase the leased motor vehicles at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases include contingent rentals.

As at 31 December 2020, leases of motor vehicles amounted to HK$939,000 (31 December 2019: HK$2,742,000) are held by the Group in trust but used by and belong to subcontractors or their nominators.

As at 31 December 2020, four (2019: three) of the leases are for use of office or workshop premises for two to three years. The Group makes fixed payments during the contract periods. One of the lease agreements contains an option for further extending the lease period from three years to four years by giving a notice to landlord before the end of the lease. The Group considered the option would not be exercised at the lease commencement date.

21. LEASE LIABILITIES (continued)

As at 31 December 2020 and 2019, the Group had a lease arrangement for subleasing to subcontractors (refer to Note 16) in respect of premises run for an initial period of two years to three years. The lease does not include contingent rentals and variable lease payments.

The leases are effectively secured by the underlying assets as the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2020, the total cash outflows for the leases are HK$5,058,000 (2019: HK$6,456,000).

22. DEFERRED TAXATION

The movements in deferred tax liabilities and (assets) and recognised in the consolidated statement of the financial position during the years ended 31 December 2020 and 2019 are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2019	948	(560)	388
Credited to profit or loss *(Note 9)*	(596)	(482)	(1,078)
As at 31 December 2019 and 1 January 2020	352	(1,042)	(690)
Charged to profit or loss *(Note 9)*	77	91	168
As at 31 December 2020	**429**	**(951)**	**(522)**

The amounts recognised in the consolidated statement of financial position are as follows:

	2020	2019
	HK$'000	HK$'000
Deferred tax assets	**599**	889
Deferred tax liabilities	**(77)**	(199)
	522	690

The Group has unrecognised tax losses of HK$10,476,000 (2019: nil) to carry forward against future taxable income. These tax losses do not expire under current legislation.

23. SHARE CAPITAL

	2020		2019	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
As at 1 January and 31 December	4,000,000,000	40,000	4,000,000,000	40,000
Issued and fully paid:				
As at 1 January	1,680,000,000	16,800	1,400,000,000	14,000
Issuance of ordinary shares pursuant to the placing *(Note)*	–	–	280,000,000	2,800
As at 31 December	1,680,000,000	16,800	1,680,000,000	16,800

Note: On 17 June 2019, 280,000,000 new ordinary shares with par value of HK$0.01 each of the Company were allotted and issued at a price of HK$0.32 per share by way of placing. The proceeds of HK$2,800,000 representing the par value of these ordinary shares, were credited to the Company's share capital. The remaining proceeds after deducting placing commission directly attributable to the issue of shares amounted to HK$85,904,000, were credited to the Company's share premium account. The issued and fully paid share capital of the Company was then increased to HK$16,800,000 divided into 1,680,000,000 shares of HK$0.01 each.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

As at 31 December 2020, the aggregate amount of reserves available for distribution to Shareholders of the Company was HK$135,789,000 (31 December 2019: HK$152,492,000).

Share premium

The share premium represents the difference between the par value of the shares in issue of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group as at 31 December 2020 and 2019 represents the share capital of entities comprising the Group prior to the Group's reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the "**Reorganisation**") and the reserves arising from the Reorganisation.

Financial assets fair value reserve

The financial assets fair value reserve represents the change in fair value arising from the investment in unlisted securities — Unit Trust Fund (Note 15).

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	14	83,384	86,067
Property, plant and equipment		19	12
Loan to a subsidiary		99,900	99,900
		183,303	185,979
Current assets			
Other receivables		389	1,059
Amounts due from subsidiaries		2,479	6,398
Cash and bank balances		53,912	63,261
		56,780	70,718
Current liabilities			
Accruals		1,427	1,338
Amounts due to subsidiaries		–*	–*
		1,427	1,338
Net current assets		55,353	69,380
Net assets		238,656	255,359
CAPITAL AND RESERVES			
Share capital	23	16,800	16,800
Reserves *(Note)*		221,856	238,559
Total equity		238,656	255,359

* The amount is less than HK$1,000.

Mr. Chen Zhi
Director

Mr. Kung Ho Man
Director

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: The movements of the Company's reserves are as follows:

	Share premium	Capital reserve*	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$000
Balance as at 1 January 2019	81,362	86,067	(8,225)	159,204
Issuance of ordinary shares pursuant to placing *(Note 23)*	85,904	–	–	85,904
Loss and total comprehensive expense for the year	–	–	(6,549)	(6,549)
Balance as at 31 December 2019 and 1 January 2020	167,266	86,067	(14,774)	238,559
Loss and total comprehensive expense for the year	–	–	(16,703)	(16,703)
Balance as at 31 December 2020	**167,266**	**86,067**	**(31,477)**	**(221,856)**

* Capital reserve of the Company represents the difference between the total equity of Praise Marble Limited acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

26. LEASE COMMITMENTS

As lessee

As at 31 December 2020 and 2019, the lease commitments for short term leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	107	116

The Group's leases in respect of premises with a lease period of one year are qualified to be accounted for under short term leases exemption under HKFRS 16.

27. RELATED PARTY AND CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

The emoluments of the Directors and senior management of the Company, who represent the key management personnel during the years ended 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, fee and allowances	5,047	5,033
Discretionary bonuses	–	183
Retirement scheme contributions	79	77
	5,126	5,293

The above emoluments in relation to service contracts of Directors are exempt continuing connected transactions under Chapter 14A of the Listing Rules.

27. RELATED PARTY AND CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (continued)

(b) Related party transactions

Summary of the related party transactions carried out by the Group during the years ended 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Property management consultancy services income from Cheer Capital Limited ("**Property-related Services**") *(Note (i))*	4,080	1,765
Payment of lease liabilities to Keen Forever Limited *(Note (ii))*	(351)	(31)
Finance charge on lease liabilities to Keen Forever Limited *(Note (ii))*	(23)	(3)
Bank deposits to Prince Bank Plc. *(Note (iii))*		
– balance as at 31 December	353	2,211
– maximum balance during the year ended 31 December	2,211	2,416

The above related party transactions are de minimis connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

Notes:

(i) A company indirectly and wholly-owned by Mr. Chen, an executive Director and the controlling shareholder of the Company.

(ii) A company directly and wholly-owned by Mr. Yau Kin Wing Sino, who resigned as the executive Director and chief executive officer of the Company on 25 November 2020.

(iii) A company directly controlled by Mr. Chen, an executive Director and the controlling shareholder of the Company.

The above transactions (with the exception of Property-related Services) are fully exempt from the requirements of reporting, annual review, announcement and approval of independent shareholders under Chapter 14A of the Listing Rules. Property-related Services are subject to reporting, annual review and announcement requirements but exempt from the requirements of circular and approval of independent shareholders under Chapter 14A of the Listing Rules. The Directors confirm that the Group has no other connected transaction or continuing connected transaction which are required to be disclosed under Chapter 14A of the Listing Rules.

28. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

During the year ended 31 December 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings by two subcontractors. Up to the date of approval of the Consolidated Financial Statements, such legal proceedings are still in process. Based on the information available and advice from the Company's legal counsel, the Board considered that there is reasonable merit in the defence to the proceedings.

28. CONTINGENT LIABILITIES (continued)

As such, the Board is of the view that such claims and litigations would not cause any material adverse impact on the operation and financial position of the Group and no provision is required to be made in the consolidated financial statements.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	2020 HK$'000	2019 HK$'000
Lease liabilities		
As at 1 January	7,420	4,783
Cash-flows:		
– Capital element of lease rentals paid	(4,347)	(4,839)
– Interest element of lease rentals paid	(226)	(361)
Non-cash:		
– Entering into new leases *(Note 31)*	–	7,632
– Interest expenses*	145	205
As at 31 December	2,992	7,420

* The amount represents net amount after recharge to subcontractors.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2020 HK$'000	2019 HK$'000
Financial assets		
At amortised cost:		
– Trade and other receivables	86,372	105,716
– Finance lease receivables	657	2,958
– Cash and bank balances	156,335	143,299
	243,364	251,973
At FVOCI:		
– Unlisted securities – Unit Trust Fund	1,297	1,253
	244,661	253,226
Financial liabilities		
At amortised costs:		
– Trade and other payables	(54,213)	(44,099)
– Lease liabilities	(2,992)	(7,420)
	(57,205)	(51,519)

30.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its cash at bank denominated in United Stated Dollars ("**US$**") amounted to approximately of HK$38,252,000 as at 31 December 2020 (31 December 2019: HK$38,793,000), which is not the functional currency of the relevant group entities. Since HK$ are pegged to US$ under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US$.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities. Lease liabilities bearing fixed rate expose the Group to fair value interest rate risk and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

30.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at 31 December 2020 and 2019 as summarised in Note 30.1.

As at 31 December 2020, for trade receivables, the Group usually provide customers with a credit term of 21 to 30 days (31 December 2019: 21 to 30 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgement and experience of the management. For retention receivables, the Group negotiated with customers case by case on the settlement arrangement after the retention period.

The Group applies the simplified approach for trade receivables, finance lease receivables, retention receivables and contract assets to provide ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for these receivables due from third parties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue balances.

The Group assesses ECL under HKFRS 9 on trade receivables, retention receivables, finance lease receivables and contract assets based on provision matrix, the analysis of credit risk are based on debtors' ageing because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In applying the forward-looking information, the Group has taken into account the possible impacts associated the overall change in the economic environment from COVID-19. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.4 Credit risk (continued)

On the basis, the impairment loss as at 31 December 2020 and 2019 was determined as follows for trade receivables:

	ECL rate	Gross carrying amount HK$'000	Impairment loss HK$'000	Net carrying amount HK$'000
As at 31 December 2020				
0–30 days	**0.01%**	**24,824**	**(2)**	**24,822**
31–60 days	**0.09%**	**998**	**(1)**	**997**
61–90 days	**0.00%**	**315**	**–**	**315**
Over 90 days	**6.33%**	**2,864**	**(181)**	**2,683**
		29,001	**(184)**	**28,817**
As at 31 December 2019				
0–30 days	0.00%	24,728	–	24,728
31–60 days	0.00%	339	–	339
61–90 days	0.00%	135	–	135
Over 90 days	8.00%	2,599	(208)	2,391
		27,801	(208)	27,593

Trade receivables and contract assets are written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The Directors of the Group reviewed and considered no irrecoverable amounts should be taken account for the overdue trade receivables balances as at 31 December 2020 and 2019.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.4 Credit risk (continued)

At 31 December 2020, the Group has concentration of credit risk as 34% and 79% (31 December 2019: 36% and 85%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively. The aggregate amounts of trade receivables from these customers amounted to HK$9,975,000 and HK$22,671,000 (31 December 2019: HK$9,906,000 and HK$23,768,000) of the Group's total trade receivables at 31 December 2020.

The ECL rate applied for contract assets and retention receivables is 0.94% (2019: 0.75%). The ECL rate applied for finance lease receivables are considered to be insignificant.

For other financial assets, the Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition on an individual basis for significant balance, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its other receivables into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When other receivables are first recognised, the Group recognises an allowance based on 12 months' ECLs.

Stage 2 When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 When other receivables are considered credit-impaired, the Group records an allowance for the lifetime ECLs.

As at 31 December 2020, included in other receivables represent other receivables amounting to HK$22,963,000 from a debtor which have significant increase in credit risk since initial recognition, therefore, an impairment loss of HK$12,700,000 was recognised based on lifetime ECL (i.e. Stage 2).

As at 31 December 2020, included in other receivables represent other receivables amounting to HK$2,285,000 from debtor which have financial difficulties. Having considered the liquidity condition of debtors, the balances are considered as credit-impaired and, therefore, an impairment loss of HK$2,285,000 was recognised based on lifetime ECL (i.e. Stage 3).

Except for the other receivables as set out in above, the management is of opinion that there is no significant increase in credit risk on other receivables since initial recognition as the risk of default is low after considering the factors set out in Note 2.7 and, thus the Group assessed that the ECL for other receivables under the 12 months ECL method. The impairment loss recognised based on 12-month ECL is HK$413,000 (31 December 2019: HK$392,000) for the year ended 31 December 2020.

The credit risks on cash and bank balances are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at 31 December 2020 and 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within one year HK$'000	**Over 1 year but within 5 years HK$'000**	**Total undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
As at 31 December 2020				
Trade and other payables	**(54,213)**	**–**	**(54,213)**	**(54,213)**
Lease liabilities	**(2,875)**	**(182)**	**(3,057)**	**(2,992)**
	(57,088)	**(182)**	**(57,270)**	**(57,205)**

	Within one year HK$'000	Over 1 year but within 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2019				
Trade and other payables	(44,099)	–	(44,099)	(44,099)
Lease liabilities	(4,654)	(3,057)	(7,711)	(7,420)
	(48,753)	(3,057)	(51,810)	(51,519)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.6 Fair value measurement

(a) *Financial assets measured at fair value*

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly are not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

2020	**Fair value at 31 December HK$'000**	**Fair value measurement using Level 2 HK$'000**
Recurring fair value measurement		
Financial assets		
Financial assets at FVOCI:		
Unlisted securities	**1,297**	**1,297**

2019	Fair value at 31 December HK$'000	Fair value measurement using Level 2 HK$'000
Recurring fair value measurement		
Financial assets		
Financial assets at FVOCI:		
Unlisted securities	1,253	1,253

There were no transfers between categories during the reporting period.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

30.6 Fair value measurement (continued)

(a) Financial assets measured at fair value (continued)

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 2 are unchanged compared to the previous reporting periods and are described below:

The financial assets at FVOCI are unlisted securities dominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. The effects of non-observable inputs are not significant for the unlisted securities.

During the year ended 31 December 2020, fair value change of HK$44,000 (2019: HK$102,000) on securities is recognised in other comprehensive income and included under "Financial assets fair value reserve".

(b) Fair value of financial assets and liabilities carried at other than fair value

The carry amounts of the Group's financial assets and liabilities are not materially different from their fair values at 31 December 2020 and 2019 due to their short maturities.

31. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2019, the Group entered into lease arrangements in respect of premises and motor vehicles with a total capital value at the inception of the leases of HK$4,414,000 for premises and HK$3,218,000 for motor vehicles which were directly settled by licensed money lenders and banks to the sellers of motor vehicles. No lease arrangement in respect of premises and motor vehicles was entered for the year ended 31 December 2020.

During the year ended 31 December 2019, lease of HK$2,992,000 were entered for a sublease arrangement to subcontractors and lease of HK$2,888,000 were entered for acquisition of nine motor vehicles which are held by the Group in trust but used by and belong to subcontractors or their nominators. The lease of HK$1,423,000 and HK$330,000 were entered for acquisition of three premises and one motor vehicle respectively held and used by the Group, which are not reflected in the consolidated statement of cash flows. No lease was entered for sublease arrangement or acquisition of motor vehicles which are held by the Group in trust during the year ended 31 December 2020.

32. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose, gearing ratio is calculated based on total borrowings divided by the total equity as at the year-end date and multiplied by 100%. Total borrowings of the Group were the lease liabilities. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at each reporting date was:

	2020 HK$'000	2019 HK$'000
Total borrowings		
Lease liabilities	2,992	7,420
Total equity	239,979	268,000
Gearing ratio	1.2%	2.8%

RESULTS

		Year ended 31 December				
		2020	2019	2018	2017	2016
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	2	331,648	355,307	257,413	275,813	344,766
Direct costs	2	(326,433)	(344,436)	(233,062)	(232,668)	(295,210)
Gross profit		5,215	10,871	24,351	43,145	49,556
Other income		11,637	5,242	4,238	2,138	3,103
Administrative expenses	1	(29,702)	(28,332)	(22,567)	(30,592)	(25,796)
Impairment loss on trade and other receivables, net		(14,930)	(755)	–	–	–
Reversal of impairment loss/(Impairment loss) on contract assets		67	(305)	–	–	–
Operating (loss)/profit	1&2	(27,713)	(13,279)	6,022	14,691	26,863
Finance costs		(145)	(205)	(252)	(354)	(358)
(Loss)/profit before income tax	1&2	(27,858)	(13,484)	5,770	14,337	26,505
Income tax (expense)/credit		(207)	986	(433)	(4,820)	(6,101)
(Loss)/profit for the year	1&2	(28,065)	(12,498)	5,337	9,517	20,404
Other comprehensive income/(expense), net of tax						
Items that will not be reclassified subsequently to profit or loss						
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	3	44	102	(130)	–	–
Item that may be classified subsequently to profit or loss						
Fair value gain/(loss) on available-for-sale financial assets		–	–	–	151	(9)
Total comprehensive (expense)/income for year		(28,021)	(12,396)	5,207	9,668	20,395

ASSETS AND LIABILITIES

		As at 31 December				
		2020	2019	2018	2017	2016
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	1&3	4,432	8,281	8,687	9,886	6,388
Current assets	1	295,153	313,238	238,198	220,099	162,530
Non-current liabilities	1	(257)	(3,191)	(1,890)	(1,472)	(519)
Current liabilities	1	(59,349)	(50,328)	(53,303)	(42,028)	(56,944)
Equity attributable to equity holders of the Company		239,979	268,000	191,692	186,485	111,455

Note 1: As a result of the adoption of HKFRS 16, Lease, with effective from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provision of HKFRS 16, the change in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

Note 2: As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effective from 1 January 2018, the Group changed its accounting policies in respect of revenue recognition retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

Note 3: As a result of the adoption of HKFRS 9, Financial instruments, with effective from 1 January 2018, the Group applied the accounting policies retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and applied transitional relief and opted not to restate prior periods. Subsequently the Group elected to designate available-for-sale financial assets as financial assets at fair value through other comprehensive income. Fair value changes previously accounted for in available-for-sale financial asset revaluation reserve has transferred to the opening balance of financial assets fair value reserve as at 1 January 2018.