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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CONSULTANCY AGREEMENT AND THE LEASING AGENCY AGREEMENT

THE CONSULTANCY AGREEMENT AND THE LEASING AGENCY AGREEMENT

The Board announces that on 27 December 2019, Nova, an indirect wholly-owned subsidiary of the Company (as the consultant) entered into the Consultancy Agreement with Cheer Capital (as the owner of the Property), in relation to the provision of property leasing and management consultancy services for a term of three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

On the same date, Nova (as an agent) also entered into the Leasing Agency Agreement with Cheer Capital (as the owner of the Property), in relation to provisions of property leasing agency services for a term of three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

LISTING RULES IMPLICATIONS

Mr. Chen Zhi who is the chairman of the Board, an executive Director and the controlling shareholder of the Company, is a connected person of the Company. Cheer Capital, a company indirectly held by Mr. Chen solely, is therefore an associate of Mr. Chen and a connected person of the Company. Accordingly, the transactions contemplated under the Consultancy Agreement and the Leasing Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Consultancy Agreement and the Leasing Agency Agreement are required to be calculated on an aggregated basis. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions (calculated based on the highest annual cap) contemplated under the Consultancy Agreement and the Leasing Agency Agreement are on an aggregated basis, exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that on 27 December 2019, Nova, an indirect wholly-owned subsidiary of the Company (as a consultant) entered into the Consultancy Agreement with Cheer Capital (as the owner of the Property), in relation to the provision of property leasing and management consultancy services for a term of three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive). On the same date, Nova (as an agent) also entered into the Leasing Agency Agreement with Cheer Capital (as the owner of the Property), in relation to the provision of property leasing agency services for a term of three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

THE CONSULTANCY AGREEMENT

The principal terms of the Consultancy Agreement are set out as follows:

Date	:	27 December 2019
Parties	:	(1) Nova; and (2) Cheer Capital
Scope of services	:	Provision of property leasing and management consultancy services by Nova to Cheer Capital in relation to the Property, including but not limited to (i) day-to-day overall property related matters including administration and financial planning; (ii) overseeing general property leasing matters including coordination with leasing agents, marketing and formulating leasing plan; and (iii) overseeing daily property management operation.
Term	:	Three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive).
Price and its basis	:	A fixed consultancy fee of HK\$340,000 per month which shall be increased by 5% on an annual basis effective from 1 January 2021.

The fee of HK\$340,000 was determined on a cost-plus 22% basis with reference to (i) the previous transactions contemplated under the property management consultancy services agreement dated 12 August 2019 as entered into between Nova and Cheer Capital for the period from 12 August 2019 to 31 December 2019; (ii) the scope of services; (iii) the expected direct cost for providing the services; and (iv) the profit margin of market comparables on similar scope of work in the property management industry.

The annual increment of 5% was determined with reference to (i) the historical nominal wages indices of real estate leasing and maintenance management industry; and (ii) the historical composite consumer price index as published by the Government of Hong Kong.

Payment term : The consultancy fee will be payable monthly within seven working days from the issuance of debit note.

THE LEASING AGENCY AGREEMENT

The principal terms of the Leasing Agency Agreement are set out as follows:

Date : 27 December 2019

Parties : (1) Nova; and
(2) Cheer Capital

Scope of services : Provision of specific property leasing agency services by Nova in relation to the Property on behalf of Cheer Capital for prospective tenants referred by Cheer Capital or existing tenants of the Property (collectively the “**Agency Tenant(s)**”), including but not limited to undertaking leasing agency activities such as handling enquires and introductions, negotiation on leasing terms and conditions, site visit(s) arrangement and preparation and execution of formal agreement(s) with the Agency Tenants.

Term : Three years commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

Price and its basis : An agency fee of an amount which equals to 0.5 times of the basic monthly rental fee of relevant tenancy agreement(s) entered into by Agency Tenants (on a successful basis).

The agency fee was determined with reference to other similar transactions in the property agency market in Hong Kong.

Payment term : The agency fee will be payable upon entering of the relevant tenancy agreement between Cheer Capital and the Agency Tenant.

HISTORICAL TRANSACTION AMOUNTS

The Group was first engaged by Cheer Capital under a property management consultancy services agreement dated 12 August 2019 for the period from 12 August 2019 to 31 December 2019 for the provision of property leasing and management consultancy services for the Property. The total transaction amounts in respect of the services provided under such agreement shall be amounting to approximately HK\$1,765,000.

The Group had never entered into any transaction in similar nature to the provision of property leasing agency services under the Leasing Agency Agreement in the past.

ANNUAL CAPS AND BASIS OF DETERMINATION

The aggregated annual caps comprising (1) the consultancy fee pursuant to the Consultancy Agreement; and (2) the agency fee pursuant to the Leasing Agency Agreement, payable to Nova by Cheer Capital for the financial years ending 31 December 2020, 2021 and 2022 are set out as follows:

	For the year ending 31 December		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
(1) the consultancy fee pursuant to the Consultancy Agreement	4,080	4,284	4,498
(2) the agency fee pursuant to the Leasing Agency Agreement	1,651	991	2,378
Aggregated annual caps	5,731	5,275	6,876

The above annual caps for the property leasing and management consultancy services under the Consultancy Agreement were determined based on (i) the fixed monthly fee of HK\$340,000; (ii) the 5% annual increment effective from 1 January 2021, as stipulated in the Consultancy Agreement; and (iii) the previous transactions contemplated under the property management consultancy services agreement dated 12 August 2019 as entered into between Nova and Cheer Capital for the period from 12 August 2019 to 31 December 2019.

The above annual caps for the property leasing agency services under the Leasing Agency Agreement were determined after taking into account the following factors: (i) the expected gross floor areas of the Property to be leased by Agency Tenants through Nova; (ii) the expected rental fee of the Property; (iii) the agency fee of an amount which equals to 0.5 times of the basic monthly rental fee of relevant tenancy agreement; and (iv) a buffer to accommodate for any unexpected increase in (i) and (ii) above.

INFORMATION ON THE GROUP, NOVA AND CHEER CAPITAL

The Group is principally engaged in the provision of construction and engineering services.

Nova is principally engaged in the provision of property management consultancy and property agency services.

Cheer Capital is principally engaged in property investments in Hong Kong.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSULTANCY AGREEMENT AND THE LEASING AGENCY AGREEMENT

As set out in the interim report of the Company for the six months ended 30 June 2019 and announcement of the Company dated 10 December 2019 in relation to the Company's profit warning for the year ending 31 December 2019, due to an increasing competitive market environment in the construction and engineering market in Hong Kong, the Group's results have been under pressure. Against the backdrop of a challenging market environment from the Group's principal business in the coming years, the Company has been actively exploring other suitable development opportunities for diversification in order to broaden its income stream that are beneficial to the long-term development of the Group.

In light of an increasing property supply giving rise to an increasing demand for various services such as property management and property agency in the property market in Hong Kong in the long run, and the Group's management experiences and knowledge gained in the industry, the Board considers that it would be a good opportunity to participate in the property management and property agency business in Hong Kong in order to capitalize on the potential in the industry. Through the engagements of the Consultancy Agreement and the Leasing Agency Agreement which are of a recurrent nature, it would enable the Group to diversify its income sources and secure stable cash inflows for the Group.

The Directors (including the independent non-executive Directors) are of the view that each of the Consultancy Agreement and the Leasing Agency Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Chen Zhi who is the chairman of the Board, an executive Director and the controlling shareholder of the Company, is a connected person of the Company. Cheer Capital, a company indirectly held by Mr. Chen solely, is therefore an associate of Mr. Chen and a connected person of the Company. Accordingly, the transactions contemplated under the Consultancy Agreement and the Leasing Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Mr. Chen Zhi is considered as having a material interest in transactions contemplated under the Consultancy Agreement and the Leasing Agency Agreement, he has abstained from voting on the relevant Board resolutions of the Company approving (i) the Consultancy Agreement; (ii) the Leasing Agency Agreement; and (iii) the annual caps.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Consultancy Agreement and the Leasing Agency Agreement are required to be calculated on an aggregated basis. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions (calculated based on the highest annual cap) contemplated under the Consultancy Agreement and the Leasing Agency Agreement are on an aggregated basis, exceed 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cheer Capital”	Cheer Capital Limited (千利有限公司), a company incorporated in Hong Kong with limited liability and a company indirectly held by Mr. Chen Zhi solely, who is the chairman, an executive Director, the controlling shareholder and a connected person of the Company
“Company”	Geotech Holdings Ltd. (致浩達控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Consultancy Agreement”	the property leasing and management consultancy agreement dated 27 December 2019 entered into between Nova and Cheer Capital in respect of property leasing and management consultancy services for the Property for the three years ending 31 December 2022
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Leasing Agency Agreement”	the property leasing agency agreement dated 27 December 2019 entered into between Nova and Cheer Capital in respect of property leasing agency services for the Property for the three years ending 31 December 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nova”	Nova Management Services Limited (新星管理服務有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Property”	a commercial building with a total gross floor area of approximately 114,000 square feet, located in Tsim Sha Tsui, Kowloon, Hong Kong
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Geotech Holdings Ltd.
Chen Zhi
Chairman and executive Director

Hong Kong, 27 December 2019

As at the date of this announcement, the Board comprises Mr. Chen Zhi as chairman and executive Director, Mr. Qiu Dong as executive Director, Mr. Yau Kin Wing Sino as executive Director and Chief Executive Officer, and Mr. Chan Tsang Mo, Mr. Fung Chi Kin, Mr. Shen Zejing and Mr. So Wai Man as independent non-executive Directors.