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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023–2025 CONSULTANCY AGREEMENT AND THE 2023–2025 LEASING AGENCY AGREEMENT

THE 2023–2025 CONSULTANCY AGREEMENT AND THE 2023–2025 LEASING AGENCY AGREEMENT

Reference is made to the announcement of the Company dated 27 December 2019, in respect of the continuing connected transactions of the Company pursuant to the 2020–2022 Agreements. As the 2020–2022 Agreements will expire on 31 December 2022, the Board announces that, on 28 December 2022, Nova, an indirect wholly-owned subsidiary of the Company, and Cheer Capital have entered into the 2023–2025 Consultancy Agreement and the 2023–2025 Leasing Agency Agreement to renew the relevant continuing connected transactions for a term of three years starting from 1 January 2023 to 31 December 2025 (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 2023–2025 Consultancy Agreement and the 2023–2025 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 2023–2025 Agreements are required to be calculated on an aggregated basis. As 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 2023–2025 Agreements on an aggregated basis, are more than 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.

Reference is made to the announcement of the Company dated 27 December 2019, in respect of the continuing connected transactions of the Company pursuant to the 2020–2022 Agreements. As the 2020–2022 Agreements will expire on 31 December 2022, the Board announces that, on 28 December 2022, Nova, an indirect wholly-owned subsidiary of the Company, and Cheer Capital have entered into the 2023–2025 Consultancy Agreement and the 2023–2025 Leasing Agency Agreement to renew the relevant continuing connected transactions for a term of three years starting from 1 January 2023 to 31 December 2025 (both days inclusive).

THE 2023–2025 AGREEMENTS

The principal terms of the 2023–2025 Agreements are set out as follows:

a) The 2023–2025 Consultancy Agreement

Date	:	28 December 2022
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 2023 to 31 December 2025 (both days inclusive).
Price and its basis	:	A fixed consultancy fee of HK\$380,000 per month which shall be increased by 3% on an annual basis effective from 1 January 2024. The fee of HK\$380,000 was determined on a cost-plus 23% basis with reference to (i) the previous transactions under the 2020–2022 Consultancy Agreement; (ii) the scope of services; (iii) the expected cost for providing the services; and (iv) the profit margin of market comparable on similar scope of work in the property management industry.

The annual increment of 3% 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.

b) The 2023–2025 Leasing Agency Agreement

Date : 28 December 2022

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 2023 to 31 December 2025 (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.

EXISTING ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

The existing annual caps of the 2020–2022 Consultancy Agreement and the 2020–2022 Leasing Agency Agreement for the financial years ended 31 December 2020, 2021 and 2022 are set out as follows:

Existing annual caps:

	For the year ended		
	31 December	31 December	31 December
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property management consultancy income pursuant to the 2020–2022 Consultancy Agreement	4,080	4,284	4,498
Property leasing agency services income pursuant to the 2020–2022 Leasing Agency Agreement	1,651	991	2,378
Aggregated annual caps	<u>5,731</u>	<u>5,275</u>	<u>6,876</u>

The historical transaction amounts of the 2020–2022 Consultancy Agreement and the 2020–2022 Leasing Agency Agreement for the financial years ended 31 December 2020 and 2021 and the period from 1 January 2022 to 31 October 2022 are set out as follows:

Historical transaction amounts:

	For the year ended		For the
	31 December	31 December	10 months
	2020	2021	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	31 October
			2022
			<i>HK\$'000</i>
Property management consultancy income pursuant to the 2020–2022 Consultancy Agreement	4,080	4,284	3,749
Property leasing agency services income pursuant to the 2020–2022 Leasing Agency Agreement	–	160	83
Total	<u>4,080</u>	<u>4,444</u>	<u>3,832</u>

The Group has closely monitored the transaction amounts under the 2020–2022 Consultancy Agreement and the 2020–2022 Leasing Agency Agreement, and the actual transaction amounts did not exceed the aggregated annual cap for each of the two financial years ended 31 December 2020 and 2021. As at the date of this announcement, the aggregated annual cap for the transactions contemplated under 2020–2022 Consultancy Agreement and 2020–2022 Leasing Agency Agreement for the financial year ending 31 December 2022 have not been and are not expected to be exceeded.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The aggregated annual caps of the relevant continuing connected transactions comprise of (1) the property management consultancy income pursuant to the 2023–2025 Consultancy Agreement; and (2) the property leasing agency services income pursuant to the 2023–2025 Leasing Agency Agreement, payable to Nova by Cheer Capital. The proposed annual caps of the relevant continuing connected transactions for the financial years ending 31 December 2023, 2024 and 2025 are set out as follows:

Proposed annual caps:

	For the year ending		
	31 December 2023	31 December 2024	31 December 2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property management consultancy income pursuant to the 2023–2025 Consultancy Agreement	4,560	4,697	4,838
Property leasing agency services income pursuant to the 2023–2025 Leasing Agency Agreement	1,937	683	679
Aggregated annual caps	6,497	5,380	5,517

The above annual caps for the property leasing and management consultancy services under the 2023–2025 Consultancy Agreement were determined based on (i) the fixed monthly fee of HK\$380,000; (ii) the 3% annual increment effective from 1 January 2024, as stipulated in the 2023–2025 Consultancy Agreement; and (iii) the historical transaction amounts of the 2020–2022 Consultancy Agreement as aforementioned.

The above annual caps for the property leasing agency services under the 2023–2025 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; (iv) the historical transaction amounts of the 2020–2022 Leasing Agency Agreement as aforementioned; and (v) 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 (i) construction and engineering services, and (ii) property-related 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 2023–2025 CONSULTANCY AGREEMENT AND THE 2023–2025 LEASING AGENCY AGREEMENT

In view of the established long-term cooperation relationship with Cheer Capital, the Board believes that the 2023–2025 Agreements are conducive to continuous business stability of the Group and is expected to generate continuous and stable income for the Group.

The Directors (including the independent non-executive Directors) are of the view that each of the 2023–2025 Consultancy Agreement and the 2023–2025 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 2023–2025 Consultancy Agreement and the 2023–2025 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 2023–2025 Consultancy Agreement and the 2023–2025 Leasing Agency Agreement, he has abstained from voting on the relevant Board resolutions of the Company approving (i) the 2023–2025 Consultancy Agreement; (ii) the 2023–2025 Leasing Agency Agreement; and (iii) the annual caps.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2023–2025 Agreements are required to be calculated on an aggregated basis. As 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 2023–2025 Agreements on an aggregated basis, are more than 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:

“2020–2022 Agreements”	2020–2022 Consultancy Agreement and 2020–2022 Leasing Agency Agreement
“2020–2022 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
“2020–2022 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
“2023–2025 Agreements”	2023–2025 Consultancy Agreement and 2023–2025 Leasing Agency Agreement
“2023–2025 Consultancy Agreement”	the property leasing and management consultancy agreement dated 28 December 2022 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 2025
“2023–2025 Leasing Agency Agreement”	the property leasing agency agreement dated 28 December 2022 entered into between Nova and Cheer Capital in respect of property leasing agency services for the Property for the three years ending 31 December 2025
“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
“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
“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, 28 December 2022

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