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Geotech Holdings Ltd.

致浩達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1707)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2020 amounted to approximately HK\$331.6 million (2019: approximately HK\$355.3 million).
- Gross profit of the Group for the year ended 31 December 2020 amounted to approximately HK\$5.2 million (2019: approximately HK\$10.9 million).
- Loss attributable to equity holders of the Company for the year ended 31 December 2020 amounted to approximately HK\$28.1 million (2019: approximately HK\$12.5 million).
- Basic and diluted loss per share for the year ended 31 December 2020 amounted to approximately HK cents 1.67 (2019: approximately HK cents 0.81).

The board (the “**Board**”) of directors (the “**Directors**”) of Geotech Holdings Ltd. (the “**Company**”) hereby announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2020 together with the comparative figures for the corresponding year of 2019 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	331,648	355,307
Direct costs		<u>(326,433)</u>	<u>(344,436)</u>
Gross profit		5,215	10,871
Other income	5	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	6	<u>(145)</u>	<u>(205)</u>
Loss before income tax	7	(27,858)	(13,484)
Income tax (expense)/credit	8	<u>(207)</u>	<u>986</u>
Loss for the year		<u>(28,065)</u>	<u>(12,498)</u>
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		<u>44</u>	<u>102</u>
Total comprehensive expense for the year		<u>(28,021)</u>	<u>(12,396)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to equity holders of the Company			
Basic and diluted	10	<u>(1.67)</u>	<u>(0.81)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,536	5,176
Financial assets at fair value through other comprehensive income (“FVOCI”)		1,297	1,253
Finance lease receivables	<i>11</i>	–	963
Deferred tax assets		599	889
		4,432	8,281
Current assets			
Trade and other receivables	<i>12</i>	103,100	125,675
Contract assets	<i>13</i>	35,061	40,452
Finance lease receivables	<i>11</i>	657	1,995
Tax recoverable		–	1,817
Cash and bank balances		156,335	143,299
		295,153	313,238
Current liabilities			
Trade and other payables	<i>14</i>	54,213	44,099
Lease liabilities	<i>15</i>	2,812	4,428
Tax payable		170	–
Contract liabilities	<i>13</i>	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	<i>15</i>	180	2,992
Deferred tax liabilities		77	199
		257	3,191
Net assets		239,979	268,000
CAPITAL AND RESERVES			
Share capital	<i>16</i>	16,800	16,800
Reserves		223,179	251,200
Total equity		239,979	268,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2020 (“**the Consolidated Financial Statements**”) has 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.

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 new and 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.

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. 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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Construction and engineering services	325,668	353,292
Property-related services	5,980	2,015
	<u>331,648</u>	<u>355,307</u>

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 into business units based on its segment purposes and the internal management reports are prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive Directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM have identified construction and engineering services and property-related services as reportable segments.

For the year ended 31 December 2020

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

Note:

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 segment assets	<u>1,358</u>	<u>22</u>	<u>13</u>	<u>1,393</u>

As at 31 December 2020

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

For the year ended 31 December 2019

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

Note:

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>(205)</u>	<u>–</u>	<u>–</u>	<u>(205)</u>
Other segment item				
Additions to non-current segment assets	<u>2,096</u>	<u>–</u>	<u>14</u>	<u>2,110</u>

As at 31 December 2019

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

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.

Information about major customers

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

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

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

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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 (<i>Note 11</i>)	63	162
Government grant (<i>Note (i)</i>)	6,882	–
Sundry income (<i>Note (ii)</i>)	<u>2,533</u>	<u>1,403</u>
	<u>11,637</u>	<u>5,242</u>

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) (“**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.

6. FINANCE COSTS

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Finance charge on lease liabilities	<u>145</u>	<u>205</u>

7. LOSS BEFORE INCOME TAX

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Loss before income tax is stated after charging/(crediting):		
(a) Staff costs (including Directors’ remuneration)		
Salaries, fee and allowances	35,126	23,900
Discretionary bonuses	657	2,758
Retirement scheme contributions	<u>1,382</u>	<u>936</u>
Staff costs (including Directors’ remuneration) (<i>Note</i>)	<u>37,165</u>	<u>27,594</u>
(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	<u>504</u>	<u>341</u>
	<u>2,942</u>	<u>2,095</u>
Short term leases and leases with lease term shorter than 12 months as 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	<u>981</u>	<u>1,211</u>

Note: Staff costs (including Directors' remuneration)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Direct costs	16,689	11,718
Administrative expenses	20,476	15,876
	<u>37,165</u>	<u>27,594</u>

8. INCOME TAX EXPENSE/(CREDIT)

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

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax was calculated at a flat rate of 16.5% on 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. 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).

10. LOSS PER SHARE

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

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

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 in issue during the year (2019: 1,551,890,000).

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 16) 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.

11. FINANCE LEASE RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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 receivables	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

Movements in finance lease receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance as at 1 January	2,958	–
Adjustments upon initial application of HKFRS 16	–	2,367
Addition	–	2,991
Derecognition	(933)	–
Receipts	(1,431)	(2,562)
Interest income from finance lease receivables (<i>Note 5</i>)	63	162
	<u>657</u>	<u>2,958</u>
Balance as at 31 December	<u><u>657</u></u>	<u><u>2,958</u></u>

The finance lease receivables represent the sublease arrangements entered by the Group with sub-contractors 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.

12. TRADE AND OTHER RECEIVABLES

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

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.

Trade receivables

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

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

Retention receivables

Retention receivables represent 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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Due within one year	3,681	2,313
Due after one year	13,422	18,924
	<u>17,103</u>	<u>21,237</u>

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 expected credit losses (“ECL”) assessment, impairment loss of HK\$15,685,000 has been recognised as at 31 December 2020 (31 December 2019: HK\$755,000).

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance as at 1 January	547	–
Impairment loss recognised during the year (<i>Note</i>)	14,985	547
Impairment loss reversed during the year	<u>(31)</u>	<u>–</u>
Balance as at 31 December	<u>15,501</u>	<u>547</u>

Note: As at 31 December 2020, the Group considered that there are significant increase in credit risk of other receivables from two debtors since initial recognition and, therefore, an impairment loss of HK\$14,985,000 was recognised.

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

13.1 Contract assets

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

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).

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

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

13.2 Contract liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	<u>2,154</u>	<u>1,801</u>

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

Movements in contract liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	<u>2,005</u>	<u>1,754</u>
Balance as at 31 December	<u>2,154</u>	<u>1,801</u>

Unsatisfied long-term construction contracts

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

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

14. TRADE AND OTHER PAYABLES

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

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

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.

15. LEASE LIABILITIES

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

	2020	2019
	HK\$'000	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
	<u>3,057</u>	<u>7,711</u>
Future finance charges	(65)	(291)
	<u>2,992</u>	<u>7,420</u>
Present value of lease obligation	2,992	7,420
	<u>2,992</u>	<u>7,420</u>
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
	<u>2,992</u>	<u>7,420</u>
Less: portion due within one year included under current liabilities	(2,812)	(4,428)
	<u>180</u>	<u>2,992</u>
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 including 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.

As at 31 December 2020 and 2019, the Group had a lease arrangement for subleasing to subcontractors (refer to Note 11) 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 at 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).

16. SHARE CAPITAL

	2020		2019	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
As at 1 January and 31 December	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:				
As at 1 January	1,680,000,000	16,800	1,400,000,000	14,000
Issue of ordinary shares pursuant to the placing (<i>Note</i>)	—	—	280,000,000	2,800
As at 31 December	<u>1,680,000,000</u>	<u>16,800</u>	<u>1,680,000,000</u>	<u>16,800</u>

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.

17. 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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, fee and allowances	5,047	5,033
Discretionary bonuses	—	183
Retirement scheme contributions	79	77
	<u>5,126</u>	<u>5,293</u>

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

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

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.

18. 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, litigation and potential claims.

During the financial year ended 31 December 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been defendants 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 defense to the proceedings.

As such, the Board is of the view that such claims and litigation 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.

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 financial 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 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;

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

- 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.

Following 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 financial 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 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 announcement, 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 during 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 section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement. 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; and
- 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.
- 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 business 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 the section headed "CONTINUING CONNECTED TRANSACTIONS" in this announcement.

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 item subject to 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 (advances 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 such actions are likely to result in recovery of payment.

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 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 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 15 to the Consolidated Financial Statements in this announcement. All borrowings were denominated in Hong Kong dollars. The interest rates on the 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: HK\$1.1 million).

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 financial year ended 31 December 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been defendants 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 defense to the proceedings.

As such, the Board is of the view that such claims and litigation 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.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue are settled in HK\$ and the assets and liabilities are primarily denominated in HK\$. The Group's exposures to foreign exchange mainly arise from its cash and bank 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 the US\$ and therefore has not entered into any derivatives agreement and did not commit 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 announcement, 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.

Capital Commitments

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

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	<u>3,293</u>	<u>3,293</u>	<u>—</u>	
Total	<u><u>13,221</u></u>	<u><u>3,572</u></u>	<u><u>9,649</u></u>	<i>(Note)</i>

Note:

As at 31 December 2020, the unused amount of Net Proceeds was placed as interest-bearing deposits with licensed bank 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 remain 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) remained unused as at 31 December 2020 and are intended to be used for general working capital of the Group and potential investment opportunities by the end of 2021 as previously disclosed in the 2019 Annual Report of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has adopted and complied with applicable code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (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 to ensure effective communication. In particular, Mr. Chan Tsang Mo, the chairman of audit committee (“**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.

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.

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 of the Directors have confirmed that they have complied with the requirements of the Model Code 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 17(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 has 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:

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 17(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 Note 17 to the Consolidated Financial Statements in this announcement.

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.

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 announcement.

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, the Company 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 the Company has been 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 disclosed in Note 18 to the Consolidated Financial Statements and the above, 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 THE REPORTING PERIOD

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

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 to the Listing Rules. As at the date of this announcement, the Audit Committee comprised three members, namely Mr. Chan Tsang Mo, Mr. Shen Zejing and Mr. So Wai Man. Mr. Chan Tsang Mo is the chairman of the Audit Committee.

REVIEW OF ANNUAL RESULTS

The Group's consolidated annual financial statements for the year ended 31 December 2020 have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been agreed with the Company's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton on this announcement.

By Order of the Board

Geotech Holdings Ltd.

Chen Zhi

Chairman and executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises Mr. Chen Zhi as Chairman and executive Director, Mr. Qiu Dong as executive Director, Mr. Kung Ho Man as executive Director and chief executive officer, and Mr. Chan Tsang Mo, Mr. Shen Zejing and Mr. So Wai Man as independent non-executive Directors.