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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 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2021 amounted to approximately HK\$384.4 million (2020: approximately HK\$331.6 million).
- Gross profit of the Group for the year ended 31 December 2021 amounted to approximately HK\$2.6 million (2020: approximately HK\$5.2 million).
- Loss attributable to equity holders of the Company for the year ended 31 December 2021 amounted to approximately HK\$14.3 million (2020: approximately HK\$28.1 million).
- Basic and diluted loss per share for the year ended 31 December 2021 amounted to approximately HK cents 0.85 (2020: approximately HK cents 1.67).

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 2021 together with the comparative figures for the corresponding year of 2020 as follows:

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

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>384,399</b>	331,648
Direct costs		<u>(381,759)</u>	<u>(326,433)</u>
<b>Gross profit</b>		<b>2,640</b>	5,215
Other income	5	<b>5,164</b>	11,637
Administrative expenses		<b>(27,104)</b>	(29,702)
Reversal of impairment loss/(Impairment loss) on trade and other receivables, net		<b>5,750</b>	(14,930)
(Impairment loss)/Reversal of impairment loss on contract assets		<b>(17)</b>	67
Finance costs	6	<u><b>(50)</b></u>	<u>(145)</u>
<b>Loss before income tax</b>	7	<b>(13,617)</b>	(27,858)
Income tax expense	8	<u><b>(663)</b></u>	<u>(207)</u>
<b>Loss for the year</b>		<u><b>(14,280)</b></u>	<u>(28,065)</u>
<b>Other comprehensive (expense)/income, net of tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Fair value (loss)/gain on financial assets at fair value through other comprehensive (expense)/income		<u><b>(11)</b></u>	<u>44</u>
<b>Total comprehensive expense for the year attributable to equity holders of the Company</b>		<u><b>(14,291)</b></u>	<u>(28,021)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<u><b>(0.85)</b></u>	<u>(1.67)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		858	2,536
Financial assets at fair value through other comprehensive income (“FVOCI”)		1,286	1,297
Deferred tax assets		–	599
		<b>2,144</b>	4,432
<b>Current assets</b>			
Trade and other receivables	<i>11</i>	94,927	103,100
Contract assets	<i>12</i>	16,645	35,061
Finance lease receivables	<i>13</i>	–	657
Tax recoverable		35	–
Cash and bank balances		186,272	156,335
		<b>297,879</b>	295,153
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	71,579	54,213
Lease liabilities	<i>15</i>	924	2,812
Tax payable		239	170
Contract liabilities	<i>12</i>	988	2,154
		<b>73,730</b>	59,349
<b>Net current assets</b>		<b>224,149</b>	235,804
<b>Total assets less current liabilities</b>		<b>226,293</b>	240,236
<b>Non-current liabilities</b>			
Lease liabilities	<i>15</i>	516	180
Deferred tax liabilities		89	77
		<b>605</b>	257
<b>Net assets</b>		<b>225,688</b>	239,979
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>16</i>	16,800	16,800
Reserves		208,888	223,179
<b>Total equity</b>		<b>225,688</b>	239,979

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 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**”). The address of the registered office is 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 2021 (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 of Hong Kong Limited (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 2021

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 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### 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 <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>1</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 April 2021

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 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Construction and engineering services	377,406	325,668
Property-related services	<u>6,993</u>	<u>5,980</u>
	<u><u>384,399</u></u>	<u><u>331,648</u></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 its 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 2021

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>			
– From external customers	<u>377,406</u>	<u>6,993</u>	<u>384,399</u>
<b>Reportable segment results</b> ( <i>Note</i> )	<u><u>(5,446)</u></u>	<u><u>880</u></u>	<u><u>(4,566)</u></u>
Unallocated corporate income			188
Unallocated corporate expenses			<u>(9,239)</u>
Loss before income tax			<u><u>(13,617)</u></u>

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	116	-	188	304
- Impairment loss on contract assets	(17)	-	-	(17)
- Depreciation of non-financial assets	(1,746)	(7)	(8)	(1,761)
- Reversal of impairment loss on trade and other receivables, net	5,750	-	-	5,750
- Impairment loss on items of property, plant and equipment	(1,275)	-	-	(1,275)
- Gain on disposal of plant and equipment	455	-	-	455
- Finance costs	(50)	-	-	(50)
	<u>1,717</u>	<u>9</u>	<u>-</u>	<u>1,726</u>
<b>Other segment item</b>				
Additions to non-current segment assets	1,717	9	-	1,726

**As at 31 December 2021**

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	203,743	2,996	93,284	300,023
Reportable segment liabilities	<u>72,883</u>	<u>178</u>	<u>1,274</u>	<u>74,335</u>

**For the year ended 31 December 2020**

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

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 plant and equipment	(129)	-	-	(129)
- Finance costs	(145)	-	-	(145)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other segment item</b>				
Additions to non-current segment assets	1,358	22	13	1,393
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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	<u>58,091</u>	<u>87</u>	<u>1,428</u>	<u>59,606</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:

	2021 HK\$'000	2020 HK\$'000
Construction and engineering services segment		
Customer A	176,268	171,599
Customer B	<u>118,398</u>	<u>105,078</u>

## 5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Consultancy fee income	224	120
Rental income from lease of machinery	212	431
Safety consultancy income	373	446
Bank interest income	304	1,162
Interest income from finance lease receivables ( <i>Note 13</i> )	12	63
Government grant ( <i>Note (i)</i> )	100	6,882
Gain on disposal of plant and equipment	455	–
Sundry income ( <i>Note (ii)</i> )	3,484	2,533
	<u>5,164</u>	<u>11,637</u>

### Notes:

- (i) During the year ended 31 December 2021, the Group recognised a subsidy of approximately HK\$100,000 from the Labour Department of the Government of Hong Kong Special Administrative Region (“HKSAR”) in relation to the Youth Employment and Training Programme for pre-employment and on-the-job training for young school leavers aged 15 to 24 with educational attainment at sub-degree level or below.

During the year ended 31 December 2020, the Group recognised subsidies of approximately HK\$6.9 million in relation to the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of HKSAR in respect of the outbreak of novel coronavirus (COVID-19) (the “**Outbreak**”) and 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. There are no unfulfilled conditions or contingencies relating to the grant.

- (ii) Sundry income mainly represented handling charges of approximately HK\$1,973,000 (2020: approximately HK\$1,878,000) paid by subcontractors requesting our assistance in the procurement of construction materials for our construction contracts.

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance charge on lease liabilities	<u>50</u>	<u>145</u>

## 7. LOSS BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax is stated after charging/(crediting):		
<b>(a) Staff costs (including Directors' remuneration)</b>		
Salaries, fee, wages and allowances	28,434	35,126
Discretionary bonuses	985	657
Retirement scheme contributions	876	1,382
	<u>30,295</u>	<u>37,165</u>
Staff costs (including Directors' remuneration) ( <i>Note</i> )	<u><u>30,295</u></u>	<u><u>37,165</u></u>
<b>(b) Other items</b>		
Depreciation, included in:		
Direct costs		
– Owned assets	114	406
– Right-of-use assets	494	1,181
Administrative expenses		
– Owned assets	246	851
– Right-of-use assets	907	504
	<u>1,761</u>	<u>2,942</u>
Short term leases	406	485
Subcontracting charges (included in direct costs)	358,904	296,813
Impairment loss on items of property, plant and equipment	1,275	–
(Gain)/Loss on disposal of plant and equipment	(455)	129
Auditors' remuneration	1,160	981
	<u>1,160</u>	<u>981</u>

*Note:* Staff costs (including Directors' remuneration)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Direct costs	13,757	16,689
Administrative expenses	16,538	20,476
	<u>30,295</u>	<u>37,165</u>

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	145	139
– Over provision in respect of prior years	<u>(93)</u>	<u>(100)</u>
	52	39
Deferred tax expense	<u>611</u>	<u>168</u>
Income tax expense for the year	<u><u>663</u></u>	<u><u>207</u></u>

For the years ended 31 December 2021 and 2020, 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 2021 (2020: nil).

## 9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to equity holders of the Company	<u>(14,280)</u>	<u>(28,065)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u>1,680,000</u>	<u>1,680,000</u>

The calculation of the basic loss per share for the year ended 31 December 2021 is based on the loss for the year attributable to equity holders of the Company of approximately HK\$14,280,000 (2020: approximately HK\$28,065,000 and the weighted average number of ordinary shares of 1,680,000,000 (2020: 1,680,000,000) in issue during the year.

There were no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020 and therefore, diluted loss per share equals to basic loss per share.

## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	37,011	29,001
Less: impairment loss	<u>(697)</u>	<u>(184)</u>
	36,314	28,817
Retention receivables	11,601	17,103
Other receivables ( <i>Note (i)</i> )	28,125	53,402
Prepayment	14,177	16,728
Utility and other deposits	1,492	1,892
Less: impairment loss	<u>(9,087)</u>	<u>(15,501)</u>
	46,308	73,624
Amount due from joint operator ( <i>Note (ii)</i> )	12,456	659
Less: impairment loss	<u>(151)</u>	<u>–</u>
	12,305	659
	<u>94,927</u>	<u>103,100</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	28,588	24,822
31–60 days	6,289	997
61–90 days	739	315
Over 90 days	<u>698</u>	<u>2,683</u>
	<u>36,314</u>	<u>28,817</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due within one year	1,469	3,681
Due after one year	<u>10,132</u>	<u>13,422</u>
	<u><u>11,601</u></u>	<u><u>17,103</u></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\$9,935,000 has been recognised as at 31 December 2021 (31 December 2020: HK\$15,685,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	184	208
Impairment loss recognised during the year	513	–
Impairment loss reversed during the year	<u>–</u>	<u>(24)</u>
Balance as at 31 December	<u><u>697</u></u>	<u><u>184</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	103	155
Impairment loss recognised during the year	151	–
Impairment loss reversed during the year	<u>–</u>	<u>(52)</u>
Balance as at 31 December	<u><u>254</u></u>	<u><u>103</u></u>

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

	<b>Stage 1</b> <i>HK\$'000</i>	<b>Stage 2</b> <i>HK\$'000</i> <i>(Note (i))</i>	<b>Stage 3</b> <i>HK\$'000</i> <i>(Note (ii))</i>	<b>Total</b> <i>HK\$'000</i>
Balance as at 1 January 2020	392	–	–	392
Impairment loss recognised during the year	<u>21</u>	<u>12,700</u>	<u>2,285</u>	<u>15,006</u>
Balance as at 31 December 2020 and 1 January 2021	413	12,700	2,285	15,398
(Reversal of impairment loss)/Impairment loss recognised during the year	<u>(165)</u>	<u>(6,300)</u>	<u>51</u>	<u>(6,414)</u>
Balance as at 31 December 2021	<u><u>248</u></u>	<u><u>6,400</u></u>	<u><u>2,336</u></u>	<u><u>8,984</u></u>

- (i) Reversal of impairment loss represents the recovery of previously impaired other receivable from a debtor and credited to profit or loss as a result of settlement during the year ended 31 December 2021. As at 31 December 2020, included in other receivables represent other receivables amounting to approximately HK\$22,963,000 from a debtor which has significant increase in credit risk since initial recognition, an impairment loss of HK\$12,700,000 was recognised based on lifetime ECL (i.e. Stage 2).
- (ii) As at 31 December 2021, included in other receivables represent other receivables amounting to HK\$2,336,000 (31 December 2020: HK\$2,285,000) from a debtor which has financial difficulties. Having considered the liquidity condition of such debtor, the balances are considered as credit-impaired and, therefore, an additional impairment loss of HK\$51,000 (2020: HK\$2,285,000) was recognised based on lifetime ECL (i.e. Stage 3).

## 12. CONTRACT ASSETS AND CONTRACT LIABILITIES

### 12.1 Contract assets

	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
Contract assets arising from construction contracts	<b>16,900</b>	35,299
Less: impairment loss	<u><b>(255)</b></u>	<u>(238)</u>
	<u><b>16,645</b></u>	<u>35,061</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\$255,000 has been recognised as at 31 December 2021 (31 December 2020: HK\$238,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	238	305
Impairment loss recognised during the year	17	–
Impairment loss reversed during the year	–	(67)
	<u>          </u>	<u>          </u>
Balance as at 31 December	<u>255</u>	<u>238</u>

## 12.2 Contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	<u>988</u>	<u>2,154</u>

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

### Movements in contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	2,154	1,801
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	(1,695)	(1,652)
Increase in contract liabilities as a result of billing in advance of construction activities	<u>529</u>	<u>2,005</u>
	<u>          </u>	<u>          </u>
Balance as at 31 December	<u>988</u>	<u>2,154</u>

### 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	107,170	356,752
More than one year	<u>155,134</u>	<u>80,722</u>
	<u>          </u>	<u>          </u>
	<u>262,304</u>	<u>437,474</u>

### 13. FINANCE LEASE RECEIVABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total undiscounted lease payments receivables:		
Within one year	—	669
	—	669
Unearned interest income	—	(12)
	—	657
Present value of the finance lease receivables	<u>—</u>	<u>657</u>
Present value of the finance lease receivables:		
Within one year	—	657
	—	657
Less: portion due within one year included under current assets	—	(657)
	—	—
Portion due after one year included under non-current assets	<u>—</u>	<u>—</u>

#### Movements in finance lease receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	657	2,958
Derecognition	—	(933)
Receipts	(669)	(1,431)
Interest income from finance lease receivables ( <i>Note 5</i> )	<u>12</u>	<u>63</u>
Balance as at 31 December	<u>—</u>	<u>657</u>

The finance lease receivables represent the sublease arrangements entered by the Group with subcontractors in respect of premises typically run for an initial period of 2 years to 3 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. The sublease arrangement was expired during the year ended 31 December 2021 and the Group did not renew the sublease arrangement.

#### 14. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables ( <i>Note (i)</i> )	41,962	23,092
Retention payables ( <i>Note (ii)</i> )	24,360	21,213
Accruals and other payables	5,257	9,743
Provision for onerous contracts	—	165
	<u>71,579</u>	<u>54,213</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	34,287	17,626
31–60 days	1,740	1,362
61–90 days	463	637
Over 90 days	5,472	3,467
	<u>41,962</u>	<u>23,092</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	966	2,875
After one year but within two years	525	182
	<u>1,491</u>	<u>3,057</u>
Future finance charges	(51)	(65)
	<u>1,440</u>	<u>2,992</u>
Present value of lease obligation	<u>1,440</u>	<u>2,992</u>
Present value of minimum lease payment:		
Within one year	924	2,812
After one year but within two years	516	180
	<u>1,440</u>	<u>2,992</u>
Less: portion due within one year included under current liabilities	(924)	(2,812)
	<u>516</u>	<u>180</u>
Portion due after one year included under non-current liabilities	<u>516</u>	<u>180</u>

As at 31 December 2021 and 2020, the Group had lease arrangements for motor vehicles. These lease periods are for 2 to 3 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 includes contingent rentals.

As at 31 December 2021, leases of motor vehicles amounted to HK\$110,000 (31 December 2020: HK\$939,000) are held by the Group in trust but used by and belong to subcontractors or their nominators.

As at 31 December 2021, 2 (31 December 2020: 4) of the leases are for use of office or workshop premises for 1.5 to 2 years. The Group makes fixed payments during the contract periods.

As at 31 December 2020, the Group had a lease arrangement for subleasing to subcontractors (refer to Note 13) in respect of premises run for an initial period of 2 years to 3 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 2021, the total cash outflows for the leases are HK\$3,304,000 (2020: HK\$5,058,000). The sublease arrangement was expired during the year ended 31 December 2021 and the Group did not renew the sublease arrangement.

## 16. SHARE CAPITAL

	2021		2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
As at 1 January and 31 December	<u>1,680,000,000</u>	<u>16,800</u>	<u>1,680,000,000</u>	<u>16,800</u>

## 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 2021 and 2020 are as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, fee, wages and allowances	5,360	5,047
Discretionary bonuses	118	–
Retirement scheme contributions	<u>91</u>	<u>79</u>
	<u>5,569</u>	<u>5,126</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 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property management consultancy services and property leasing agency services income from Cheer Capital Limited (“ <b>Property-related Services</b> ”) ( <i>Note (i)</i> )	4,444	4,080
Payment of lease liabilities to Keen Forever Limited ( <i>Note (ii)</i> )	–	(351)
Finance charge on lease liabilities to Keen Forever Limited ( <i>Note (ii)</i> )	–	(23)
Bank deposits to Prince Bank Plc. ( <i>Note (iii)</i> )		
– balance as at 31 December	158	353
– maximum balance during the year ended 31 December	711	2,211

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 2021 and 2020, 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 years ended 31 December 2021 and 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced 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 are reasonable merits to the defence in the proceedings.

As such, the Board is of the view that such claims, litigations and potential claims 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 2021.

#### 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.

During the year, certain registrations/licences of Geotech Engineering were suspended as a result of the fatal accident occurred in March 2020 as disclosed in note 17 to the condensed consolidated interim financial statements in the interim results announcement published by the Company on 25 August 2020. Geotech Engineering was under regulatory actions from (i) the Construction Industry Council to suspend its registration as a registered subcontractor under the category of general civil works with specialty in geotechnical works for a period of 6 months with effect from 6 July 2021; and (ii) the Development Bureau to voluntarily refrain from tendering for public works contracts under the “Landslip preventive/remedial works to slopes/retaining walls” (the “**LPM**”) category for a period of eight months with effect from 4 August 2021 (together the “**Suspension**”). Further details of the Suspension were disclosed in the announcements published by the Company on 5 July 2021 and 30 July 2021.

Total revenue of construction and engineering services for the year ended 31 December 2021 amounted to approximately HK\$377.4 million, representing an increase of approximately 15.9% as compared with total revenue of approximately HK\$325.7 million last year. The increase was mainly due to the additional works being placed by our customers in certain ongoing slope work projects from public sector. 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 Landslip Prevention and Mitigation Programme (the “**Programme**”) commissioned by the Civil Engineering and Development Department (“**CEDD**”), other government departments and statutory bodies, amounted to approximately 93.4% of total revenue in this segment (2020: approximately 97.5%).

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 and securing new contracts had been difficult during the year;
- 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;
- whilst the Suspension may, to certain extent, affect our short term ability to undertake LPM projects from the public sector as main contractor, the Group has undertaken and tendered geotechnical works including slope works in private sector and tendered LPM projects as subcontractor during the Suspension; and
- other than slope works, the Group has continued to seek opportunities to diversify into other types of civil engineering works by tendering projects jointly with partners for contracts which involve various work categories. The Directors consider that this strategy is beneficial to the Group's diversification in construction and engineering services in Hong Kong.

During the year ended 31 December 2021, 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 2021, the Group had 64 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2020: 76 contracts) with a total outstanding contract sum of approximately HK\$262.3 million (31 December 2020: approximately HK\$437.5 million) and these contracts are expected to be completed during or before 2023. Having considered the limited 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.

Due to the Outbreak, the Group's construction and decoration business in Kingdom of Cambodia ("**Cambodia**") remained difficult during the year and our focus was to keep the operating costs down minimising staff costs.

## Property-related Services

The market environment for the property-related services in Hong Kong was still 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\$6.8 million (2020: approximately HK\$6.0 million) and approximately HK\$0.2 million (2020: nil) for the provision of property management consultancy services and property leasing agency services respectively. Of which, approximately HK\$4.2 million of property management consultancy services (2020: approximately HK\$4.1 million) and approximately HK\$0.2 million of property leasing agency services (2020: nil) respectively were generated from continuing connected transactions. Details of the continuing connected transactions are set out in Note 17 in the Consolidated Financial Statements and section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement. The Group has renewed the property management consultancy services agreements with all existing independent clients during the year ended 31 December 2021.

## OUTLOOK

Apart from focusing on construction and engineering services in Hong Kong, the Group will consider exploring 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, 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, the Group strives to partner with potential partner(s) for tendering projects in various types of civil engineering works;
- undertaking and tendering geotechnical works including slope work in private sector and tendering LPM projects as a subcontractor before the expiry of the Suspension;
- 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 2022;

- 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 few 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 2022. The Group would continue to monitor the situation and assess the risks and uncertainties arising from the Outbreak and strive to take strict measures to mitigate the potential adverse impact on the Group.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue increased by approximately HK\$52.8 million or approximately 15.9% from approximately HK\$331.6 million for the year ended 31 December 2020 to approximately HK\$384.4 million for the year ended 31 December 2021. 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 increased by approximately HK\$51.7 million or approximately 15.9% from approximately HK\$325.7 million for the year ended 31 December 2020 to approximately HK\$377.4 million for the year ended 31 December 2021. Such increase was mainly due to the additional works being placed by our customers in certain ongoing slope work projects from public sector.

#### **(b) *Property-related Services***

The Group's revenue from property-related services increased by approximately HK\$1.0 million from approximately HK\$6.0 million for the year ended 31 December 2020 to approximately HK\$7.0 million for the year ended 31 December 2021. Such increase was mainly due to the increase in consultancy fee from renewals of agreements for provision of property management consultancy services during the year. Included in the revenue was continuing connected transactions amounting to approximately HK\$4.4 million and the details of the transactions are set out in Note 17 in the Consolidated Financial Statements and 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 2021 amounted to approximately HK\$2.6 million, representing a decrease of 50.0% compared with approximately HK\$5.2 million for the year ended 31 December 2020. The Group's gross profit margin for the year ended 31 December 2021 was approximately 0.7%, as compared with approximately 1.6% for the year ended 31 December 2020.

### **(a) *Construction and Engineering Services***

The gross profit from construction and engineering services for the year ended 31 December 2021 amounted to approximately HK\$0.6 million, representing a decrease of approximately 81.3% as compared with approximately HK\$3.2 million for the year ended 31 December 2020. The gross profit margin from construction and engineering services for the year ended 31 December 2021 was approximately 0.1%, as compared with approximately 1.0% for the year ended 31 December 2020. The reduction in the gross profit and gross profit margin from construction and engineering services was mainly due to two loss making construction and engineering contracts in relation to (i) loss incurred as a result of extra construction costs employed for a slope and site formation works project in public sector in dealing with ongoing geological difficulties which was first identified in the financial year ended 31 December 2020; and (ii) substantial loss incurred in the variation works concerning a public sector project under the roads and drainage works category, although such issue is still under negotiation between the Group and the customer.

### **(b) *Property-related Services***

The gross profit and gross profit margin from property-related services for the year ended 31 December 2021 amounted to approximately HK\$2.1 million representing an increase of approximately HK\$0.1 million as compared with approximately HK\$2.0 million for the year ended 31 December 2020. The gross profit margin for the year ended 31 December 2021 was approximately 29.7%, as compared with approximately 33.0% for the year ended 31 December 2020. The decrease in gross profit margin was mainly due to additional manpower in providing property-related services.

## **Other Income**

Other income mainly included rental income from lease of machinery, bank interest income, safety consultancy income, gain on disposal of plant and equipment and sundry income. For the year ended 31 December 2021, other income amounted to approximately HK\$5.2 million (2020: approximately HK\$11.6 million). The decrease in other income was mainly due to the one-off government grant from (i) the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of HKSAR in respect of the Outbreak and (ii) the Construction Industry Anti-epidemic Fund provided by the Government of HKSAR which aims to support the construction industry against the Outbreak, amounting to an aggregate sum of approximately HK\$6.9 million being

recognised for the year ended 31 December 2020 but no such income was being recognised for the year ended 31 December 2021.

### **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 2021 amounted to approximately HK\$27.1 million, representing a decrease of approximately 8.8% compared with approximately HK\$29.7 million for the year ended 31 December 2020. The decrease in administrative expenses was mainly due to the saving in staff costs from our construction and engineering business and offset by an impairment loss on certain property, plant and equipment, amounting to approximately HK\$1.3 million for the year ended 31 December 2021 (2020:Nil).

### **Reversal of Impairment Loss/(Impairment Loss) on Trade and Other Receivables, net**

A reversal of impairment loss on trade and other receivables (net) of approximately HK\$5.8 million was recognised for the year ended 31 December 2021 while an impairment loss on trade and other receivables (net) of approximately HK\$14.9 million was recognised for the year ended 31 December 2020.

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.

An impairment loss on other receivables of HK\$15.0 million was recognised during the year ended 31 December 2020 due to significant increase in credit risk arising from two subcontractors in financial difficulties. During the year ended 31 December 2021, a reversal of impairment loss on other receivables (advances to subcontractors and materials and expenses paid on behalf of subcontractors) of approximately HK\$6.3 million was recognised due to the recovery from one of the two subcontractors. Details of the reversal of impairment loss are set out in Note 11 to the Consolidated Financial Statements in this announcement. The Group holds on-going discussions with the said subcontractors, and pursues legal actions against the relevant subcontractors for recovery of payment.

## **Finance Costs**

Finance costs mainly represent finance charge on lease liabilities. Finance costs for the year ended 31 December 2021 was approximately HK\$50,000, representing a decrease of approximately 65.5% compared with approximately HK\$145,000 for the year ended 31 December 2020. The decrease was mainly attributable to the expiry of certain leases on premises during the year ended 31 December 2021.

## **Income Tax Expense**

Income tax expense of approximately HK\$0.7 million was recognised for the year ended 31 December 2021 as compared with an income tax expense of approximately HK\$0.2 million for the year ended 31 December 2020, resulting from an increase in deferred tax expense during the year ended 31 December 2021.

## **Net Loss**

Net loss for the year ended 31 December 2021 amounted to approximately HK\$14.3 million, as compared to the net loss of approximately HK\$28.1 million for the year ended 31 December 2020. Despite the decrease in gross profit and other income, the reduction in the Group's net loss was mainly due to (i) the decrease in administrative expenses; and (ii) the reversal of 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 2021 was improved to approximately 3.7%, as compared to net loss margin of approximately 8.5% for the year ended 31 December 2020.

## **Final Dividend**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

## **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2021, the Company's issued share capital was HK\$16.8 million and the number of issued ordinary shares of the Company (the "Shares") was 1,680 million with par value of HK\$0.01 each.

As at 31 December 2021, the Group had total cash and bank balances of approximately HK\$186.3 million (31 December 2020: approximately HK\$156.3 million). The Group had no bank borrowing as at 31 December 2021 (31 December 2020: nil). Other borrowings of the Group as at 31 December 2021 were lease liabilities of approximately HK\$1.4 million (31 December 2020: approximately HK\$3.0 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 lease liabilities were charged at fixed rates with effective rates ranging from 4.23% to 5.29% for the year ended 31 December 2021 (2020: 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\$1.4 million (31 December 2020: approximately HK\$3.0 million). The gearing ratio of the Group as at 31 December 2021 was approximately 0.6% (31 December 2020: approximately 1.2%). 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 2021, the carrying amounts of the Group's motor vehicles of approximately HK\$0.4 million were pledged under leases (31 December 2020: approximately HK\$1.0 million).

## **Contingent Liabilities**

As at 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced 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 are reasonable merits to the defence in the proceedings.

As such, the Board is of the view that such claims, litigations and potential claims 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 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\$37.0 million as at 31 December 2021 (31 December 2020: approximately HK\$38.3 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 2021 (2020: nil).

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

During the year ended 31 December 2021, 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 the Shares 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 2021.

### **Employees and Remuneration Policies**

As at 31 December 2021, 91 employees were on the Group’s payroll (31 December 2020: 146 employees). For the year ended 31 December 2021, total staff costs (including Directors’ remuneration) amounted to approximately HK\$30.3 million (2020: approximately HK\$37.2 million). The decrease was mainly due to the reduction of project related staff as a result of completion of certain slope work projects from public sector during the year ended 31 December 2021. Total staff costs comprised salaries, Directors’ fee, wages 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 plan in Hong Kong and job training programs, salary increments and discretionary bonuses are being awarded to employees according to the assessment of individual performance and market situation.

### **Capital Commitments**

As at 31 December 2021, the Group had no capital commitments (31 December 2020: 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 1 January 2021 and 31 December 2021, a total amount of approximately HK\$63.2 million out of the Net Proceeds had been used by the Group and approximately HK\$9.6 million remained unused.

As at 31 December 2021, the unused amount of Net Proceeds was placed in 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 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 and the details are as follows:

	<b>Planned use of Net Proceeds remained unused as at 1 January 2021 HK\$'000</b>	<b>Actual use of Net Proceeds during the year ended 31 December 2021 HK\$'000</b>	<b>Unused amount of Net Proceeds as at 31 December 2021 HK\$'000</b>
Acquisition of the site facilities and equipment	9,649	–	9,649

### **Fund Raising Activity – Placing of new shares under general mandate on 17 June 2019 (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. As at 1 January 2021, a total amount of HK\$ 44.3 million had been used for general working capital of the Group and approximately HK\$44.4 million remained unused. During the year ended 31 December 2021, the rest of the net proceeds (approximately HK\$ 44.4 million) were being used for general working capital of the Group, which is in accordance with the intentions previously disclosed under the Placing. The net proceeds from the Placing have been fully utilized accordingly.

## **CORPORATE GOVERNANCE**

### **Compliance with the Corporate Governance Code**

The Company has adopted and complied with the applicable code provisions as previously set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021. On 1 January 2022, the amendments to the CG Code (the “**New CG Code**”) came into effect and the requirements under the New CG Code will apply to corporate governance reports for the financial year commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practices to ensure compliance with the New CG Code and align with the latest developments.

### **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 2021.

### **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 2021.

### **CONTINUING CONNECTED TRANSACTIONS**

For the year ended 31 December 2021, the continuing connected transactions of the Group which were subject to annual reporting under rule 14A.49 of the Listing Rules were as follows:

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 enquiries 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 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. The income received for services provided by Nova pursuant to the Property Management Consultancy Agreement and Leasing Agency Agreement aggregately amounted to HK\$4,444,000 which is within the aggregated annual cap of approximately HK\$5,275,000 for the year ended 31 December 2021. Details of the transactions are set out in Note 17 to the Consolidated Financial Statements in this announcement.

The independent non-executive Directors of the Company have reviewed and confirmed that the above Continuing Connected Transactions for the year ended 31 December 2021 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.

The Company’s auditor has reported to the Board and confirmed that for the year ended 31 December 2021 (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 aggregate amount of the Continuing Connected Transactions as disclosed in Note 17 to the Consolidated Financial Statements in this announcement 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 2021, 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 2021 and up to the date of this announcement.

### **LITIGATIONS**

Save as disclosed in Note 18 to the Consolidated Financial Statements in this announcement, 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 during the year ended 31 December 2021 and up to the date of this announcement.

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The Group did not have any significant event subsequent to the year ended 31 December 2021 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 annual results for the year ended 31 December 2021 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 2021 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, 29 March 2022

*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.*