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 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2019 amounted to approximately HK$355.3 million (2018: approximately HK$257.4 million).
- Gross profit of the Group for the year ended 31 December 2019 amounted to approximately HK$10.9 million (2018: approximately HK$24.4 million).
- Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately HK$12.5 million (2018: Profit attributable to equity holders of the Company approximately HK$5.3 million).
- Basic and diluted loss per share for the year ended 31 December 2019 amounted to approximately HK cents 0.81 (2018: earnings per share approximately HK cents 0.38).

The board (the "**Board**") of directors (the "**Directors**") of Geotech Holdings Ltd. (the "**Company**") hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the corresponding year of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	*4*	**355,307**	257,413
Direct costs		**(344,436)**	(233,062)
Gross profit		**10,871**	24,351
Other income	*5*	**5,242**	4,238
Administrative expenses		**(29,392)**	(22,567)
Finance costs	*6*	**(205)**	(252)
(Loss)/profit before income tax	*7*	**(13,484)**	5,770
Income tax credit/(expense)	*8*	**986**	(433)
(Loss)/profit for the year		**(12,498)**	5,337
Other comprehensive (expense)/income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		**102**	(130)
Total comprehensive (expense)/income for the year		**(12,396)**	5,207
		HK cents	HK cents
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	*10*	**(0.81)**	0.38

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in equity as an adjustment to the opening balance of retained earnings for the current year (refer to note 3 for details).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,176**	6,976
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**1,253**	1,151
Finance lease receivables	*11*	**963**	–
Deferred tax assets		**889**	560
		8,281	8,687
Current assets			
Trade and other receivables	*12*	**125,675**	97,700
Contract assets	*13*	**40,452**	56,008
Finance lease receivables	*11*	**1,995**	–
Tax recoverable		**1,817**	2,143
Cash and bank balances		**143,299**	82,347
		313,238	238,198
Current liabilities			
Trade and other payables	*14*	**44,099**	50,159
Lease liabilities/Obligation under finance leases	*15*	**4,428**	1,474
Contract liabilities	*13*	**1,801**	1,670
		50,328	53,303
Net current assets		**262,910**	184,895
Total assets less current liabilities		**271,191**	193,582

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities/Obligation under finance leases	*15*	**2,992**	942
Deferred tax liabilities		**199**	948
		3,191	1,890
Net assets		**268,000**	191,692
CAPITAL AND RESERVES			
Share capital	*16*	**16,800**	14,000
Reserves		**251,200**	177,692
Total equity		**268,000**	191,692

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in equity as an adjustment to the opening balance of retained earnings for the current year (refer to note 3 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 addresses of the registered office is P.O. Box 1350, Clifton House, 75 Fort Street, 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

These consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes 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 (the "**Listing Rules**").

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVOCI which are stated at fair value. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company, and all values are rounded to the nearest thousands ("**HK$'000**"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and consolidated financial statements and effective for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented:

HKFRS 16 "Leases"

The Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has applied the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019. In addition, the Group elects to use the practical expedient of the HKFRS 16 by not applies this accounting model to short-term leases (i.e. where the lease term is twelve months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term. The Group also elects to use the practical expedient for not to perform a full review of existing leases and applies HKFRS 16 only to new contracts.

Furthermore, the Group elects to use the practical expedient to account for leases for which the lease term only within 12 months from the date of initial application as short term lease using the optional exemptions to not recognise right-of-use assets but to account for the lease expense on straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for certain sub-lease. When the Group is an intermediate lessor, the sublease is classified as a finance or operating lease with reference to the underlying right-of-use asset. Because of these changes, the Group has reclassified certain of its sublease agreements as finance leases. When the Group enters into sublease arrangement classified as finance lease, the Group will derecognise the right-of-use assets relating to the head lease that it transfers to the sub-lessee and recognises the net investment in the sublease, presented as “finance lease receivables” in the consolidated statement of financial position. Any difference between the right-of-use asset and the net investment in the sublease is recognised in consolidated statement of profit or loss and other comprehensive income.

On initial application of HKFRS 16 as at 1 January 2019, the Group has elected to measure the right-of-use assets of an amount equal to the lease liabilities adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to total lease liabilities recognised as at 1 January 2019 upon the initial application of HKFRS 16:

	HK$'000
Total operating lease commitments disclosed as at 31 December 2018	3,228
Recognition exemption – leases with remaining lease term of less than 12 months	(779)
Operating leases liabilities before discounting	2,449
Discounting using incremental borrowing rate as at 1 January 2019	(82)
Operating leases liabilities *(note)*	2,367
Obligation under finance leases	2,416
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	4,783
Of which are:	
Current lease liabilities	3,009
Non-current lease liabilities	1,774
	4,783

Note: The corresponding finance lease receivables were recognised under the sublease agreement.

In summary, the following adjustment was made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019 upon the initial application of HKFRS 16:

	As at 31 December 2018	**Effect on initial application of HKFRS 16**	**As at 1 January 2019**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Finance lease receivables	–	832	832
Current assets			
Finance lease receivables	–	1,535	1,535
Current liabilities			
Lease liabilities	–	3,009	3,009
Obligation under finance leases	1,474	(1,474)	–
Non-current liabilities			
Lease liabilities	–	1,774	1,774
Obligation under finance leases	942	(942)	–

On transition to HKFRS 16, the Group has applied the practical expedient for applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.25%.

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[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective date to be determined

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Directors expect that the amendments have no material impact on these 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 2019 and 2018 are as follows:

	2019	2018
	HK$'000	HK$'000
Construction and engineering services	**353,292**	257,413
Property-related services	**2,015**	–
	355,307	257,413

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 which has been newly engaged in 2019. The Group organised into business units based on its segment purposes and the internal management reports are prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive Directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from the engagement with no discrete information available to the CODM. The CODM reviews the profit or loss for the period of the Group as a whole for performance assessment.

For the year ended 31 December 2019

	Construction and engineering services HK$'000	Property-related services HK$'000	Total HK$'000
Reportable segment revenue			
– From external customers	353,292	2,015	355,307
Reportable segment results *(note)*	(6,390)	(503)	(6,893)
Unallocated corporate income			831
Unallocated corporate expenses			(7,422)
Loss before income tax			(13,484)

Note:

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results				
– Bank interest income	826	–	831	1,657
– Depreciation of non-financial assets	(2,093)	–	(2)	(2,095)
– Impairment loss on trade and other receivables	(755)	–	–	(755)
– Impairment loss on contract assets	(305)	–	–	(305)
– Loss on disposal of property, plant and equipment	(46)	–	–	(46)
– Finance costs	(205)	–	–	(205)
Other segment item				
Additions to non-current segment assets	2,096	–	14	2,110

	Construction and engineering services HK$'000	Property-related services HK$'000	Unallocated HK$'000	Total HK$'000
Reportable segment assets	255,668	1,689	64,162	321,519
Reportable segment liabilities	52,170	11	1,338	53,519

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:

	2019	2018
	HK$'000	HK$'000
Construction and engineering services segment		
Customer A	**155,034**	148,043
Customer B	**79,645**	N/A*
Customer C	**41,351**	32,013

* The corresponding revenue did not contribute over 10% of total revenue of the Group

5. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Consultancy fee income	**285**	290
Rental income from lease of machinery	**1,044**	1,127
Safety consultancy income	**691**	485
Bank interest income	**1,657**	510
Interest income from finance lease receivables *(note 11)*	**162**	–
Gain on disposal of property, plant and equipment	**–**	190
Exchange gain	**–**	315
Other	**1,403**	1,321
	5,242	4,238

6. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Bank loan and overdrafts interest	**–**	211
Finance charge on lease liabilities (2018: obligation under finance lease)	**205**	41
	205	252

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax is stated after charging/(crediting):		
(a) Staff costs (including Directors' remuneration)		
Salaries, fee and allowances	**23,900**	26,336
Discretionary bonuses	**2,758**	3,375
Retirement scheme contributions	**936**	905
Staff costs (including Directors' remuneration) *(note)*	**27,594**	30,616
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**401**	379
– Right-of-use assets (2018: leased assets)	**126**	126
Administrative expenses		
– Owned assets	**1,227**	2,494
– Right-of-use assets (2018: leased assets)	**341**	96
	2,095	3,095
Impairment loss on trade and other receivables	**755**	–
Impairment loss on contract assets	**305**	–
Operating lease charges in respect of premises	**–**	1,764
Short term leases and leases with lease term shorter than 12 months as initial application of HKFRS 16	**1,256**	–
Subcontracting charges (included in direct costs)	**319,330**	195,667
Loss/(gain) on disposal of property, plant and equipment	**46**	(190)
Auditors' remuneration	**1,211**	1,366

Note: Staff costs (including Directors' remuneration)

	2019 HK$'000	2018 HK$'000
Direct costs	**11,718**	20,350
Administrative expenses	**15,876**	10,266
	27,594	30,616

8. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax		
– Current tax	**115**	1,441
– Over provision in respect of prior years	**(23)**	(357)
	92	1,084
Deferred tax	**(1,078)**	(651)
Total income tax (credit)/expense	**(986)**	433

For the year ended 31 December 2019, Hong Kong Profits Tax was calculated at a flat rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

For the year ended 31 December 2018, Geotech Engineering Limited, a subsidiary of the Group, is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profit tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK$2 million 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 2019 (2018: nil).

9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. (LOSS)/EARNINGS PER SHARE

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

	2019	2018
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to equity holders of the Company	**(12,498)**	5,337

	'000	'000
Number of shares		
Weighted average number of ordinary shares	**1,551,890**	1,400,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2019 representing the weighted average of ordinary shares of 1,551,890,000 in issue during the year ended 31 December 2019 which includes (i) 1,400,000,000 ordinary shares in issue as at 1 January 2019; and (ii) 280,000,000 new ordinary shares issued pursuant to the placing (note 16) on 17 June 2019, as if all these shares had been in issue throughout the year ended 31 December 2019.

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

11. FINANCE LEASE RECEIVABLES

The maturity analysis of the undiscounted lease payments receivables from finance leases as at 31 December 2019 are as follows:

	2019 HK$'000
Total undiscounted lease payments receivables:	
Within one year	**2,077**
After one year but within two years	**981**
	3,058
Unearned interest income	**(100)**
Present value of the finance lease receivables	**2,958**
Present value of the finance lease receivables:	
Within one year	**1,995**
After one year but within two years	**963**
	2,958
Less: portion due within one year included under current assets	**(1,995)**
Portion due after one year included under non-current assets	**963**

Movements in finance lease receivables during the year ended 31 December 2019

	2019 HK$'000
Balance as at 1 January	**–**
Adjustments upon initial application of HKFRS 16	**2,367**
Addition	**2,991**
Receipts	**(2,562)**
Interest income from finance lease receivables *(note 5)*	**162**
Balance as at 31 December	**2,958**

The finance lease receivables represent the sublease arrangement entered by the Group with sub-contractors in respect of premises typically run for an initial period of two years to three years. The leases do not include contingent rentals and variable lease payments. The subleases are entered with the same terms of the respective head-leases and no gain or loss recognised from the deemed disposal of the right-of-use assets from the head-leases.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables	**27,801**	29,458
Less: impairment loss	**(208)**	–
	27,593	29,458
Retention receivables	**21,237**	18,876
Other receivables and prepayment	**74,669**	47,541
Utility and other deposits	**2,624**	1,825
Less: impairment loss	**(547)**	–
	97,983	68,242
Amount due from joint operator *(note)*	**99**	–
	125,675	97,700

Note: The amount is unsecured, interest-free and repayable on demand.

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Trade receivables

Based on the invoice dates, the ageing analysis of the trade receivables, net of impairment loss, was as follows:

	2019	2018
	HK$'000	HK$'000
0-30 days	**24,728**	26,854
31-60 days	**339**	1,959
61-90 days	**135**	16
Over 90 days	**2,391**	629
	27,593	29,458

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:

	2019	2018
	HK$'000	HK$'000
Due within one year	**2,313**	7,556
Due after one year	**18,924**	11,320
	21,237	18,876

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

At the end of the reporting date, the Group reviewed trade receivables, retention receivables and other receivables for evidence of impairment on collective basis. Based on expect credit losses ("**ECL**") assessment, impairment loss of HK$755,000 has been recognised as at 31 December 2019 (31 December 2018: nil).

The movement in the impairment loss on trade receivables is as follows:

	2019	2018
	HK$'000	HK$'000
Balance as at 1 January	**–**	–
Impairment loss recognised during the year	**208**	–
Balance as at 31 December	**208**	–

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

	2019	2018
	HK$'000	HK$'000
Balance as at 1 January	–	–
Impairment loss recognised during the year	547	–
Balance as at 31 December	547	–

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

13.1 Contract assets

	2019	2018
	HK$'000	HK$'000
Contract assets arising from construction contracts	40,757	56,008
Less: impairment loss	(305)	–
	40,452	56,008

The amount of contract assets is expected to be recovered/settled within one year.

At the end of the reporting date, the Group reviewed contract assets for evidence of impairment on collective basis. Based on ECL assessment, impairment loss of HK$305,000 has been recognised as at 31 December 2019 (31 December 2018: nil).

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

	2019	2018
	HK$'000	HK$'000
Balance as at 1 January	–	–
Impairment loss recognised during the year	305	–
Balance as at 31 December	305	–

13.2 Contract liabilities

	2019	2018
	HK$'000	HK$'000
Contract liabilities arising from construction contracts from billings in advance of performance	**1,801**	1,670

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

Movements in contract liabilities

	2019	2018
	HK$'000	HK$'000
Balance as at 1 January	**1,670**	1,250
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,623)**	(1,171)
Increase in contract liabilities as a result of billing in advance of construction activities	**1,754**	1,591
Balance as at 31 December	**1,801**	1,670

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligation as at 31 December are as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**325,914**	344,724
More than one year	**269,961**	366,962
	595,875	711,686

These amounts disclosed above do not include transaction price allocated to performance obligations which have been satisfied but not yet recognised due to variable consideration constraint.

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables *(note (i))*	**19,576**	27,353
Retention payables *(note (ii))*	**15,440**	12,922
Accruals and other payables	**9,083**	9,884
	44,099	50,159

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:

	2019	2018
	HK$'000	HK$'000
0 – 30 days	**15,931**	24,213
31 – 60 days	**2,199**	1,650
61 – 90 days	**406**	569
Over 90 days	**1,040**	921
	19,576	27,353

Notes:

(i) Payment terms granted by suppliers are 30 to 60 days from the invoice date of the relevant purchases.

(ii) Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

15. LEASE LIABILITIES/OBLIGATION UNDER FINANCE LEASES

The analysis of the Group's lease liabilities (2018: obligation under finance lease*) is as follows:

	2019	2018
	HK$'000	HK$'000
Total minimum lease payments:		
Within one year	**4,654**	1,547
After one year but within two years	**2,875**	658
After two years but within three years	**182**	315
	7,711	2,520
Future finance charges	**(291)**	(104)
Present value of lease obligation	**7,420**	2,416
Present value of minimum lease payment:		
Within one year	**4,428**	1,474
After one year but within two years	**2,812**	632
After two years but within three years	**180**	310
	7,420	2,416
Less: portion due within one year included under current liabilities	**(4,428)**	(1,474)
Portion due after one year included under non-current liabilities	**2,992**	942

The Group has entered into lease arrangements (2018: finance leases) for motor vehicles. These lease periods are for two to three 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 including contingent rentals.

As at 31 December 2019, leases of motor vehicles amounted to HK$2,742,000 (31 December 2018: HK$1,715,000) are held by the Group in trust but used by and belong to subcontractors or their nominators.

During the year ended 31 December 2019, the Group entered into three lease agreements for use of office or workshop premises for two to three years. The Group makes fixed payments during the contract periods. One of the lease agreements contains an option for further extending the lease period from three years to four years by giving a notice to landlord before the end of the lease. The Group considered the option would not be exercised at the lease commencement date.

* The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach

During the year ended 31 December 2019, the Group entered into a lease arrangement for subleasing to subcontractors (refer to note 11) in respect of premises run for an initial period of two years. The lease does not include contingent rentals and variable lease payments.

The leases are effectively secured by the underlying assets at 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 2019, the total cash outflows for the leases are HK$6,456,000.

16. SHARE CAPITAL

	2019		2018	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
As at 1 January and 31 December	**4,000,000,000**	**40,000**	4,000,000,000	40,000
Issued and fully paid:				
As at 1 January	**1,400,000,000**	**14,000**	1,400,000,000	14,000
Issue of ordinary shares pursuant to the placing *(note)*	**280,000,000**	**2,800**	–	–
As at 31 December	**1,680,000,000**	**16,800**	1,400,000,000	14,000

Note: On 17 June 2019, 280,000,000 new ordinary shares with par value of HK$0.01 each of the Company were allotted and issued at a price of HK$0.32 per share by way of placing. The proceeds of HK$2,800,000 representing the par value of these ordinary shares, were credited to the Company's share capital. The remaining proceeds after deducting placing commission directly attributable to the issue of shares amounted to HK$85,904,000, were credited to the Company's share premium account. The issued and fully paid share capital of the Company was then increased to HK$16,800,000 divided into 1,680,000,000 shares of HK$0.01 each.

17. RELATED PARTY AND 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 year ended 31 December 2019 and 2018 are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, fee and allowances	**5,033**	4,681
Discretionary bonuses	**183**	1,023
Retirement scheme contributions	**77**	85
	5,293	5,789

The above emoluments in relation to service contracts of Directors are exempt continuing connected transactions under Chapter 14A of the Listing Rules.

(b) Related party transactions

Summary of the related party transactions carried out by the Group during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Property management consultancy services income from Cheer Capital Limited *(note i)*	**1,765**	–
Rental expenses paid to Keen Forever Limited *(note ii)*	**(34)**	–
Bank deposits to Prince Bank Plc. *(note iii)*		
– balance as at 31 December	**2,211**	–
– maximum balance during the year ended 31 December	**2,416**	–

The above related party transactions are de minimis continuing connected transactions under Chapter 14A of the Listing Rules.

Notes:

(i) A company indirectly and wholly-owned by Mr. Chen, an executive Director and the controlling shareholder of the Company.

(ii) A company directly and wholly-owned by Mr. Yau Kin Wing Sino, an executive Director and chief executive officer of the Company.

(iii) A company directly controlled by Mr. Chen, an executive Director and the controlling shareholder of the Company.

The above transactions are exempt from the requirements of reporting, announcement and approval of independent shareholders of the Company under Chapter 14A of the Listing Rules. The Directors confirm that the Group has no other connected transaction or continuing connected transaction which are required to be disclosed under Chapter 14A of the Listing Rules.

18. CONTINGENT LIABILITIES

At 31 December 2019 and 2018, 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. The Directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the provision of (i) construction and engineering services; and (ii) property-related services for the financial year ended 31 December 2019.

Construction and Engineering Services

Geotech Engineering Limited ("**Geotech Engineering**"), an indirect wholly-owned subsidiary of the Company, is principally engaged in construction and engineering services and a leading slope works contractor in Hong Kong with over 20 years' of experience in the civil engineering industry. It is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status) and "Ground investigation field work" (Group I status) and also an approved contractor included in the List of Approved Contractors for Public Works under the category of "Site formation" (Group B probationary status). In addition, Geotech Engineering is also registered as a specialist contractor in the categories of site formation works and ground investigation field works with the Building Authority.

Total revenue of construction and engineering services for the year ended 31 December 2019 amounted to approximately HK$353.3 million, representing an increase of approximately 37.3% as compared with total revenue of approximately HK$257.4 million last year. Revenue in this segment continued to be deriving from slope works and ground investigation field 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, amounted to approximately 95.4% of total revenue in this segment (2018: approximately 94.3%).

The Group has been experiencing an intense competition in the construction and engineering market, especially the slope works sector in Hong Kong, affecting the profitability of the Group. Faced with more intense competition in the market during the year, the Group strives to remain competitive through a variety of operational initiatives:

* The Programme had been implemented by The Government of Hong Kong Special Administrative Region (the "**Government**") since 2010 on a rolling basis

- in response to such market conditions, the Group has adopted a proactive pricing strategy since 2018 and continued into the year 2019 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 stepped up collaboration with subcontractors by focusing on project management role and subcontracting a larger part of works required; and

- other than slope works, the Group has diversified into other types of civil engineering works by tendering projects jointly with partners for contracts which involve various works category (including roads and drainage). In February 2019, Geotech Engineering entered into a joint arrangement with an independent third party, for the purpose of executing a public works contract under the roads and drainage category. The Directors consider that the successful tendering and execution of this contract are beneficial to the Group's diversification in construction and engineering services in Hong Kong.

However, the effect from the increase in revenue was dragged down by the thin gross margin of 3.1% for the year ended 31 December 2019 as compared with gross margin of 9.5% last year. Such a squeeze in margin was mainly due to (i) a significant increase in construction projects with relatively low gross profit margin; (ii) our continuing proactive pricing strategy; as well as (iii) unexpected geological difficulties in certain major contracts.

In addition, other external factors including the social unrest and overall economic environments in Hong Kong since the second half of 2019 also had a negative impact on the Group in terms of cash flow, operational efficiencies and completion progress on certain projects.

As at 31 December 2019, the Group had 60 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2018: 22 contracts) with a total outstanding contract sum of approximately HK$595.9 million (31 December 2018: approximately HK$711.7 million) and these contracts are expected to be completed during or before 2022. Subsequent to the year ended 31 December 2019 and up to the date of this announcement, the Group has secured certain construction contracts with an aggregate total contract sum of approximately HK$2.2 million and these contracts are expected to be completed during 2020.

Property-related Services

As the Directors expect that the industry conditions of the construction and engineering services, in particular the slope works sector in Hong Kong, to remain challenging in the coming years, the Group has been actively exploring other suitable development opportunities to diversify its revenue base that are beneficial to the long-term development of the Group. As part of this strategy, the Group expanded its business into property-related services during the year.

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 Directors consider that it would be a good opportunity to participate in the property-related services sector in Hong Kong in order to capitalise on the potential in the industry. The Group has expanded its business in the property-related services sector in Hong Kong since August 2019 by entering into a property management consultancy services agreement with a property owner in Hong Kong and Mr. Chen Zhi, the chairman of the Board, an executive Director and the controlling shareholder of the Company, is the ultimate controlling shareholder of the property owner. For further details of the property management consultancy services agreement, please refer to section headed "CONTINUING CONNECTED TRANSACTIONS" in this announcement.

With the accumulation of solid experience including leasing related consultancy services during the period, the Group will continue to provide similar consultancy services and further expand its professional services into the provision of property leasing agency and other property management related services in order to benefit from such market opportunities. An indirect wholly-owned subsidiary of the Company has successfully obtained the Estate Agent's Licence (Company) from the Estate Agents Authority in Hong Kong in June 2019 to carry on estate agency works as an estate agent.

OUTLOOK

Due to the outbreak of novel coronavirus (COVID-19) (the "**Outbreak**"), progress of certain construction projects were being delayed as (i) certain workers were unable to return to work in Hong Kong from the People's Republic of China (the "**PRC**") as part of the Government's 14 days quarantine countermeasures in containing the Outbreak in February 2020; and (ii) the Group also experienced temporary insufficient supply of construction materials such as concrete and cement due to delay in the supply chain logistics from the PRC. The supply of construction materials was resumed towards the end of February 2020. The Directors expect that the Outbreak would result in short-term delay in completion progress of works of certain construction projects, in the opinion of the Directors, it is not practicable to provide a quantitative estimate of the potential impact of this Outbreak on the Group's financial statements. The Group would assess the risks and uncertainties arising from the Outbreak and take various measures to mitigate the potential adverse impact from such disruptions.

Following the close of mandatory unconditional cash offer in early January 2019, the Board has reviewed the operation and business activities of the Group. Apart from focusing on construction and engineering services in Hong Kong, the Group considered to explore other business and seek to expand geographically 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 an active approach for further expansion:

- having considered the above, the Board expects that the industry conditions of the construction and engineering services, in particular the slope work sector in Hong Kong, to remain challenging in the coming years. The Group will closely monitor the market and respond to changes in market conditions. Going forward, in order to broaden the types of works in the construction and engineering sector other than slope works and ground investigation field works, Geotech Engineering strives to partner with other potential partner(s) for tendering projects in various types of civil engineering works;

- despite the positive outlook in the long run as set out under the section headed "BUSINESS REVIEW", it is envisaged that the market environment for our property-related services will be challenging in 2020 given the uncertainties in the external economic and trading environment under the Outbreak. However, by leveraging our management experiences and knowledge gained in the industry, the Group will strive to seek various property-related services opportunities; and

- following an initial study in the property industry in the Kingdom of Cambodia ("**Cambodia**"), the Directors believe that there will be business opportunities including but not limited to site formation, construction and decoration works. To leverage the Group's construction and engineering experience in Hong Kong and expand geographically into the provision of construction and decoration services in Cambodia, the Group has set up a wholly-owned subsidiary in Cambodia in February 2019.

Besides, following the completion of placing of new shares of the Company in June 2019 with net proceeds of approximately HK$88.7 million, the Group is currently seeking for potential investment opportunities. Details of placing of new shares of the Company are set out in the section headed "Fund Raising Activity – Placing of new shares under general mandate" in this announcement.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by approximately HK$97.9 million or approximately 38.0% from approximately HK$257.4 million for the year ended 31 December 2018 to approximately HK$355.3 million for the year ended 31 December 2019. 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 recorded a significant increase of approximately HK$95.9 million or approximately 37.3% from approximately HK$257.4 million for the year ended 31 December 2018 to approximately HK$353.3 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in contracts awarded since 2018 and continued into 2019 as a result of the adoption of proactive pricing strategy in order to maintain the Group's competitiveness under the keen competition in the market.

(b) Property-related Services

The Group expanded into property-related services in August 2019 and recorded revenue for the year ended 31 December 2019 of approximately HK$2.0 million for the provision of property management consultancy services to property owners in Hong Kong. Included in the revenue was continuing connected transactions amounting to approximately HK$1.8 million and the details of the transactions are set out in the section headed "CONTINUING CONNECTED TRANSACTIONS" in this announcement.

Gross Profit and Gross Profit Margin

Despite the increase in revenue for the year, the Group's total gross profit for the year ended 31 December 2019 amounted to approximately HK$10.9 million, representing a decrease of approximately 55.4% as compared with approximately HK$24.4 million for the year ended 31 December 2018. The Group's total gross profit margin for the year ended 31 December 2019 was approximately 3.1%, as compared with approximately 9.5% for the year ended 31 December 2018.

(a) Construction and Engineering Services

The gross profit from construction and engineering services for the year ended 31 December 2019 amounted to approximately HK$10.5 million, representing a decrease of approximately 57.0% as compared with approximately HK$24.4 million for the year ended 31 December 2018. The gross profit margin from construction and engineering services for the year ended 31 December 2019 was approximately 3.0%, as compared with approximately 9.5% for the year ended 31 December 2018. The decrease in the gross profit margin from construction and engineering services was mainly due to (i) continuing proactive pricing strategy in response to competitive market conditions; (ii) the substantial use of subcontractors for a larger proportion of contracts resulted in a significant increase in subcontracting charges and thin gross profit margin for these contracts; and (iii) additional costs incurred in dealing with unexpected difficult geological conditions in certain construction sites resulted in gross loss or very low gross margin for a number of major construction projects.

(b) Property-related Services

The gross profit and gross profit margin from property-related services for the year ended 31 December 2019 amounted to approximately HK$0.4 million and approximately 17.6% respectively.

Other Income

Other income mainly included rental income from leasing of machinery, bank interest income and safety consultancy income. For the year ended 31 December 2019, other income amounted to approximately HK$5.2 million (2018: approximately HK$4.2 million). The increase in other income was mainly due to the increase in bank interest income on unutilised proceeds from placing of new shares of the Company in June 2019.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2019 amounted to approximately HK$29.4 million, representing an increase of approximately 30.2% compared with approximately HK$22.6 million for the year ended 31 December 2018. The increase was mainly due to (i) the Group's business expansion including new operations of property-related services in Hong Kong and construction and decoration services in Cambodia during the year resulting in higher staff costs from an increase in headcount; and (ii) impairment losses on trade and other receivables and contract assets recognised for the year ended 31 December 2019 was due to the assessment of ECL in consideration of the impact of the unstable economy environment in the coming future.

Finance Costs

Finance costs included interest charges on bank borrowings and finance charge on lease liabilities. Finance costs for the year ended 31 December 2019 was approximately HK$0.2 million, representing a decrease of approximately 18.7% compared with approximately HK$0.3 million in the year ended 31 December 2018. The decrease was mainly attributable to the decrease in interest charges on bank borrowings as a result of repayment of all bank borrowings during the second half of 2018.

Income Tax Credit/(Expense)

Income tax credit of approximately HK$1.0 million was recognised for the year ended 31 December 2019 in contrast to income tax expenses of approximately HK$0.4 million for the year ended 31 December 2018 as a result of significant decrease in taxable income and increase in tax credit from deferred taxation during the year ended 31 December 2019.

Net (Loss)/Profit

Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately HK$12.5 million, as compared to the profit attributable to equity holders of the Company of approximately HK$5.3 million for the year ended 31 December 2018. The Group's net loss for the year ended 31 December 2019 was mainly due to (i) the decrease in gross profit; and (ii) the increase in administrative expenses as discussed above. As a result, the Group's net loss margin for the year ended 31 December 2019 was approximately 3.5%, as compared to net profit margin of approximately 2.1% for the year ended 31 December 2018.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019, the Company's issued share capital was HK$16.8 million and the number of its issued ordinary shares of the Company (the "**Shares**") was 1,680 million with par value of HK$0.01 each.

As at 31 December 2019, the Group had total cash and bank balances of approximately HK$143.3 million (31 December 2018: approximately HK$82.3 million). The Group had no bank borrowing as at 31 December 2019 (31 December 2018: nil). Other borrowings of the Group as at 31 December 2019 were lease liabilities of approximately HK$7.4 million (31 December 2018: obligations under finance leases* of approximately HK$2.4 million). Details of lease liabilities are set out in note 15 to the consolidated financial statements in this announcement. All borrowings were denominated in Hong Kong dollars. The interest rates on the lease liabilities were charged at fixed rates with effective rates ranging from 4.13% to 5.29% for the year ended 31 December 2019 (2018: interest rates on obligation under finance leases* were charged at fixed rates with effective rates ranging from 4.27% to 4.29%). 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.

* The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity as at the year-end date and multiplied by 100%. Total borrowings of the Group were the lease liabilities of approximately HK$7.4 million (31 December 2018: obligations under finance leases* of approximately HK$2.4 million). The gearing ratio of the Group as at 31 December 2019 was approximately 2.8% (31 December 2018: approximately 1.3%). The increase in gearing ratio was mainly due to higher total indebtedness level from leases entered into during the year ended 31 December 2019.

Pledge of Assets

As at 31 December 2019, the carrying amounts of the Group's motor vehicles of approximately HK$1.1 million were pledged under leases (31 December 2018: HK$1.1 million).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue are settled in Hong Kong dollars ("**HK$**") and the assets and liabilities are primarily denominated in HK$. The Group's exposures to foreign exchange mainly arise from its cash and bank denominated in United States Dollars ("**US$**") amounting to approximately HK$38.8 million as at 31 December 2019 (31 December 2018: approximately HK$41.0 million). Most of the operating transactions from the Group's new operation in Cambodia are settled in US$.

However, HK$ are pegged to US$ under the Linked Exchange Rate System, the Group is not exposed to any significant foreign exchange risk against the US$ and therefore has not entered into any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 December 2019 (2018: nil).

* The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach

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

During the year ended 31 December 2019, the Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Use of Net Proceeds from the listing of shares of the Company on 12 October 2017" in this announcement, the Group did not have other future plans for material investments or capital assets as at 31 December 2019.

Employees and Remuneration Policies

As at 31 December 2019, 180 employees were on the Group's payroll (31 December 2018: 145 employees). For the year ended 31 December 2019, total staff costs (included Directors' remuneration) amounted to approximately HK$27.6 million (2018: approximately HK$30.6 million). Total staff costs comprised salaries, wages and other staff benefits, bonuses and contributions to retirement schemes. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy of the Group's employees are being reviewed periodically to ensure that the salary and benefit levels of employees of the Group are competitive (with reference to market conditions and individual qualifications, position and experience). The Group continues to provide adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses are being awarded to employees according to the assessment of individual performance and market situation.

Capital Commitments and Contingent Liabilities

As at 31 December 2019, the Group had no capital commitments (31 December 2018: nil) nor material contingent liabilities (31 December 2018: nil).

Use of Net Proceeds from the listing of shares of the Company on 12 October 2017 (the "Listing")

Net proceeds from the Listing ("**Net Proceeds**") amounted to approximately HK$72.8 million. As at 31 December 2019, a total amount of approximately HK$59.6 million out of the Net Proceeds had been used by the Group. The application of Net Proceeds during the year ended 31 December 2019 were as follows:

	Planned use of Net Proceeds remained unused as at 1 January 2019	Actual use of Net Proceeds during the year ended 31 December 2019	Unused amount of Net Proceeds as at 31 December 2019	
	HK$'000	HK$'000	HK$'000	
Acquisition of the site facilities and equipment	10,347	419	9,928	
Expansion of our workforce both at office level and site level	9,786	6,493	3,293	
Total	20,133	6,912	13,221	*(note)*

Note:

As the Group has been subcontracting a larger part of construction works required, the expansion plan as set out in the section headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 28 September 2017 for the procurement of site facilities and equipment and workforce has been postponed. As at 31 December 2019, the unused amount of Net Proceeds was placed as interest-bearing deposits with licensed bank in Hong Kong. The Group expects to gradually apply the remaining Net Proceeds in the manner in accordance with actual business needs and use up the remaining Net Proceeds within three years.

Fund Raising Activity – Placing of new shares under general mandate (the "Placing")

Reference is made to the Company's announcements dated 4 June 2019 and 17 June 2019. All the terms and conditions set out in the placing agreement have been fulfilled and the completion of the Placing took place on 17 June 2019. Pursuant to the terms and conditions of the placing agreement, 280,000,000 Shares were issued and placed to not less than six independent placees at the placing price of HK$0.32 per placing share. The placing shares have an aggregate nominal value of HK$2.8 million.

The net proceeds from the Placing (after deducting the placing commission, and other professional fees and expenses) amounted to approximately HK$88.7 million. The net price of each placing share was approximately HK$0.317. The market price of the placing shares was HK$0.385 per share as quoted on the Stock Exchange on 4 June 2019, the date when the terms of the placing agreement were fixed. As at 31 December 2019, approximately HK$31.1 million of the net proceeds from the Placing had been used for general working capital of the Group and the rest of the net proceeds (approximately HK$57.6 million) remained unused and are intended to be used for general working capital of the Group and any potential investment opportunities within two years.

CORPORATE GOVERNANCE CODE/OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and complied with applicable code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2019 and up to the date of this announcement except for Code Provision E.1.2. Code Provision E.1.2 stipulates that the chairman of the board of director should attend the annual general meeting. Mr. Chen Zhi, the chairman of the Board, was unable to attend the Company's annual general meeting held on 28 June 2019 as he was on business trip for other important business engagement. Nevertheless, he had arranged for Mr. Yau Kin Wing Sino, executive Director and chief executive officer of the Company, to take the chair of the meeting and answer Shareholders' questions. The Directors will periodically review on 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 2019.

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 2019.

CONTINUING CONNECTED TRANSACTIONS

The First Property Management Consultancy Agreement

On 12 August 2019, Nova Management Services Limited ("**Nova**") (as the consultant), an indirect wholly-owned subsidiary of the Company, entered into a property management consultancy services agreement (the "**First Property Management Consultancy Agreement**") with Cheer Capital Limited ("**Cheer Capital**") (as the property owner), a company indirectly and wholly-owned by Mr. Chen Zhi, the chairman of the Board, an executive Director and the controlling shareholders of the Company, in relation to the provision of property management consultancy services for a commercial property in Hong Kong owned by Cheer Capital (the "**Property**") during the period from 12 August 2019 to 31 December 2019. The total amount in respect of the services provided under such agreement amounted to approximately HK$1,765,000. The transactions contemplated under the First Property Management Consultancy Agreement are de minimis continuing connected transactions under Chapter 14A of the Listing Rules and exempt from the requirements of reporting, announcement and approval of independent Shareholders.

The Second Property Management Consultancy Agreement and the Leasing Agency Agreement

On 27 December 2019, Nova (as the consultant) entered into another property leasing and management consultancy agreement (the "**Second Property Management Consultancy Agreement**") with Cheer Capital (as the property owner) in relation to the provision of property management consultancy services for the Property for a term of three years commencing 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 includes 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, for a term of three years commencing from 1 January 2020 to 31 December 2022.

For each of the years ending 31 December 2020, 31 December 2021 and 31 December 2022, the aggregated annual caps comprising the consultancy fee pursuant to the Second Property Management Consultancy Agreement and the agency fee pursuant to the Leasing Agency Agreement shall be approximately HK$5,731,000, HK$5,275,000 and HK$6,876,000, respectively. Through the engagements of the Second Property Management Consultancy Agreement and the Leasing Agency Agreement which are of a recurrent nature, it enables a more diversified revenue base and securing stable cash inflow for the Group.

The transactions contemplated under the Second Property Management Consultancy Agreement and the Leasing Agency Agreement are de minimis continuing connected transactions under Chapter 14A of the Listing Rules which are subject to reporting, annual review and announcement requirements but exempt from the requirements of circular and approval of independent Shareholders.

Further details of the Second Property Management Consultancy Agreement and the Leasing Agency Agreement were disclosed in the announcement of the Company dated 27 December 2019.

Details of other continuing connected transactions or related party transactions are set out in note 17 to the consolidated financial statements in this announcement.

Competing Interests

Based on the confirmations received from each of the Directors, none of the Directors, controlling shareholder of the Company nor their respective close associates (as defined in the Listing Rules) had interests in any business which competes or is likely to compete, directly or indirectly, with the Group's businesses during the year ended 31 December 2019 (or in respect of former Directors, up to their resignation date), 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 2019 and up to the date of this announcement.

Events after Reporting Period

The Outbreak in early 2020 has certain impact to the operations of the Group. In the opinion of the Directors, it is not practicable to provide a quantitative estimate of the potential impact of the Outbreak on the Group's financial statements.

AUDIT COMMITTEE

The Company established the audit committee (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 four members, namely Mr. Chan Tsang Mo, Mr. Fung Chi Kin, 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 consolidated annual financial statements for the year ended 31 December 2019 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 2019 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 audited 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, 31 March 2020

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.