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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 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2023 amounted to approximately HK\$134.6 million (2022: approximately HK\$281.5 million).
- Gross profit of the Group for the year ended 31 December 2023 amounted to approximately HK\$3.6 million (2022: approximately HK\$3.8 million).
- Loss attributable to equity holders of the Company for the year ended 31 December 2023 amounted to approximately HK\$16.4 million (2022 (restated): approximately HK\$32.2 million).
- Basic and diluted loss per share for the year ended 31 December 2023 amounted to approximately HK cents 0.97 (2022 (restated): approximately HK cents 1.92).

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 2023 together with the comparative figures for the corresponding year of 2022 as follows:

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

*For the year ended 31 December 2023*

|   | <i>Notes</i> | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------|---------------------------------------|
| <b>Revenue</b>  | 4            | <b>134,567</b>                 | 281,512                               |
| Direct costs  |              | <u>(130,989)</u>               | <u>(277,743)</u>                      |
| <b>Gross profit</b>   |              | <b>3,578</b>                   | 3,769                                 |
| Other income  | 5            | <b>4,872</b>                   | 5,860                                 |
| Administrative expenses   |              | <b>(25,047)</b>                | (23,518)                              |
| Reversal of impairment/(Impairment) under expected credit loss (“ <b>ECL</b> ”) allowance on trade and other receivables, net |              | <b>8</b>                       | (18,322)                              |
| Reversal of impairment /(Impairment) under ECL allowance on contract assets   |              | <b>275</b>                     | (39)                                  |
| Finance costs   | 6            | <u><b>(35)</b></u>             | <u>(42)</u>                           |
| <b>Loss before income tax</b>   | 7            | <b>(16,349)</b>                | (32,292)                              |
| Income tax (expense)/credit   | 8            | <u><b>(17)</b></u>             | <u>114</u>                            |
| <b>Loss for the year</b>  |              | <u><b>(16,366)</b></u>         | <u>(32,178)</u>                       |
| <b>Other comprehensive income/(expenses), net of tax</b>  |              |                                |                                       |
| <b>Items that will not be reclassified subsequently to profit or loss</b>   |              |                                |                                       |
| Fair value gain/(loss) on financial assets at fair value through other comprehensive expense                                  |              | <u><b>72</b></u>               | <u>(286)</u>                          |
| <b>Total comprehensive expense for the year attributable to equity holders of the Company</b>                                 |              | <u><b>(16,294)</b></u>         | <u>(32,464)</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>(0.97)</b></u>           | <u>(1.92)</u>                         |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

|   | <i>Notes</i> | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------|---------------------------------------|
| <b>ASSETS AND LIABILITIES</b>   |              |                                |                                       |
| <b>Non-current assets</b>   |              |                                |                                       |
| Property, plant and equipment   |              | 5,411                          | 300                                   |
| Financial assets at fair value through other comprehensive income (“FVOCI”) |              | 1,072                          | 1,000                                 |
| Finance lease receivables   | <i>11</i>    | 206                            | –                                     |
| Deferred tax assets   |              | 266                            | 98                                    |
|   |              | <u>6,955</u>                   | <u>1,398</u>                          |
| <b>Current assets</b>   |              |                                |                                       |
| Trade and other receivables   | <i>12</i>    | 54,040                         | 46,937                                |
| Contract assets   | <i>13</i>    | 12,979                         | 11,014                                |
| Finance lease receivables   | <i>11</i>    | 261                            | –                                     |
| Cash and bank balances  |              | 137,239                        | 167,208                               |
|   |              | <u>204,519</u>                 | <u>225,159</u>                        |
| <b>Current liabilities</b>  |              |                                |                                       |
| Trade and other payables  | <i>14</i>    | 27,841                         | 30,374                                |
| Lease liabilities   | <i>15</i>    | 729                            | 516                                   |
| Tax payable   |              | 110                            | 312                                   |
| Contract liabilities  | <i>13</i>    | 4,382                          | 1,550                                 |
|   |              | <u>33,062</u>                  | <u>32,752</u>                         |
| <b>Net current assets</b>   |              | <u>171,457</u>                 | <u>192,407</u>                        |
| <b>Total assets less current liabilities</b>                                |              | <u>178,412</u>                 | <u>193,805</u>                        |
| <b>Non-current liabilities</b>  |              |                                |                                       |
| Lease liabilities   | <i>15</i>    | 655                            | –                                     |
| Long service payment (“LSP”) obligations                                    | <i>16</i>    | 827                            | 581                                   |
|   |              | <u>1,482</u>                   | <u>581</u>                            |
| <b>Net assets</b>   |              | <u>176,930</u>                 | <u>193,224</u>                        |
| <b>CAPITAL AND RESERVES</b>   |              |                                |                                       |
| Share capital   | <i>17</i>    | 16,800                         | 16,800                                |
| Reserves  |              | 160,130                        | 176,424                               |
| <b>Total equity</b>   |              | <u>176,930</u>                 | <u>193,224</u>                        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 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 706-708, 7th Floor, Tower II, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, 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, property-related services and sales of luxury products.

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 year ended 31 December 2023 (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 material 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 fair value through other comprehensive income (“**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

#### (a) New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

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 2023:

|  |   |
|--|---|
| HKFRS 17   | Insurance Contracts and related amendments  |
| Amendments to HKAS 1 and<br>HKFRS Practice Statement 2 | Disclosure of Accounting Policies   |
| Amendments to HKAS 8                                   | Definition of Accounting Estimates  |
| Amendments to HKAS 12                                  | Deferred Tax related to Assets and Liabilities arising from<br>a Single Transaction |
| Amendments to HKAS 12                                  | International Tax Reform — Pillar Two Model Rules                                   |

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

#### (b) 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.

|                                       |  |
|---------------------------------------|--|
| Amendments to HKFRS 10<br>and HKAS 28 | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>3</sup>                        |
| Amendments to HKFRS 16                | Lease Liability in a Sale and Leaseback <sup>1</sup>   |
| Amendments to HKAS 1                  | Classification of Liabilities as Current or Non-current and<br>related amendments to Hong Kong Interpretation 5 <sup>1</sup> |
| Amendments to HKAS 1                  | Non-current Liabilities with Covenants <sup>1</sup>  |
| Amendments to HKAS 7<br>and HKFRS 7   | Supplier Finance Arrangements <sup>1</sup>   |
| Amendments to HKAS 21                 | Lack of exchangeability <sup>2</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors are in the process of making an assessment of the impact of other new and amended HKFRSs but not yet in the position to ascertain their impact on the Group's consolidated financial statements.

(c) **New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism**

As disclosed in note 16 to consolidated financial statement, in June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will take effect on 1 May 2025 (the “**Transition Date**”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset LSP in respect of an employee’s service from the Transition Date (the “**Abolition**”). In addition, the last month’s salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the “**Practical Expedient**”) to account for the offsettable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 192. This change in accounting policy upon the cessation in applying the Practical Expedient has resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 (see note 16), with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 December 2022. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022. It also did not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2022. The following table summarises the impacts of the adoption of the Guidance on the comparatives presented in the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Consolidated statement of financial position as at 31 December 2022:

|                                  | Carrying<br>amount<br>as at 31<br>December<br>2022<br>(before the<br>adoption)<br><i>HK\$'000</i> | Impact of<br>adoption<br>of the<br>HKICPA<br>guidance<br><i>HK\$'000</i> | Restated<br>carrying<br>amount<br>as at 31<br>December<br>2022<br>(after the<br>adoption)<br><i>HK\$'000</i> |
|----------------------------------|---|--|--|
| <b>Non-current liabilities</b>   |   |  |  |
| Long service payment obligations | –   | (581)  | (581)  |
| <b>Non-current assets</b>        |   |  |  |
| Deferred tax asset               | 2   | 96   | 98   |
| <b>Reserves</b>                  |   |  |  |
| Accumulated losses               | <u>(247)</u>  | <u>(485)</u>   | <u>(732)</u>   |

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2022:

|                                  | Amount<br>before the<br>adoption<br><i>HK\$'000</i> | Impact of<br>adoption<br>of the<br>HKICPA<br>guidance<br><i>HK\$'000</i> | Amount<br>after the<br>adoption<br><i>HK\$'000</i> |
|----------------------------------|---|--|--|
| Administrative expenses          | 22,937  | 581  | 23,518   |
| Income tax credit                | (18)  | (96)   | (114)  |
| Loss for the year                | <u>31,693</u>                                       | <u>485</u>   | <u>32,178</u>                                      |
|                                  | <i>HK cents</i>                                     | <i>HK cents</i>  | <i>HK cents</i>                                    |
| <b>Loss per share</b>            |   |  |  |
| Basic and diluted loss per share | <u>1.89</u>   | <u>0.03</u>  | <u>1.92</u>  |

The following table summarises the impacts of the adoption of the Guidance on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position for the year ended 31 December 2023, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

Consolidated statement of financial position as at 31 December 2023:

|                                  | <b>Carrying<br/>amount<br/>as at 31<br/>December<br/>2023<br/>(before the<br/>adoption)<br/><i>HK\$'000</i></b> | <b>Impact of<br/>adoption<br/>of the<br/>HKICPA<br/>guidance<br/><i>HK\$'000</i></b> | <b>Carrying<br/>amount<br/>as at 31<br/>December<br/>2023<br/>(after the<br/>adoption)<br/><i>HK\$'000</i></b> |
|----------------------------------|---|--|--|
| <b>Non-current liabilities</b>   |   |  |  |
| Long service payment obligations | –   | (827)  | (827)  |
| <b>Non-current assets</b>        |   |  |  |
| Deferred tax asset               | 129   | 137  | 266  |
| <b>Reserves</b>                  |   |  |  |
| Accumulated losses               | <u>(16,408)</u>   | <u>(690)</u>   | <u>(17,098)</u>  |

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2023:

|                                  | <b>Amount<br/>before the<br/>adoption<br/><i>HK\$'000</i></b> | <b>Impact of<br/>adoption<br/>of the<br/>HKICPA<br/>guidance<br/><i>HK\$'000</i></b> | <b>Amount<br/>after the<br/>adoption<br/><i>HK\$'000</i></b> |
|----------------------------------|---|--|--|
| Administrative expenses          | 24,823  | 224  | 25,047   |
| Finance costs                    | 13  | 22   | 35   |
| Income tax (credit)/expenses     | 58  | (41)   | 17   |
| Loss for the year                | <u>16,161</u>   | <u>205</u>   | <u>16,366</u>  |
|                                  | <i>HK cents</i>   | <i>HK cents</i>  | <i>HK cents</i>  |
| <b>Loss per share</b>            |   |  |  |
| Basic and diluted loss per share | <u>0.96</u>   | <u>0.01</u>  | <u>0.97</u>  |



#### 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 2023 and 2022 are as follows:

|                                       | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Construction and engineering services | 122,774                 | 273,420                 |
| Property-related services             | 8,412                   | 8,092                   |
| Sales of luxury products              | 3,381                   | –                       |
|                                       | <u>134,567</u>          | <u>281,512</u>          |

The performance obligations of revenue of the Group from construction and engineering services and property related services are satisfied over time, and the sales of luxury products is at a point in time.

##### (b) Segment information

The Group's operating activities are attributable to construction and engineering services and property-related services. During the year ended 31 December 2023, the sales of luxury products becoming a new reporting segment of the Group, The Group commence its business in sales of luxury products during the year to further diversify its revenue base and introduce a new source of income from the business.

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, which 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 has identified construction and engineering services, property-related services and sales of the luxury products as reportable segments.

##### For the year ended 31 December 2023

|  | Construction<br>and<br>engineering<br>services<br><i>HK\$'000</i> | Property-<br>related<br>services<br><i>HK\$'000</i> | Sales of<br>luxury<br>products<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|---|--------------------------|
| <b>Reportable segment revenue</b>        |   |   |   |                          |
| — From external customers                | <u>122,774</u>  | <u>8,412</u>  | <u>3,381</u>                                      | <u>134,567</u>           |
| <b>Reportable segment results (Note)</b> | <u>(10,600)</u>   | <u>1,270</u>  | <u>506</u>  | (8,824)                  |
| Unallocated corporate income             |   |   |   | 1,903                    |
| Unallocated corporate expenses           |   |   |   | <u>(9,428)</u>           |
| Loss before income tax                   |   |   |   | <u>(16,349)</u>          |

Note:

|  | Construction<br>and<br>engineering<br>services<br>HK\$'000 | Property-<br>related<br>services<br>HK\$'000 | Sales of<br>luxury<br>products<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|--|-------------------------|-------------------|
| Amounts included in the measure<br>of segment results                                  |  |  |  |                         |                   |
| — Bank interest income   | 564  | 25   | —  | 1,901                   | 2,490             |
| — Reversal of impairment under ECL<br>allowance on contract assets                     | 275  | —  | —  | —                       | 275               |
| — Depreciation of non-financial assets   | (446)  | (8)  | —  | (4)                     | (458)             |
| — Reversal of impairment under ECL<br>allowance on trade and other<br>receivables, net | 8  | —  | —  | —                       | 8                 |
| — Loss on disposal of plant and equipment  | (2)  | —  | —  | —                       | (2)               |
| — Expenses arising from LSP obligations  | (159)  | (49)   | (1)  | (15)                    | (224)             |
| — Finance costs  | (32)   | (2)  | —  | (1)                     | (35)              |
|  | <u>5,571</u>   | <u>—</u>                                     | <u>—</u>                                   | <u>—</u>                | <u>5,571</u>      |
| <b>Other segment item</b>  |  |  |  |                         |                   |
| Additions to non-current segment assets  | <u>5,571</u>   | <u>—</u>                                     | <u>—</u>                                   | <u>—</u>                | <u>5,571</u>      |

**As at 31 December 2023**

|                                | Construction<br>and<br>engineering<br>services<br>HK\$'000 | Property-<br>related<br>services<br>HK\$'000 | Sales of<br>luxury<br>products<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------|--|--|--|-------------------------|-------------------|
| Reportable segment assets      | 116,158  | 6,281  | 4,692                                      | 84,343                  | 211,474           |
| Reportable segment liabilities | <u>31,983</u>  | <u>79</u>                                    | <u>1,149</u>                               | <u>1,333</u>            | <u>34,544</u>     |

For the year ended 31 December 2022 (restated)

|   | Construction<br>and<br>engineering<br>services<br>HK\$'000 | Property-<br>related<br>services<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|--|-------------------|
| <b>Reportable segment revenue</b>                   |  |  |                   |
| — From external customers                           | <u>273,420</u>   | <u>8,092</u>                                 | <u>281,512</u>    |
| <b>Reportable segment results (restated) (Note)</b> | <u>(24,207)</u>  | <u>1,992</u>                                 | <u>(22,215)</u>   |
| Unallocated corporate income                        |  |  | 616               |
| Unallocated corporate expenses (restated)           |  |  | <u>(10,693)</u>   |
| Loss before income tax (restated)                   |  |  | <u>(32,292)</u>   |

Note:

|  | Construction<br>and<br>engineering<br>services<br><i>HK\$'000</i> | Property-<br>related<br>services<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--------------------------------|--------------------------|
| Amounts included in the measure of segment results                   |   |   |                                |                          |
| — Bank interest income   | 200   | 1   | 544                            | 745                      |
| — Impairment under ECL allowance on contract assets                  | (39)  | —   | —                              | (39)                     |
| — Depreciation of non-financial assets                               | (506)   | (9)   | (8)                            | (523)                    |
| — Impairment under ECL allowance on trade and other receivables, net | (18,322)  | —   | —                              | (18,322)                 |
| — Gain on disposal of plant and equipment                            | 224   | —   | —                              | 224                      |
| — Expenses arising from LSP obligations (restated)                   | (493)   | (73)  | (15)                           | (581)                    |
| — Finance costs  | (42)  | —   | —                              | (42)                     |
| <b>Other segment item</b>  |   |   |                                |                          |
| Additions to non-current segment assets                              | 14  | —   | —                              | 14                       |

As at 31 December 2022 (restated)

|                                | Construction<br>and<br>engineering<br>services<br><i>HK\$'000</i> | Property-<br>related<br>services<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------|---|---|--------------------------------|--------------------------|
| Reportable segment assets      | 119,241   | 5,211   | 102,105                        | 226,557                  |
| Reportable segment liabilities | 31,591  | 424   | 1,318                          | 33,333                   |

#### *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:

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Construction and engineering services segment |                         |                         |
| — Customer A                                  | 21,690                  | 35,184                  |
| — Customer B                                  | 69,443                  | 157,230                 |

(c) **Disaggregation of revenue from type of projects**

**For the year ended 31 December 2023**

|                        | <b>Construction<br/>and<br/>engineering<br/>services<br/>HK\$'000</b> | <b>Property-<br/>related<br/>services<br/>HK\$'000</b> | <b>Sales of<br/>luxury<br/>products<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|------------------------|---|--|--|---------------------------|
| Private sector project | <b>5,011</b>  | <b>8,412</b>   | –  | <b>13,423</b>             |
| Public sector project  | <b>117,763</b>  | –  | –  | <b>117,763</b>            |
| Individuals            | –   | –  | <b>3,381</b>   | <b>3,381</b>              |
|                        | <u>          </u>   | <u>          </u>                                      | <u>          </u>                                    | <u>          </u>         |

**For the year ended 31 December 2022**

|                        | <b>Construction<br/>and<br/>engineering<br/>services<br/>HK\$'000</b> | <b>Property-<br/>related<br/>services<br/>HK\$'000</b> | <b>Sales of<br/>luxury<br/>products<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|------------------------|---|--|--|---------------------------|
| Private sector project | 12,404  | 8,092  | –  | 20,496                    |
| Public sector project  | 261,016   | –  | –  | 261,016                   |
|                        | <u>          </u>   | <u>          </u>                                      | <u>          </u>                                    | <u>          </u>         |

**5. OTHER INCOME**

|   | <b>2023<br/>HK\$'000</b> | <b>2022<br/>HK\$'000</b> |
|---|--------------------------|--------------------------|
| Consultancy fee income  | <b>414</b>               | 265                      |
| Rental income from lease of machinery                             | <b>60</b>                | 72                       |
| Material charges income   | <b>1,185</b>             | 1,193                    |
| Safety consultancy income   | <b>91</b>                | 227                      |
| Bank interest income  | <b>2,490</b>             | 745                      |
| Interest income from finance lease receivables ( <i>Note 11</i> ) | <b>5</b>                 | –                        |
| Government grant ( <i>Note (i)</i> )                              | –                        | 1,756                    |
| Gain on disposal of plant and equipment                           | –                        | 224                      |
| Exchange gain   | <b>29</b>                | –                        |
| Sundry income ( <i>Note (ii)</i> )                                | <b>598</b>               | 1,378                    |
|   | <u>          </u>        | <u>          </u>        |
|   | <b>4,872</b>             | <b>5,860</b>             |
|   | <u>          </u>        | <u>          </u>        |

*Notes:*

- (i) During the year ended 31 December 2022, the Group recognised subsidies of approximately HK\$1,756,000 in relation to the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of HKSAR to provide wage subsidies to employers for three months to retain the current employees or employ more staff when the business revives as soon as the epidemic situation permits. There are no unfulfilled conditions or contingencies relating to the grant.
- (ii) Sundry income mainly represented service charges of approximately HK\$529,000 (2022: approximately HK\$851,000) paid by subcontractors requesting the Group's assistance in the procurement of labour for the construction projects.

## 6. FINANCE COSTS

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Finance charge on lease liabilities     | 13                      | 42                      |
| Net interest expense on LSP obligations | 22                      | -                       |
|   | <u>35</u>               | <u>42</u>               |

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging/(crediting):

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(restated) |
|---|-------------------------|---------------------------------------|
| <b>(a) Staff costs (including Directors' remuneration)</b>                                  |                         |                                       |
| Salaries, fee, wages and allowances   | 28,949                  | 26,481                                |
| Discretionary bonuses   | 610                     | 985                                   |
| Retirement scheme contributions   | 779                     | 676                                   |
| Expenses arising from LSP obligations ( <i>Note 16</i> )                                    | 224                     | 581                                   |
|   | <u>30,562</u>           | <u>28,723</u>                         |
| <b>(b) Other items</b>  |                         |                                       |
| Depreciation, included in:  |                         |                                       |
| Direct costs  |                         |                                       |
| — Owned assets  | 292                     | 177                                   |
| Administrative expenses   |                         |                                       |
| — Owned assets  | 166                     | 335                                   |
| — Right-of-use assets   | -                       | 11                                    |
|   | <u>458</u>              | <u>523</u>                            |
| Short term leases   | 572                     | 486                                   |
| Subcontracting charges (included in direct costs)   | 109,072                 | 259,628                               |
| Loss/(Gain) on disposal of plant and equipment  | 2                       | (224)                                 |
| Auditors' remuneration  | 1,003                   | 1,174                                 |
| (Reversal of impairment)/Impairment under ECL allowance on contract asset                   | (275)                   | 39                                    |
| (Reversal of impairment)/Impairment under ECL allowance on trade and other receivables, net | (8)                     | 18,322                                |
|   | <u>(8)</u>              | <u>18,322</u>                         |

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

|                         | <b>2023</b><br><b>HK\$'000</b> | 2022<br>HK\$'000<br>(restated) |
|-------------------------|--------------------------------|--------------------------------|
| Direct costs            | <b>12,284</b>                  | 11,087                         |
| Administrative expenses | <b>18,278</b>                  | 17,636                         |
|                         | <b><u>30,562</u></b>           | <u>28,723</u>                  |

#### 8. INCOME TAX EXPENSE/(CREDIT)

|  | <b>2023</b><br><b>HK\$'000</b> | 2022<br>HK\$'000<br>(restated) |
|--|--------------------------------|--------------------------------|
| Provision for Hong Kong Profits Tax        |                                |                                |
| — Current tax                              | <b>191</b>                     | 155                            |
| — Over provision in respect of prior years | <b>(6)</b>                     | (82)                           |
|  | <b>185</b>                     | 73                             |
| Deferred tax                               | <b>(168)</b>                   | (187)                          |
| Income tax expense/(credit) for the year   | <b><u>17</u></b>               | <u>(114)</u>                   |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2023 and 2022, except that the Group's qualified entity is calculated in accordance with the two-tiered profit tax rates regime and the profits tax of other group entities in Hong Kong which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

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 2023 (2022: nil).

#### 9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

## 10. LOSS PER SHARE

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

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(restated) |
|---|-------------------------|---------------------------------------|
| <b>Loss</b>   |                         |                                       |
| Loss for the year attributable to equity holders of the Company | <u>(16,366)</u>         | <u>(32,178)</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 2023 is based on the loss for the year attributable to equity holders of the Company of approximately HK\$16,366,000 (2022 (restated): approximately HK\$32,178,000) and the weighted average number of ordinary shares 1,680,000,000 (2022: 1,680,000,000) in issue during the year.

There were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022 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:

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Total undiscounted lease payments receivables:                  |                         |                         |
| Within one year   | 276                     | –                       |
| After one year but within two years                             | <u>210</u>              | <u>–</u>                |
|   | 486                     | –                       |
| Unearned interest income  | <u>(19)</u>             | <u>–</u>                |
| Present value of the finance lease receivable                   | <u>467</u>              | <u>–</u>                |
| Present value of the finance lease receivables:                 |                         |                         |
| Within one year   | 261                     | –                       |
| After one year but within two years                             | <u>206</u>              | <u>–</u>                |
|   | 467                     | –                       |
| Less: portion due within one year included under current assets | <u>(261)</u>            | <u>–</u>                |
| Portion due after one year included under non-current assets    | <u>206</u>              | <u>–</u>                |

## Movements in finance lease receivables

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Balance as at 1 January  |                         |                         |
| Addition   | 528                     | –                       |
| Receipts   | (66)                    | –                       |
| Interest income from finance lease receivables ( <i>Note 5</i> ) | 5                       | –                       |
|  | <u>          </u>       | <u>          </u>       |
| Balance as at 31 December  | <u>467</u>              | <u>–</u>                |

The finance lease receivables represent the sublease arrangement entered by the Group with subcontractors in respect of premises typically run for an initial period of 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 started during the year ended 31 December 2023.

## 12. TRADE AND OTHER RECEIVABLES

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables   | 9,595                   | 3,542                   |
| Less: impairment under ECL allowance                      | (217)                   | (60)                    |
|   | <u>9,378</u>            | <u>3,482</u>            |
| Retention receivables                                     | 12,559                  | 12,759                  |
| Other receivables ( <i>Note (i)</i> )                     | 21,074                  | 19,293                  |
| Prepayment ( <i>Note (ii)</i> )                           | 7,093                   | 8,899                   |
| Utility and other deposits                                | 1,167                   | 1,133                   |
| Less: impairment under ECL allowance                      | (9,173)                 | (9,338)                 |
|   | <u>32,720</u>           | <u>32,746</u>           |
| Amount due from joint operators ( <i>Note (iii)</i> )     | 14,365                  | 27,232                  |
| Less: impairment under ECL allowance ( <i>Note (iv)</i> ) | (2,423)                 | (16,523)                |
|   | <u>11,942</u>           | <u>10,709</u>           |
|   | <u>54,040</u>           | <u>46,937</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) Prepayment mainly represent advance payment to sub-contractors approximately HK\$4,970,000 (2022: HK\$8,337,000) paid for the working capital.
- (iii) The amount is unsecured, interest-free and repayable on demand.
- (iv) Due to the financial status of one of the joint operator with an uncertain position for the coming future, the management of the Group conducted impairment assessments on the amount due from the joint operator approximately HK\$16,372,000 impairment under ECL allowance was recognised during the year ended 31 December 2022, and the relevant amount HK\$14,100,000 has been written off during the year ended 31 December 2023. According to that joint operation contract, the management of the Group considers it is not impaired for the proportion of the joint bank account attributable to the Group, approximately HK\$4,416,000 (2022: HK\$806,000). The Group has taken the follow-up actions for the amount due further.

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.

At the end of the reporting date, the Group reviewed trade receivables, retention receivables and other receivables for evidence of impairment on collective basis. Based on ECL assessment, impairment under ECL allowance of HK\$11,813,000 has been recognised as at 31 December 2023 (31 December 2022: HK\$25,921,000).

**Trade receivables**

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

|              | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0–30 days    | 5,411                   | 3,137                   |
| 31–60 days   | 2,145                   | 251                     |
| 61–90 days   | 1,822                   | –                       |
| Over 90 days | –                       | 94                      |
|              | <u>9,378</u>            | <u>3,482</u>            |

The movements in the impairment under ECL allowance on trade receivables are as follows:

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Balance as at 1 January                  | 60                      | 697                     |
| ECL allowance recognised during the year | 157                     | –                       |
| ECL allowance reversed during the year   | –                       | (637)                   |
|  | <u>217</u>              | <u>60</u>               |

## Retention receivables

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

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

|                     | <b>2023</b>          | 2022          |
|---------------------|----------------------|---------------|
|                     | <b>HK\$'000</b>      | HK\$'000      |
| Due within one year | <b>1,226</b>         | 1,713         |
| Due after one year  | <b>11,333</b>        | 11,046        |
|                     | <b><u>12,559</u></b> | <u>12,759</u> |

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

The movements in the impairment under ECL allowance on retention receivables are as follows:

|  | <b>2023</b>      | 2022       |
|--|------------------|------------|
|  | <b>HK\$'000</b>  | HK\$'000   |
| Balance as at 1 January                | <b>127</b>       | 254        |
| ECL allowance reversed during the year | <b>(90)</b>      | (127)      |
| Balance as at 31 December              | <b><u>37</u></b> | <u>127</u> |

## Other receivables

The movements in the impairment under ECL allowance on other receivables are as follows:

|   | <b>Stage 1</b>    | <b>Stage 2</b>       | <b>Stage 3</b>  | <b>Total</b>         |
|---|-------------------|----------------------|-----------------|----------------------|
|   | <b>HK\$'000</b>   | <b>HK\$'000</b>      | <b>HK\$'000</b> | <b>HK\$'000</b>      |
| Balance as at 1 January 2022                      | 248               | 6,400                | 2,336           | 8,984                |
| Amount write-off during the year                  | –                 | –                    | (2,336)         | (2,336)              |
| Reclass   | (151)             | 151                  | –               | –                    |
| ECL allowance recognised during the year          | <u>114</u>        | <u>18,972</u>        | <u>–</u>        | <u>19,086</u>        |
| Balance as at 31 December 2022 and 1 January 2023 | 211               | 25,523               | –               | 25,734               |
| Reclass   | –                 | (14,100)             | 14,100          | –                    |
| Amount write-off during the year                  | –                 | –                    | (14,100)        | (14,100)             |
| ECL allowance reversed during the year            | <u>(75)</u>       | <u>–</u>             | <u>–</u>        | <u>(75)</u>          |
| Balance as at 31 December 2023                    | <b><u>136</u></b> | <b><u>11,423</u></b> | <b><u>–</u></b> | <b><u>11,559</u></b> |

As at 31 December 2022, a company winding up petition has been filed against a joint operator of the Group, the Group consider to impair the amount due from the joint operator, and ECL allowance of HK\$16,372, 000 has been recognised based on lifetime ECL (i.e. Stage 2). As at 31 December 2023, due to the financial situation of the joint operator still unstable, the Group considered HK\$14,100,000 under Stage 2 reclassified to Stage 3, and being write off during the year.

During the year ended 31 December 2022, the relevant amount included in other receivables of HK\$2,336,000 has been written off due to the debtor was liquidated.

### 13. CONTRACT ASSETS AND CONTRACT LIABILITIES

#### 13.1 Contract assets

|   | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Contract assets arising from construction contracts | <b>12,998</b>                  | 11,308                  |
| Less: impairment under ECL allowance                | <b>(19)</b>                    | (294)                   |
|   | <b>12,979</b>                  | 11,014                  |

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 under ECL allowance of HK\$19,000 has been recognised as at 31 December 2023 (31 December 2022: HK\$294,000).

The movements in the impairment under ECL allowance on contract assets are as follows:

|  | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Balance as at 1 January                  | <b>294</b>                     | 255                     |
| ECL allowance recognised during the year | –                              | 39                      |
| ECL allowance reversed during the year   | <b>(275)</b>                   | –                       |
| Balance as at 31 December                | <b>19</b>                      | 294                     |

## 13.2 Contract liabilities

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Contract liabilities arising from construction contracts<br>from billings in advance of performance | <u>4,382</u>            | <u>1,550</u>            |

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

The increase of contract liabilities during the year ended 31 December 2023 is mainly due to the increase in obligation to perform construction work services to certain customers for which the Group has received considerations from those customers at the end of the reporting period.

### *Movements in contract liabilities*

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Balance as at 1 January  | 1,550                   | 988                     |
| Decrease in contract liabilities as a result of recognising<br>revenue during the year that was included in the contract<br>liabilities at the beginning of the year | (1,942)                 | (370)                   |
| Increase in contract liabilities as a result of billing in advance<br>of construction activities   | <u>4,774</u>            | <u>932</u>              |
| Balance as at 31 December  | <u>4,382</u>            | <u>1,550</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:

|                    | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Within one year    | 75,791                  | 59,285                  |
| More than one year | <u>103,355</u>          | <u>6,697</u>            |
|                    | <u>179,146</u>          | <u>65,982</u>           |

#### 14. TRADE AND OTHER PAYABLES

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables ( <i>Note (i)</i> )                | 9,108                   | 7,108                   |
| Retention payables ( <i>Note (ii)</i> )           | 11,653                  | 15,229                  |
| Accruals and other payables ( <i>Note (iii)</i> ) | <u>7,080</u>            | <u>8,037</u>            |
|   | <u><u>27,841</u></u>    | <u><u>30,374</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:

|              | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0–30 days    | 7,018                   | 2,911                   |
| 31–60 days   | 371                     | 71                      |
| 61–90 days   | 883                     | 986                     |
| Over 90 days | <u>836</u>              | <u>3,140</u>            |
|              | <u><u>9,108</u></u>     | <u><u>7,108</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.
- (iii) Accruals and other payables include amount of accrued salary and bonus approximately HK\$1,301,000 (31 December 2022: HK\$3,726,000).

## 15. LEASE LIABILITIES

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

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Total minimum lease payments:  |                         |                         |
| Within one year  | 756                     | 525                     |
| After one year but within two years                                  | <u>690</u>              | <u>–</u>                |
|  | 1,446                   | 525                     |
| Future finance charges   | <u>(62)</u>             | <u>(9)</u>              |
| Present value of lease obligation                                    | <u><u>1,384</u></u>     | <u><u>516</u></u>       |
| Present value of minimum lease payment:                              |                         |                         |
| Within one year  | 729                     | 516                     |
| After one year but within two years                                  | <u>655</u>              | <u>–</u>                |
|  | 1,384                   | 516                     |
| Less: portion due within one year included under current liabilities | <u>(729)</u>            | <u>(516)</u>            |
| Portion due after one year included under non-current liabilities    | <u><u>655</u></u>       | <u><u>–</u></u>         |

As at 31 December 2023 and 2022, 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.

No lease of motor vehicles are held by the Group in trust but used by and belong to subcontractors or their nominators as at 31 December 2023 and 2022.

As at 31 December 2023, 3 (31 December 2022: 2) 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.

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 2023, the total cash outflows for the leases are HK\$1,162,000 (2022: HK\$1,452,000). The sublease arrangement was expired during the year ended 31 December 2023 and the Group did not renew the sublease arrangement.

## 16. LONG SERVICE PAYMENT OBLIGATIONS

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to LSP under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on the Transition Date. Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK\$390,000 per employee. If an employee's total benefit payment exceeds HK\$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP obligations with respect to Hong Kong employees.

The present value of unfunded LSP obligations are as follows:

|  | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(restated) |
|--|--------------------------------|---------------------------------------|
| Expenses recognised in profit or loss: |                                |                                       |
| — Current service cost                 | 246                            | 581                                   |
| — Past service cost                    | 581                            | —                                     |
|  | <u>827</u>                     | <u>581</u>                            |

The current service cost, past service cost and interest cost are included in employee benefits expenses. They are recognised in the following line items in the consolidated statement of profit or loss:

|                         | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i><br>(restated) |
|-------------------------|--------------------------------|---------------------------------------|
| Administrative expenses | <b>224</b>                     | 581                                   |
| Finance costs           | <b>22</b>                      | –                                     |
|                         | <u><b>246</b></u>              | <u>581</u>                            |

### Estimates and assumptions

The significant actuarial assumptions for the determination of LSP obligations are as follows:

|                    | <b>2023</b> | 2022 |
|--------------------|-------------|------|
| Discount rate      | <b>3.7%</b> | 3.7% |
| Salary growth rate | <b>3.8%</b> | 3.8% |

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related LSP obligations. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the LSP obligations was measured using the projected unit credit method.

The weighted average duration of the LSP obligations is 18 years (2022: 19 years).

Expected maturity analysis of undiscounted LSP obligations in the coming years as at 31 December 2023 is disclosed as follows:

|                 | <b>Within<br/>1 year</b><br><i>HK\$'000</i> | <b>Over 1 year<br/>within<br/>2 years</b><br><i>HK\$'000</i> | <b>Over 2<br/>years but<br/>within 5 years</b><br><i>HK\$'000</i> | <b>Over<br/>5 years</b><br><i>HK\$'000</i> |
|-----------------|---|--|---|--|
| LSP obligations | <u>2</u>                                    | <u>18</u>  | <u>4</u>  | <u>803</u>                                 |

The LSP obligations expose the Group to actuarial risks such as interest rate risk, salary risk and the investment risk of the Group's MPF scheme's constituent funds.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from prior year.



## 17. SHARE CAPITAL

|                                 | 2023                        |                 | 2022                        |                 |
|---------------------------------|-----------------------------|-----------------|-----------------------------|-----------------|
|                                 | <i>Number<br/>of shares</i> | <i>HK\$'000</i> | <i>Number<br/>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>   |

## 18. 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 2023 and 2022 are as follows:

|                                 | 2023            | 2022            |
|---------------------------------|-----------------|-----------------|
|                                 | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries, fee and allowances    | 4,260           | 5,643           |
| Discretionary bonuses           | 310             | 184             |
| Retirement scheme contributions | 72              | 83              |
|                                 | <u>4,642</u>    | <u>5,910</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 2023 and 2022 are as follows:

|  | 2023            | 2022            |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <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> ) | 4,560           | 4,581           |
| Bank deposits to Prince Bank Plc. ( <i>Note (ii)</i> )   |                 |                 |
| — balance as at 31 December  | 151             | 222             |
| — maximum balance during the year ended 31 December  | <u>222</u>      | <u>259</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 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 and comply 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.

## **19. CONTINGENT LIABILITIES**

As at 31 December 2023 and 2022, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

During the year ended 31 December 2022, Geotech Engineering Limited (“**Geotech Engineering**”), an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced by two subcontractors. Pursuant to the court orders obtained by Geotech Engineering, those two subcontractors have discontinued their actions against Geotech Engineering.

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; (ii) property-related services; and (iii) sales of luxury products for the year ended 31 December 2023.

#### Construction and Engineering Services

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 (the “**DB**”) under the categories of “Landslip preventive/remedial works to slopes/retaining walls” (the “**LPM**”) (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.

Between January 2022 and March 2022, certain registrations/licences of Geotech Engineering were suspended as a result of the fatal accident which 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 six months with effect from 6 July 2021; and (ii) the DB to voluntarily refrain from tendering for public works contracts under 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. The Suspension from the above authorities were released in January 2022 and April 2022 respectively.

Total revenue of construction and engineering services for the year ended 31 December 2023 amounted to approximately HK\$122.8 million, representing a decrease of approximately 55.1% as compared with total revenue of approximately HK\$273.4 million last year. Such decrease in revenue was mainly due to the completion of certain major slope works projects while newly awarded major projects were still at the beginning stage during the year. 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, other government departments and statutory bodies, which amounted to approximately 87.5% of total revenue in this segment (2022: approximately 92.7%).

During the year, Geotech Engineering has continued its strategy for construction and engineering services in Hong Kong through a variety of operational initiatives:

- in response to keen market competition, although securing new contracts had been difficult during the year, the Group has continued to submit tenders but is cautious about the pricing so as to maintain a reasonable gross profit margin while at the same time remaining competitive. The strategy to maintain a reasonable gross profit might have contributed to some tenders not having been awarded to the Group;
- in order to undertake more construction projects given Geotech Engineering’s capacity, it has continued to focus on project management role and our collaboration with subcontractors by subcontracting a substantial part of works required; 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 (especially for site formation works and ground investigation field works). The Directors consider that this strategy is beneficial to the Group’s diversification in construction and engineering services in Hong Kong.

As at 31 December 2023, the Group had 48 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2022: 43 contracts) with a total outstanding contract sum of approximately HK\$179.1 million (31 December 2022: approximately HK\$66.0 million) and in which approximately HK\$75.8 million out of these contracts are expected to be completed in 2024.

## **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 economic and business environment of Hong Kong. During the year, the Group recorded revenue of approximately HK\$8.4 million (2022: approximately HK\$8.0 million) and HK\$ nil (2022: approximately HK\$0.1 million) for the provision of property management consultancy services and property leasing agency services respectively. Of which, approximately HK\$4.6 million of property management consultancy services (2022: approximately HK\$4.5 million) and HK\$ nil of property leasing agency services (2022: approximately HK\$0.1 million) respectively were generated from continuing connected transactions. Details of the continuing connected transactions are set out in note 18 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 client during the year ended 31 December 2023.

## **Sales of luxury products**

In order to diversify the Group’s business and broaden its source of revenue, the Group has been proactively exploring new opportunities to support its long-term development. As part of its strategic business expansion, the Group commenced the business for the sales of luxury products in the fourth quarter of 2023.

Following the ease of COVID-19 pandemic and subsequent reopening of borders in early 2023, Hong Kong has experienced a resurgence in general mobility and business activities. Leveraging its established competitive advantages as a regional hub for high-end luxury products, the luxury product market in Hong Kong is expected to create prospective opportunities in the long term.

During its initial operational stage, the Group aims to capture business potentials while maintaining an optimal risk profile. As such, the Group has strategically focused on the luxury watches segment, which is a sub-segment of the luxury products. The Group’s target customers comprises mid-to-high-end customers, and it commits to provide customers with high-quality products and services.

While the Group targets to expand its market presence by actively widening its customer base and collaborating with various suppliers to diversify its product offerings, it will adhere to its prudent business approach and devise appropriate business strategies based on market demand and development. The Group will continuously optimise its operations to improve profitability.

## OUTLOOK

Apart from focusing on construction and engineering services and property-related services in Hong Kong, the Group has expanded into the sales of luxury products in the fourth quarter of 2023. The Group will continue 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:

- the dilemma between winning tenders at extremely thin gross profit margin and submitting tenders at a reasonable gross profit margin exists in every tender opportunity. The Group strives to strike a delicate balance between winning tenders and generating profits for its shareholders;
- 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, Geotech Engineering strives to partner with potential partner(s) for tendering projects in various types of civil engineering works (especially for site formation works and ground investigation field works);
- taking into consideration the market circumstances in Cambodia, the Group will take a cautious approach in the development of our construction and decoration business in Cambodia;
- although our property-related services are expected to remain challenging in the coming years given the uncertainties in the economic and business environment of Hong Kong, by leveraging our management experiences and knowledge gained in the industry, the Group will strive to seek various opportunities in property-related services;
- due to the uncertainties in the economic and business environment of Hong Kong, the Group will continue to adopt a prudent approach regarding its inventory management of luxury products in order to lower costs. The Group will also actively explore potential partnership with new suppliers and expand customer base to diversity business risks; and
- in addition to the above, the Group may also seek to diversify and explore other investment opportunities in the future.

The Group will continue to monitor the situation and assess the market risks and uncertainties during the economic recovery cycle and strive to take strict measures to mitigate any potential adverse impact on the Group.

## FINANCIAL REVIEW

### Revenue

The Group's total revenue decreased by approximately HK\$146.9 million or approximately 52.2% from approximately HK\$281.5 million for the year ended 31 December 2022 to approximately HK\$134.6 million for the year ended 31 December 2023. The Group's total revenue for the year was contributed by the construction and engineering services, property-related services and sales of luxury products.

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

The Group's revenue generated from the construction and engineering services decreased by approximately HK\$150.6 million or approximately 55.1% from approximately HK\$273.4 million for the year ended 31 December 2022 to approximately HK\$122.8 million for the year ended 31 December 2023. Such decrease in revenue was mainly due to the completion of certain major slope works projects while newly awarded major projects were still at the beginning stage during the year.

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

The Group's revenue from property-related services remained stable for the year ended 31 December 2023 and 2022. Included in the revenue was continuing connected transactions amounting to approximately HK\$4.6 million (2022: approximately HK\$4.6 million) and the details of the transactions are set out in note 18 in the consolidated financial statements and the section headed "CONTINUING CONNECTED TRANSACTIONS" in this announcement.

#### *(c) Sales of luxury products*

The Group expanded into the sales of luxury products in the fourth quarter of 2023 and recorded revenue of approximately HK\$3.4 million for the year ended 31 December 2023, which accounted for approximately 2.5% of the Group's total revenue for the same year.

## **Gross Profit and Gross Profit Margin**

The Group's total gross profit for the year ended 31 December 2023 amounted to approximately HK\$3.6 million, representing a decrease of 5.1% compared with approximately HK\$3.8 million for the year ended 31 December 2022. The Group's gross profit margin for the year ended 31 December 2023 was approximately 2.7%, as compared with approximately 1.3% for the year ended 31 December 2022.

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

The gross profit from construction and engineering services for the year ended 31 December 2023 amounted to approximately HK\$0.2 million, representing a decrease of approximately 68% as compared with approximately HK\$0.8 million for the year ended 31 December 2022. The gross profit margin from construction and engineering services for the year ended 31 December 2023 was approximately 0.2%, as compared with approximately 0.3% for the year ended 31 December 2022. The gross profit margin remained stable for the year ended 31 December 2023 and 2022, while the decrease in gross profit for the year ended 31 December 2023 was in line with the decrease in revenue from construction and engineering services as mentioned above.

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

The gross profit from property-related services for the year ended 31 December 2023 amounted to approximately HK\$2.4 million representing a decrease of approximately HK\$0.6 million as compared with approximately HK\$3 million for the year ended 31 December 2022. The gross profit margin for the year ended 31 December 2023 was approximately 28.2%, as compared with approximately 37.3% for the year ended 31 December 2022. The decrease in gross profit margin was mainly due to additional manpower in providing property-related services.

### *(c) Sales of luxury products*

The gross profit and gross profit margin from the sales of luxury products amounted to approximately HK\$1 million and 28.6% respectively.

## **Other Income**

Other income mainly included bank interest income, material charges income and sundry income. For the year ended 31 December 2023, other income amounted to approximately HK\$4.9 million (2022: approximately HK\$5.9 million). The decrease in other income was mainly due to absence in government grant of approximately HK\$1.8 million received in relation to the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of HKSAR during the year.



## **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 2023 amounted to approximately HK\$25.0 million, representing an increase of approximately 6.5% compared with approximately HK\$23.5 million (as restated) for the year ended 31 December 2022. The increase in administrative expenses was mainly due to the increases in (1) staff cost resulting from the additional management staff recruited during the economic recovery cycle; and (2) legal and professional fees as additional fees in relation to certain legal proceedings of the Group.

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

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 on whether a financial instrument’s credit risk has increased significantly since initial recognition.

An impairment under ECL allowance on trade and other receivables (including material costs, subcontracting charges and expenses paid on behalf of joint operators) of approximately HK\$18.3 million was recognised during the year ended 31 December 2022 mainly due to the significant increase in credit risk arising from one of our joint operators and a subcontractor which had financial difficulties. The Group holds on-going discussions with the said joint operator and subcontractor, and may pursue legal action (if necessary) for recovery of payment.

## **Finance Costs**

Finance costs represent finance charge on lease liabilities and net interest expense on LSP obligations. Finance costs remained stable for the year ended 31 December 2023 and 2022.

## **Income Tax (Expense)/Credit**

Income tax expense of approximately HK\$17,000 was recognised for the year ended 31 December 2023 as compared with an income tax credit of approximately HK\$114,000 (as restated) for the year ended 31 December 2022. The increase in income tax expense was mainly due to the additional income tax expense arising from the sale of luxury products during the year.

## **Net Loss**

Net loss for the year ended 31 December 2023 amounted to approximately HK\$16.4 million, as compared to the net loss of approximately HK\$32.2 million (as restated) for the year ended 31 December 2022. The decrease in net loss was mainly due to the decrease in the recognition of impairment under ECL allowance on trade and other receivables (including material costs, subcontracting charges and expenses paid on behalf of joint operators) for the year while impairment under ECL allowance of approximately HK\$16.4 million related to one of our joint operators which had financial difficulties was recognised for the year ended 31 December 2022. The Group's net loss margin for the year ended 31 December 2023 was approximately 12.2%, as compared to approximately 11.4% for the year ended 31 December 2022.

## **Final Dividend**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: nil).

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

As at 31 December 2023, 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. There has been no change in the capital structure of the Group since the listing of the Company's shares on the Main Board of the Stock Exchange on 12 October 2017 (the "**Listing**").

As at 31 December 2023, the Group had total cash and bank balances of approximately HK\$137.2 million (31 December 2022: approximately HK\$167.2 million). The Group had no bank borrowing as at 31 December 2023 (31 December 2022: nil). Other borrowings of the Group as at 31 December 2023 were lease liabilities of approximately HK\$1.4 million (31 December 2022: approximately HK\$0.5 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 2023 (2022: 4.23% 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%. As at 31 December 2023, the total borrowings of the Group were the lease liabilities of approximately HK\$1.4 million (31 December 2022: approximately HK\$0.5 million). The gearing ratio of the Group as at 31 December 2023 was approximately 0.8% (31 December 2022: approximately 0.3%). The increase in gearing ratio was mainly due to increase in total indebtedness level from leases entered into during the year ended 31 December 2023.

## **Pledge of Assets**

As at 31 December 2023, no asset of the Group was pledged. As at 31 December 2022, the carrying amounts of the Group's motor vehicles of approximately HK\$62,000 were pledged under leases.

## **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\$37.1 million as at 31 December 2023 (31 December 2022: approximately HK\$36.5 million). Most of the operating transactions from the Group's operation in Cambodia are settled in US\$.

However, HK\$ is 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 2023 (2022: nil).

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

During the year ended 31 December 2023, the Group did not have any significant investments held, material acquisitions and disposals of subsidiaries, joint ventures 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 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 2023.

## **Employees and Remuneration Policies**

As at 31 December 2023, employees were on the Group’s payroll included 65 full-time employees (31 December 2022: 62 full-time employees). For the year ended 31 December 2023, total staff costs (including Directors’ remuneration) amounted to approximately HK\$30.6 million (2022: approximately HK\$28.7 million as restated). 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, performance 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 Cambodia 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 2023, the Group had no capital commitments (31 December 2022: nil).

## **Contingent Liabilities**

As at 31 December 2023 and 2022, 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.

As at 31 December 2022, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced by two subcontractors. Pursuant to the court orders obtained by Geotech Engineering, those two subcontractors have discontinued their actions against Geotech Engineering.

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.

### Use of Net Proceeds from the listing of shares of the Company on 12 October 2017

Net proceeds from the Listing (“**Net Proceeds**”) amounted to approximately HK\$72.8 million. As at 31 December 2023, a total amount of approximately HK\$67.5 million out of the Net Proceeds had been used by the Group and approximately HK\$5.3 million remained unused.

As at 31 December 2023, 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 for the acquisition of site facilities and equipment (being consistent with the purposes as set out in prospectus of the Company dated 28 September 2017) in accordance with actual business needs and expects to use up the remaining Net Proceeds within one year (i.e. on or before the end of year 2024). Details are as follows:

|  | <b>Planned use of<br/>Net Proceeds<br/>remained<br/>unused as at<br/>1 January<br/>2023<br/>HK\$'000</b> | <b>Actual use of<br/>Net Proceeds<br/>during the<br/>year ended<br/>31 December<br/>2023<br/>HK\$'000</b> | <b>Unused<br/>amount of<br/>Net Proceeds<br/>as at<br/>31 December<br/>2023<br/>HK\$'000</b> | <b>Expected<br/>timeline of<br/>full utilisation<br/>of the<br/>unutilised<br/>proceeds</b> |
|--|--|---|--|---|
| Acquisition of the site facilities and equipment | <u>9,649</u>   | <u>4,359</u>  | <u>5,290</u>   | By the end<br>of 2024   |

## CORPORATE GOVERNANCE

### Compliance with the Corporate Governance Code

The Company has adopted and complied with the applicable code provisions (the “**Code Provision(s)**”) as set out in the CG Code contained in Part 2 of Appendix C1 to the Listing Rules during the year ended 31 December 2023. 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.

## **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 2023.

## **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 C3 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 2023.

## **CONTINUING CONNECTED TRANSACTIONS**

For the year ended 31 December 2023, 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.

On 28 December 2022, the Property Management Consultancy Agreement and the Leasing Agency Agreement were renewed for a term of three years from 1 January 2023 to 31 December 2025 and to set the corresponding annual caps. The other terms of the Property Management Consultancy Agreement and the Leasing Agency Agreement remain unchanged.

Through the engagements of the Property Management Consultancy Agreement and the Leasing Agency Agreement which are of a recurring nature, it enables a more diversified revenue base and 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 announcements of the Company dated 27 December 2019 and 28 December 2022.

It was expected that the aggregated annual caps pursuant to the Property Management Consultancy Agreement and Leasing Agency Agreement shall be approximately HK\$6,497,000, HK\$5,380,000 and HK\$5,517,000 for each of the three years ending 31 December 2025. The income received for services provided by Nova pursuant to the Property Management Consultancy Agreement and Leasing Agency Agreement aggregately amounted to HK\$4,560,000 which is within the aggregated annual cap of approximately HK\$6,497,000 for the year ended 31 December 2023. Details of the transactions are set out in note 18 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 2023 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 2023 (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 18 to the consolidated financial statements in this announcement have exceeded the annual cap as disclosed in the Company's announcement dated 28 December 2022.

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 18 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 2023, 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 2023 and up to the date of this announcement.

## **LITIGATIONS**

Save as disclosed in note 19 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 2023 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 2023 and up to the date of 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 C1 to the Listing Rules. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Tsang Mo, Mr. Shen Zejing and Ms. Yip Wai Ching. 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 2023 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 2023 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.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.geotech.hk](http://www.geotech.hk)). The annual report of the Company for the year ended 31 December 2023 will be published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Geotech Holdings Ltd.**  
**Chen Zhi**

*Chairman and executive Director*

Hong Kong, 25 March 2024

*As at the date of this announcement, the Board comprises Mr. Chen Zhi as Chairman and executive Director, Mr. Qiu Dong as executive Director, and Mr. Chan Tsang Mo, Mr. Shen Zejing and Ms. Yip Wai Ching as independent non-executive Directors.*