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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 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2022 amounted to approximately HK\$281.5 million (2021: approximately HK\$384.4 million).
- Gross profit of the Group for the year ended 31 December 2022 amounted to approximately HK\$3.8 million (2021: approximately HK\$2.6 million).
- Loss attributable to equity holders of the Company for the year ended 31 December 2022 amounted to approximately HK\$31.7 million (2021: approximately HK\$14.3 million).
- Basic and diluted loss per share for the year ended 31 December 2022 amounted to approximately HK cents 1.89 (2021: approximately HK cents 0.85).

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 2022 together with the comparative figures for the corresponding year of 2021 as follows:

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

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>281,512</b>	384,399
Direct costs		<u>(277,743)</u>	<u>(381,759)</u>
<b>Gross profit</b>		<b>3,769</b>	2,640
Other income	5	<b>5,860</b>	5,164
Administrative expenses		<b>(22,937)</b>	(27,104)
(Impairment)/Reversal of impairment under expected credit loss (“ <b>ECL</b> ”) allowance on trade and other receivables, net		<b>(18,322)</b>	5,750
Impairment under ECL allowance on contract assets		<b>(39)</b>	(17)
Finance costs	6	<u>(42)</u>	<u>(50)</u>
<b>Loss before income tax</b>	7	<b>(31,711)</b>	(13,617)
Income tax credit/(expense)	8	<u>18</u>	<u>(663)</u>
<b>Loss for the year</b>		<u><b>(31,693)</b></u>	<u>(14,280)</u>
<b>Other comprehensive expenses, net of tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Fair value loss on financial assets at fair value through other comprehensive expense		<u>(286)</u>	<u>(11)</u>
<b>Total comprehensive expense for the year attributable to equity holders of the Company</b>		<u><b>(31,979)</b></u>	<u>(14,291)</u>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<u><b>(1.89)</b></u>	<u>(0.85)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		300	858
Financial assets at fair value through other comprehensive income (“FVOCI”)		1,000	1,286
Deferred tax assets		2	–
		<u>1,302</u>	<u>2,144</u>
<b>Current assets</b>			
Trade and other receivables	11	46,937	94,927
Contract assets	12	11,014	16,645
Tax recoverable		–	35
Cash and bank balances		167,208	186,272
		<u>225,159</u>	<u>297,879</u>
<b>Current liabilities</b>			
Trade and other payables	13	30,374	71,579
Lease liabilities	14	516	924
Tax payable		312	239
Contract liabilities	12	1,550	988
		<u>32,752</u>	<u>73,730</u>
<b>Net current assets</b>		<u>192,407</u>	224,149
<b>Total assets less current liabilities</b>		<u>193,709</u>	226,293
<b>Non-current liabilities</b>			
Lease liabilities	14	–	516
Deferred tax liabilities		–	89
		<u>–</u>	<u>605</u>
<b>Net assets</b>		<u>193,709</u>	<u>225,688</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	16,800	16,800
Reserves		176,909	208,888
<b>Total equity</b>		<u>193,709</u>	<u>225,688</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 1. GENERAL INFORMATION

Geotech Holdings Ltd. (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands, and its principal place of business is Unit 1920, 19/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in provision of construction and engineering services and property-related services.

The Company’s immediate and ultimate holding company is Star Merit Global Limited (“**Star Merit**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly owned by Mr. Chen Zhi (“**Mr. Chen**”). The ultimate controlling shareholder of the Company is Mr. Chen.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The consolidated financial statements of the Group for the year ended 31 December 2022 (the “**Consolidated Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The Consolidated Financial Statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The significant accounting policies that have been used in the preparation of these Consolidated Financial Statements are summarised below. These policies have been consistently applied to all the years presented in the Consolidated Financial Statements. The adoption of new or amended HKFRSs and the impacts on the Group’s Consolidated Financial Statements, if any, are disclosed in note 3.

The Consolidated Financial Statements have been prepared on the historical cost basis except for financial assets at 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

#### Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Consolidated Financial Statements for the annual period beginning on 1 January 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

#### Issued but not yet effective HKFRSs

At the date of authorisation of these Consolidated Financial Statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<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 the new and amended HKFRSs but not yet in the position to ascertain their impact on the Group's Consolidated Financial Statements.

#### 4. REVENUE AND SEGMENT INFORMATION

##### (a) Revenue

The Group's principal activities are disclosed in note 1 of the Consolidated Financial Statements.

Revenue recognised for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Construction and engineering services	273,420	377,406
Property-related services	<u>8,092</u>	<u>6,993</u>
	<u><u>281,512</u></u>	<u><u>384,399</u></u>

All performance obligations of revenue of the Group are satisfied over time.

##### (b) Segment information

The Group's operating activities are attributable to construction and engineering services and property-related services. The Group organised its business units based on its segment purposes and the internal management reports are prepared in accordance with accounting policies which conform to HKFRSs, 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 and property-related services as reportable segments.

##### For the year ended 31 December 2022

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>			
– From external customers	<u>273,420</u>	<u>8,092</u>	<u>281,512</u>
<b>Reportable segment results (Note)</b>	<u><u>(23,714)</u></u>	<u><u>2,065</u></u>	(21,649)
Unallocated corporate income			616
Unallocated corporate expenses			<u>(10,678)</u>
Loss before income tax			<u><u>(31,711)</u></u>

Note:

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results				
– Bank interest income	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
– Finance costs	(42)	–	–	(42)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other segment item</b>				
Additions to non-current segment assets	14	–	–	14
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**As at 31 December 2022**

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	119,160	5,199	102,102	226,461
Reportable segment liabilities	31,098	351	1,303	32,752
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the year ended 31 December 2021

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

Note:

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results				
– Bank interest income	116	–	188	304
– Impairment under ECL allowance on contract assets	(17)	–	–	(17)
– Depreciation of non-financial assets	(1,746)	(7)	(8)	(1,761)
– Reversal of impairment under ECL allowance on trade and other receivables, net	5,750	–	–	5,750
– Impairment loss on items of property, plant and equipment	(1,275)	–	–	(1,275)
– Gain on disposal of plant and equipment	455	–	–	455
– Finance costs	(50)	–	–	(50)
	<u>1,717</u>	<u>9</u>	<u>–</u>	<u>1,726</u>
<b>Other segment item</b>				
Additions to non-current segment assets	<u>1,717</u>	<u>9</u>	<u>–</u>	<u>1,726</u>

As at 31 December 2021

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

### 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Construction and engineering services segment		
– Customer A	35,184	176,268
– Customer B	<u>157,230</u>	<u>118,398</u>

(c) Disaggregation of revenue from type of projects

For the year ended 31 December 2022

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Private sector project	12,404	8,092	20,496
Public sector project	<u>261,016</u>	<u>–</u>	<u>261,016</u>

For the year ended 31 December 2021

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Private sector project	25,026	6,993	32,019
Public sector project	<u>352,380</u>	<u>–</u>	<u>352,380</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Consultancy fee income	265	224
Rental income from lease of machinery	72	212
Material charges income	1,193	1,973
Safety consultancy income	227	373
Bank interest income	745	304
Interest income from finance lease receivables	–	12
Government grant ( <i>Note (i)</i> )	1,756	100
Gain on disposal of property, plant and equipment	224	455
Sundry income ( <i>Note (ii)</i> )	<u>1,378</u>	<u>1,511</u>
	<u>5,860</u>	<u>5,164</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 Hong Kong Special Administrative Region (“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.

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

- (ii) Sundry income mainly represented service charges of approximately HK\$851,000 (2021: approximately HK\$704,000) paid by subcontractors requesting the Group's assistance in the procurement of labour for the construction projects.

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance charge on lease liabilities	<u>42</u>	<u>50</u>

## 7. LOSS BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before income tax is stated after (crediting)/charging:		
<b>(a) Staff costs (including Directors' remuneration)</b>		
Salaries, fee, wages and allowances	26,481	28,434
Discretionary bonuses	985	985
Retirement scheme contributions	<u>676</u>	<u>876</u>
Staff costs (including Directors' remuneration) ( <i>Note</i> )	<u>28,142</u>	<u>30,295</u>
<b>(b) Other items</b>		
Depreciation, included in:		
Direct costs		
– Owned assets	177	114
– Right-of-use assets	–	494
Administrative expenses		
– Owned assets	335	246
– Right-of-use assets	<u>11</u>	<u>907</u>
	<u>523</u>	<u>1,761</u>
Short term leases	486	406
Subcontracting charges (included in direct costs)	259,628	358,904
Impairment loss on items of property, plant and equipment	–	1,275
Gain on disposal of property, plant and equipment	(224)	(455)
Auditors' remuneration	1,174	1,160
Impairment under ECL allowance on contract assets	39	17
Impairment/(Reversal of impairment) under ECL allowance on trade and other receivables, net	<u>18,322</u>	<u>(5,750)</u>

Note: Staff costs (including Directors' remuneration)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Direct costs	10,847	13,757
Administrative expenses	17,295	16,538
	<u>28,142</u>	<u>30,295</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	155	145
– Over provision in respect of prior years	(82)	(93)
	<u>73</u>	<u>52</u>
Deferred tax	(91)	611
	<u>(18)</u>	<u>663</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 2022 and 2021, 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 2022 (2021: nil).

The taxation for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before income tax	(31,711)	(13,617)
Tax at Hong Kong Profits Tax rates of 16.5%	(5,232)	(2,247)
Tax concession under two tier tax at Hong Kong Profits Tax rates of 8.25%	(170)	–
Tax effect of expense not deductible for tax purpose	3,215	1,927
Tax effect of non-taxable income	(412)	(1,088)
Tax losses not recognised	2,675	1,642
Over provision in respect of prior years	(82)	(93)
Tax effect of temporary difference not recognised	(27)	521
Others	15	1
	<u>(18)</u>	<u>663</u>

## 9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 10. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to equity holders of the Company	<u>(31,693)</u>	<u>(14,280)</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 2022 is based on the loss for the year attributable to equity holders of the Company of approximately HK\$31,693,000 (2021: approximately HK\$14,280,000) and the weighted average number of ordinary shares of 1,680,000,000 (2021: 1,680,000,000) in issue during the year.

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021 and therefore, diluted loss per share equals to basic loss per share.

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	3,542	37,011
Less: impairment under ECL allowance	<u>(60)</u>	<u>(697)</u>
	<u>3,482</u>	<u>36,314</u>
Retention receivables	12,759	11,601
Other receivables ( <i>Note (i)</i> )	19,293	28,125
Prepayment ( <i>Note (ii)</i> )	18,802	14,177
Utility and other deposits	1,133	1,492
Less: impairment under ECL allowance	<u>(9,338)</u>	<u>(9,087)</u>
	<u>42,649</u>	<u>46,308</u>
Amount due from joint operator ( <i>Note (iii)</i> )	17,329	12,456
Less: impairment under ECL allowance ( <i>Note (iv)</i> )	<u>(16,523)</u>	<u>(151)</u>
	<u>806</u>	<u>12,305</u>
	<u>46,937</u>	<u>94,927</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\$18,240,000 (2021: HK\$11,221,000) paid for the working capital.
- (iii) The amount is unsecured, interest-free and repayable on demand.
- (iv) Subsequently to the year ended 31 December 2022, a company winding up petition has been filed against a joint operator of the Group, and the joint bank account with the joint operator of approximately HK\$806,000 attributable to the Group as at 31 December 2022 has been frozen. Due to the financial status of the joint operator has remained an uncertain position for the coming future, the management of the Group conducted an impairment assessment on the amount due from joint operator, and recognised impairment under ECL allowance on amount due from joint operator of approximately HK\$16,372,000 (2021: approximately HK\$151,000). However, according to the 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\$806,000.

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\$25,921,000 has been recognised as at 31 December 2022 (31 December 2021: HK\$9,935,000).

**Trade receivables**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	3,137	28,588
31–60 days	251	6,289
61–90 days	–	739
Over 90 days	94	698
	<u>3,482</u>	<u>36,314</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	697	184
Impairment under ECL allowance recognised during the year	–	513
Impairment under ECL allowance reversed during the year	(637)	–
	<u>60</u>	<u>697</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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due within one year	<b>1,713</b>	1,469
Due after one year	<b>11,046</b>	10,132
	<b>12,759</b>	11,601

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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	<b>254</b>	103
Impairment under ECL allowance recognised during the year	–	151
Impairment under ECL allowance reversed during the year	<b>(127)</b>	–
Balance as at 31 December	<b>127</b>	254

## Other receivables

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

	<b>Stage 1</b> <i>HK\$'000</i>	<b>Stage 2</b> <i>HK\$'000</i>	<b>Stage 3</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance as at 1 January 2021	413	12,700	2,285	15,398
(Reversal of impairment)/Impairment under ECL allowance recognised during the year	<b>(165)</b>	<b>(6,300)</b>	51	<b>(6,414)</b>
Balance as at 31 December 2021 and 1 January 2022	248	6,400	2,336	8,984
Amount write-off during the year	–	–	(2,336)	(2,336)
Reclass	(151)	151	–	–
Impairment under ECL allowance recognised during the year	114	18,972	–	19,086
Balance as at 31 December 2022	<b>211</b>	<b>25,523</b>	–	<b>25,734</b>

As at 31 December 2021, included in other receivables represent other receivables of HK\$2,336,000 from a debtor which has financial difficulties (under Stage 3). During the year ended 31 December 2022, the relevant amount has been written off due to the debtor was liquidated.

As at 31 December 2021, included in other receivables represent other receivables amounting to HK\$6,400,000 from a debtor which has financial difficulties (under Stage 2). Having considered the significant increase in credit risk of such debtor, an additional impairment loss of HK\$2,600,000 was recognised based on lifetime ECL for the year ended 31 December 2022.

In addition, a company winding up petition has been filed against a joint operator of the Group after the reporting date, the management of the Group considers to impair to the amount due from the joint operator, and impairment under ECL allowance of HK\$16,372,000 (2021: HK\$151,000) has been recognised based on lifetime ECL (i.e. Stage 2) during the year ended 31 December 2022, details are set out in note 11 (iv).

## 12. CONTRACT ASSETS AND CONTRACT LIABILITIES

### 12.1 Contract assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets arising from construction contracts	11,308	16,900
Less: impairment under ECL allowance	<u>(294)</u>	<u>(255)</u>
	<b><u>11,014</u></b>	<b><u>16,645</u></b>

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\$294,000 has been recognised as at 31 December 2022 (31 December 2021: HK\$255,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	255	238
Impairment under ECL allowance recognised during the year	<u>39</u>	<u>17</u>
Balance as at 31 December	<b><u>294</u></b>	<b><u>255</u></b>

## 12.2 Contract liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	<u>1,550</u>	<u>988</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 2022 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	988	2,154
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(370)	(1,695)
Increase in contract liabilities as a result of billing in advance of construction activities	<u>932</u>	<u>529</u>
Balance as at 31 December	<u>1,550</u>	<u>988</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	59,285	107,170
More than one year	<u>6,697</u>	<u>155,134</u>
	<u>65,982</u>	<u>262,304</u>

### 13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables ( <i>Note (i)</i> )	7,108	41,962
Retention payables ( <i>Note (ii)</i> )	15,229	24,360
Accruals and other payables ( <i>Note (iii)</i> )	8,037	5,257
	<u>30,374</u>	<u>71,579</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	2,911	34,287
31–60 days	71	1,740
61–90 days	986	463
Over 90 days	3,140	5,472
	<u>7,108</u>	<u>41,962</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\$3,726,000 (31 December 2021: approximately HK\$2,436,000).

#### 14. LEASE LIABILITIES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	525	966
After one year but within two years	—	525
	<u>525</u>	<u>1,491</u>
Future finance charges	(9)	(51)
	<u>516</u>	<u>1,440</u>
Present value of lease obligation	<u>516</u>	<u>1,440</u>
Present value of minimum lease payment:		
Within one year	516	924
After one year but within two years	—	516
	<u>516</u>	<u>1,440</u>
Less: portion due within one year included under current liabilities	(516)	(924)
	<u>—</u>	<u>516</u>
Portion due after one year included under non-current liabilities	<u>—</u>	<u>516</u>

As at 31 December 2022 and 2021, the Group had lease arrangements for motor vehicles. These lease periods are for 2 to 3 years. At the end of the lease term, the Group has the option to purchase the leased motor vehicles at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases includes contingent rentals.

As at 31 December 2021, leases of motor vehicles amounted to HK\$110,000 are held by the Group in trust but used by and belong to subcontractors or their nominators. 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 2022.

As at 31 December 2022, 2 (31 December 2021: 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 2022, the total cash outflows for the leases are HK\$1,452,000 (2021: HK\$3,304,000). The sublease arrangement was expired during the year ended 31 December 2022 and the Group did not renew the sublease arrangement.

## 15. SHARE CAPITAL

	2022		2021	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
As at 1 January and 31 December	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
<b>Issued and fully paid:</b>				
As at 1 January and 31 December	<u>1,680,000,000</u>	<u>16,800</u>	<u>1,680,000,000</u>	<u>16,800</u>

## 16. 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 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries, fee and allowances	5,643	5,360
Discretionary bonuses	184	118
Retirement scheme contributions	<u>83</u>	<u>91</u>
	<u>5,910</u>	<u>5,569</u>

The above emoluments in relation to service contracts of Directors are exempted 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 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <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> )	4,581	4,444
Bank deposits to Prince Bank Plc. ( <i>Note (ii)</i> )		
– balance as at 31 December	222	158
– maximum balance during the year ended 31 December	<u>259</u>	<u>711</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.

## **17. CONTINGENT LIABILITIES**

As at 31 December 2022 and 2021, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

During the financial years ended 31 December 2022 and 2021, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced by two subcontractors. Up to the date of approval of the Consolidated Financial Statements, such legal proceedings are still in process. Based on the information available and advice from the Company's legal counsel, the Board considered that there are reasonable merits to the defence in the proceedings.

As such, the Board is of the view that such claims, litigations and potential claims would not cause any material adverse impact on the operation and financial position of the Group and no provision is required to be made in the Consolidated Financial Statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group was principally engaged in the provision of (i) construction and engineering services; and (ii) property-related services for the year ended 31 December 2022.

#### Construction and Engineering Services

Geotech Engineering Limited (“**Geotech Engineering**”), an indirect wholly-owned subsidiary of the Company, is principally engaged in construction and engineering services and a leading slope works contractor in Hong Kong with over 20 years of experience in the civil engineering industry. It is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau (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.

Total revenue of construction and engineering services for the year ended 31 December 2022 amounted to approximately HK\$273.4 million, representing a decrease of approximately 27.6% as compared with total revenue of approximately HK\$377.4 million last year. Such decrease in revenue was mainly due to the reduction in new contracts being awarded to the Group 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 92.7% of total revenue in this segment (2021: approximately 93.4%).

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 with its competitive pricing strategy during the year in order to maintain the Group's competitiveness in the slope works sector in particular;
- 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;
- whilst the Suspension may, to certain extent, affect our short-term ability to undertake LPM projects from the public sector as main contractor, the Group has taken initiative to undertake and tender geotechnical works including slope works in private sector during the Suspension period, and has resumed tendering for LPM projects as main contractor after the Suspension was released; 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.

During the year ended 31 December 2022, the outbreak of novel coronavirus (COVID-19) (the "**Outbreak**") did not have significant adverse impact on the Group's construction and engineering operation in Hong Kong. The Group has taken strict preventive measures on both on-site and at office throughout the year to mitigate the risks arising from the Outbreak.

As at 31 December 2022, the Group had 43 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2021: 64 contracts) with a total outstanding contract sum of approximately HK\$66.0 million (31 December 2021: approximately HK\$262.3 million) and in which approximately HK\$59.3 million out of these contracts are expected to be completed during or before 2023.

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

## Property-related Services

The market environment for the property-related services in Hong Kong was still challenging for the year given the uncertainties in the external economic and business environment under the Outbreak. During the year, the Group recorded revenue of approximately HK\$8.0 million (2021: approximately HK\$6.8 million) and approximately HK\$0.1 million (2021: approximately HK\$0.2 million) for the provision of property management consultancy services and property leasing agency services respectively. Of which, approximately HK\$4.5 million of property management consultancy services (2021: approximately HK\$4.2 million) and approximately HK\$0.1 million of property leasing agency services (2021: approximately HK\$0.2 million) respectively were generated from continuing connected transactions. Details of the continuing connected transactions are set out in note 16 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 2022.

## OUTLOOK

Apart from focusing on construction and engineering services and property-related services in Hong Kong, 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:

- 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 in 2023;
- although our property-related services are expected to remain challenging in the coming years given the uncertainties in the external economic and business environment, by leveraging our management experiences and knowledge gained in the industry, the Group will strive to seek various opportunities in property-related services; 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\$102.9 million or approximately 26.8% from approximately HK\$384.4 million for the year ended 31 December 2021 to approximately HK\$281.5 million for the year ended 31 December 2022. The Group's total revenue for the year was contributed by the construction and engineering services and property-related services.

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

The Group's revenue generated from the construction and engineering services decreased by approximately HK\$104.0 million or approximately 27.6% from approximately HK\$377.4 million for the year ended 31 December 2021 to approximately HK\$273.4 million for the year ended 31 December 2022. Such decrease in revenue was mainly due to the reduction in new contracts being awarded to the Group during the year.

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

The Group's revenue from property-related services increased by approximately HK\$1.1 million from approximately HK\$7.0 million for the year ended 31 December 2021 to approximately HK\$8.1 million for the year ended 31 December 2022. Such increase was mainly due to the increase in consultancy fee from renewals of agreements for provision of property management consultancy services during the year. Included in the revenue was continuing connected transactions amounting to approximately HK\$4.6 million (2021: approximately HK\$4.4 million) and the details of the transactions are set out in note 16 in the Consolidated Financial Statements and the section headed "CONTINUING CONNECTED TRANSACTIONS" in this announcement.

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

The Group's total gross profit for the year ended 31 December 2022 amounted to approximately HK\$3.8 million, representing an increase of 46.2% compared with approximately HK\$2.6 million for the year ended 31 December 2021. The Group's gross profit margin for the year ended 31 December 2022 was approximately 1.3%, as compared with approximately 0.7% for the year ended 31 December 2021.

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

The gross profit from construction and engineering services for the year ended 31 December 2022 amounted to approximately HK\$0.8 million, representing an increase of approximately 33.3% as compared with approximately HK\$0.6 million for the year ended 31 December 2021. The gross profit margin from construction and engineering services for the year ended 31 December 2022 was approximately 0.3%, as compared with approximately 0.1% for the year ended 31 December 2021. The increase in gross profit and gross profit margin from construction and engineering services was mainly due to an overall smaller losses deriving from the two ongoing loss-making construction and engineering contracts as compared with corresponding year. These two loss-making contracts were in relation to (i) extra construction costs employed for a slope and site formation works project in public sector in dealing with ongoing geological difficulties which were first identified in the financial year ended 31 December 2020; and (ii) variation works concerning a public sector project under the roads and drainage works category, although such issue is still under negotiation between the Group and the customer.

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

The gross profit from property-related services for the year ended 31 December 2022 amounted to approximately HK\$3.0 million representing an increase of approximately HK\$0.9 million as compared with approximately HK\$2.1 million for the year ended 31 December 2021. The gross profit margin for the year ended 31 December 2022 was approximately 37.3%, as compared with approximately 29.7% for the year ended 31 December 2021. The increase in gross profit and gross profit margin was mainly due to cost optimisation as a result of manpower restructuring during the year.

## **Other Income**

Other income mainly included bank interest income, material charges income, government grant and sundry income. For the year ended 31 December 2022, other income amounted to approximately HK\$5.9 million (2021: approximately HK\$5.2 million). The increase in other income was mainly due to additional 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, offsetting with the decrease in material charges income of approximately HK\$0.8 million 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 2022 amounted to approximately HK\$22.9 million, representing a decrease of approximately 15.5% compared with approximately HK\$27.1 million for the year ended 31 December 2021. The decrease in administrative expenses was mainly due to the reduction in (1) recognition of impairment loss on items of property, plant and equipment; and (2) legal and professional fees as additional legal fees in relation to certain legal proceedings of the Group (as disclosed in the 2021 annual report published by the Company) were incurred in 2021.

## **(Impairment)/Reversal of 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 a joint operator and a subcontractor) of approximately HK\$18.3 million was recognised during the year ended 31 December 2022 (2021: reversal of approximately HK\$5.8 million) mainly due to the significant increase in credit risk arising from a joint operator and a subcontractor which had financial difficulties. The Group holds on-going discussions with the said joint operator and subcontractor, and may pursue legal actions (if necessary) for recovery of payment. Further details of the impairment under ECL allowance are set out in note 11 to the Consolidated Financial Statements in this announcement.

## **Finance Costs**

Finance costs represent finance charge on lease liabilities. Finance costs remained stable for the year ended 31 December 2022 and 2021.

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

Income tax credit of approximately HK\$18,000 was recognised for the year ended 31 December 2022 as compared with an income tax expense of approximately HK\$0.7 million for the year ended 31 December 2021. The decrease in income tax expense was due to the absence of deferred tax expense during the year.

## **Net Loss**

Net loss for the year ended 31 December 2022 amounted to approximately HK\$31.7 million, as compared to the net loss of approximately HK\$14.3 million for the year ended 31 December 2021. The increase in net loss was mainly due to the recognition of impairment under ECL allowance on trade and other receivables (including material costs, subcontracting charges and expenses paid on behalf of a joint operator and a subcontractor) of approximately HK\$18.3 million, offsetting by the overall decrease in administrative expenses (especially for legal and professional fees) as discussed above. As a result, the Group's net loss margin for the year ended 31 December 2022 was approximately 11.3%, as compared to approximately 3.7% for the year ended 31 December 2021.

## **Final Dividend**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil).

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

As at 31 December 2022, the Company's issued share capital was HK\$16.8 million and the number of issued ordinary shares of the Company (the "Shares") was 1,680 million with par value of HK\$0.01 each.

As at 31 December 2022, the Group had total cash and bank balances of approximately HK\$167.2 million (31 December 2021: approximately HK\$186.3 million). The Group had no bank borrowing as at 31 December 2022 (31 December 2021: nil). Other borrowings of the Group as at 31 December 2022 were lease liabilities of approximately HK\$0.5 million (31 December 2021: approximately HK\$1.4 million). Details of lease liabilities are set out in note 14 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 2022 (2021: 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 2022, the total borrowings of the Group were the lease liabilities of approximately HK\$0.5 million (31 December 2021: approximately HK\$1.4 million). The gearing ratio of the Group as at 31 December 2022 was approximately 0.3% (31 December 2021: approximately 0.6%). The decrease in gearing ratio was mainly due to lower total indebtedness level from repayment of lease liabilities of the Group.

## **Pledge of Assets**

As at 31 December 2022, the carrying amounts of the Group's motor vehicles of approximately HK\$62,000 were pledged under leases (31 December 2021: approximately HK\$0.4 million).

## **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\$36.5 million as at 31 December 2022 (31 December 2021: approximately HK\$37.0 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 2022 (2021: nil).

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

During the year ended 31 December 2022, 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 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 2022.

## **Employees and Remuneration Policies**

As at 31 December 2022, employees were on the Group’s payroll included 62 full-time employees (31 December 2021: 91 full-time employees). For the year ended 31 December 2022, total staff costs (including Directors’ remuneration) amounted to approximately HK\$28.1 million (2021: approximately HK\$30.3 million). 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 2022, the Group had no capital commitments (31 December 2021: nil).

## **Contingent Liabilities**

As at 31 December 2022 and 2021, 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 and 2021, Geotech Engineering Limited, an indirectly wholly-owned subsidiary of the Company, has been a defendant in four legal proceedings commenced by two subcontractors. Up to the date of approval of the Consolidated Financial Statements, such legal proceedings are still in process. Based on the information available and advice from the Company’s legal counsel, the Board considered that there are reasonable merits to the defence in the proceedings.

As such, the Board is of the view that such claims, litigations and potential claims would not cause any material adverse impact on the operation and financial position of the Group and no provision is required to be made in the Consolidated Financial Statements.

### **Use of Net Proceeds from the listing of shares of the Company on 12 October 2017 (the “Listing”)**

Net proceeds from the Listing (“**Net Proceeds**”) amounted to approximately HK\$72.8 million. As at 1 January 2022 and 31 December 2022, a total amount of approximately HK\$63.2 million out of the Net Proceeds had been used by the Group and approximately HK\$9.6 million remained unused.

As at 31 December 2022, the unused amount of Net Proceeds was placed in interest-bearing deposits with licensed banks in Hong Kong. The Group expects to gradually apply the remaining Net Proceeds in accordance with actual business needs and use up the remaining Net Proceeds within one year.

	<b>Planned use of Net Proceeds remained unused as at 1 January 2022 <i>HK\$’000</i></b>	<b>Actual use of Net Proceeds during the year ended 31 December 2022 <i>HK\$’000</i></b>	<b>Unused amount of Net Proceeds as at 31 December 2022 <i>HK\$’000</i></b>
Acquisition of the site facilities and equipment	9,649	–	9,649

## **CORPORATE GOVERNANCE**

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

The Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code (“**CG Code**”) contained in Part 2 of Appendix 14 to the Listing Rules during the year ended 31 December 2022. 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 2022.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 December 2022.

## CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2022, 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 announcement 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\$5,731,000, HK\$5,275,000 and HK\$6,876,000 for each of the three years ended 31 December 2022, and 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\$4,581,000 which is within the aggregated annual cap of approximately HK\$6,876,000 for the year ended 31 December 2022. Details of the transactions are set out in note 16 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 2022 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 2022 (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 16 to the Consolidated Financial Statements in this announcement have exceeded the annual cap as disclosed in the Company's announcement dated 27 December 2019.

Details of other connected transactions/continuing connected transactions exempt from annual reporting requirement under Chapter 14A of the Listing Rules and/or related party transactions are set out in note 16 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 2022, 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 2022 and up to the date of this announcement.

## **LITIGATIONS**

Save as disclosed in note 17 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 2022 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 2022 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 14 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 Mr. So Wai Man. Mr. Chan Tsang Mo is the chairman of the Audit Committee.

## REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2022 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 2022 have been agreed with the Company's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton on this announcement.

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

**Chen Zhi**

*Chairman and executive Director*

Hong Kong, 29 March 2023

*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.*