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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2019 amounted to approximately HK$181.7 million (six months ended 30 June 2018: approximately HK$113.1 million).
- Loss attributable to the equity holders of the Company for the six months ended 30 June 2019 amounted to approximately HK$3.0 million (profit attributable to the equity holders for the six months ended 30 June 2018: approximately HK$3.4 million).
- Basic and diluted loss per Share for the six months ended 30 June 2019 amounted to approximately HK cents 0.21 (basic and diluted earnings per Share for the six months ended 30 June 2018: approximately HK cents 0.24).
- The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

The board (the "**Board**") of directors (the "**Directors**") of Geotech Holdings Ltd. (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	*4*	**181,741**	113,073
Direct costs		**(172,436)**	(100,567)
Gross profit		**9,305**	12,506
Other income	*5*	**2,481**	1,752
Administrative expenses		**(14,532)**	(9,895)
Finance costs	*6*	**(73)**	(148)
(Loss)/profit before income tax	*7*	**(2,819)**	4,215
Income tax expense	*8*	**(226)**	(861)
(Loss)/profit for the period		**(3,045)**	3,354
Other comprehensive income/(expense), net of tax			
Items that will not be classified subsequently to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		**88**	(38)
Total comprehensive (expense)/income for the period		**(2,957)**	3,316
		HK cents	*HK cents*
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	*10*	**(0.21)**	0.24

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 period (refer to note 3 for details).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**As at 30 June 2019** *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,546**	6,976
Financial assets at fair value through other comprehensive income		**1,239**	1,151
Finance lease receivables	*11*	**774**	–
Deferred tax assets		**560**	560
		7,119	8,687
Current assets			
Trade and other receivables	*12*	**104,317**	97,700
Contract assets		**54,532**	56,008
Finance lease receivables	*11*	**1,777**	–
Tax recoverable		**1,503**	2,143
Cash and bank balances		**155,292**	82,347
		317,421	238,198
Current liabilities			
Trade and other payables	*13*	**37,411**	50,159
Lease liabilities	*14*	**3,637**	1,474
Contract liabilities		**2,907**	1,670
		43,955	53,303
Net current assets		**273,466**	184,895
Total assets less current liabilities		**280,585**	193,582

	Notes	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Non-current liabilities			
Lease liabilities	*14*	**2,378**	942
Deferred tax liabilities		**768**	948
		3,146	1,890
Net assets		**277,439**	191,692
Capital and reserves			
Share capital	*15*	**16,800**	14,000
Reserves		**260,639**	177,692
Total equity		**277,439**	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 period (refer to note 3 for details).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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. The shares of the Company (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 12 October 2017. The addresses of the registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands, and the headquarters and the principal place of business of the Company are 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 are principally engaged in provision of construction and engineering services.

As at 30 June 2019, to the best knowledge of the Directors, the Company's immediate and ultimate holding company is Star Merit Global Limited, a limited company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Chen Zhi.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial statements do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). Therefore the condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's independent auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars ("**HK$**"), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new accounting policies as a result of the adoption of the new and amended HKFRSs as set out below:

In addition to the adoption of the following amendments to HKFRSs that have become effective for accounting period beginning on 1 January 2019 and are relevant to the Group:

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

The Group has applied all the other amendments, which are mandatory for the financial year beginning 1 January 2019.

Other than as noted below, the adoption of these newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

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 condensed consolidated interim 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 12 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.

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 condensed consolidated statement of financial position. Any difference between the right-of-use asset and the net investment in the sublease is recognised in condensed consolidated statement of profit or loss and other comprehensive income.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the condensed consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the condensed consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any initial direct costs, prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use assets were recognised in the condensed consolidated statement of financial position.

Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

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	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

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

	As at 31 December 2018 *HK$'000*	**Effect on initial application of HKFRS 16** *HK$'000*	**As at 1 January 2019** *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)	–

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.21%.

4. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in note 1 of the condensed consolidated interim financial statements.

Revenue recognised for the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracting revenue	**181,741**	113,073

The Group's operating activities are attributable to a single operating segment focusing on construction and engineering services. This operating segment has been identified on the basis of internal management reports 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 in construction and engineering services 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.

All performance obligations of revenue from contracts with customers of the Group are satisfied over time.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**74,979**	69,668
Customer B	**33,101**	N/A
Customer C	**23,592**	15,088

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Consultancy fee income	**158**	140
Rental income from lease of machinery	**618**	462
Safety consultancy income	**402**	166
Bank interest income	**624**	186
Interest income from finance lease receivables (note 11)	**53**	–
Others	**626**	798
	2,481	1,752

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loan and overdrafts interest	**–**	126
Finance charge on lease liabilities	**73**	22
	73	148

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit before income tax is stated after charging/ (crediting):		
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**13,988**	13,811
Discretionary bonuses	**14**	1,797
Contributions to defined contribution retirement plans	**458**	468
Staff costs (including directors' remuneration) (note)	**14,460**	16,076
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**68**	220
– Right-of-use assets (2018: leased assets)	**92**	63
Administrative expenses		
– Owned assets	**848**	1,239
– Right-of-use assets (2018: leased assets)	**103**	48
	1,111	1,570
Operating lease charges in respect of premises	**–**	920
Short term leases and leases with lease term shorter than 12 months as of initial application of HKFRS 16	**675**	–
Subcontracting charges (included in direct costs)	**159,142**	82,530
Loss/(gain) on disposal of property, plant and equipment	**79**	(397)
Auditors' remuneration	**392**	216

Note: Staff costs (including directors' remuneration)

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct costs	**7,381**	10,854
Administrative expenses	**7,079**	5,222
	14,460	16,076

8. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits 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%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the six months ended 30 June 2019, Hong Kong profits tax of Geotech Engineering Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

For the six months ended 30 June 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profit for the period.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision for Hong Kong profits tax		
– Current tax	**406**	822
– Over provision in respect of prior years	**–**	(30)
	406	792
Deferred tax	**(180)**	69
Total income tax expense	**226**	861

9. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2019 (six months ended 30 June 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:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to equity holders of the Company	**(3,045)**	3,354
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**1,421,657**	1,400,000

The calculation of the basic loss per share for the six months ended 30 June 2019 is based on the loss for the period attributable to equity holders of the Company of HK$3,045,000 (profit for the six months ended 30 June 2018: HK$3,354,000) and the weighted average number of ordinary shares of 1,421,657,000 in issue during the period (six months ended 30 June 2018: 1,400,000,000).

There were no dilutive potential ordinary shares during the six months ended 30 June 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 are as follows:

	As at 30 June 2019 *HK$'000* (unaudited)
Total undiscounted lease payments receivables:	
Within one year	**1,847**
After one year but within two years	**680**
After two years but within three years	**110**
	2,637
Unearned interest income	**(86)**
Present value of the finance lease receivables	**2,551**
Less: Portion due within one year included under current assets	**(1,777)**
Portion due after one year included under non current assets	**774**

Movements in finance lease receivables during the six months ended 30 June 2019

	HK$'000
Balance as at 1 January (audited)	**–**
Adjustments upon initial application of HKFRS 16	**2,367**
Addition	**1,007**
Receipts	**(876)**
Interest income from finance lease receivables (note 5)	**53**
Balance as at 30 June (unaudited)	**2,551**

The finance lease receivables represent the sub-lease 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 sub-leases 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

	As at 30 June 2019 ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Trade receivables	**28,325**	29,458
Retention receivables	**20,589**	18,876
Other receivables and prepayment	**52,591**	47,541
Utility and other deposits	**1,943**	1,825
Amount due from joint operation (note)	**869**	–
	104,317	97,700

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

Trade receivables

The Group usually provides customers with a credit term of 21 to 30 days.

Based on the invoices date, the ageing analysis of the trade receivables, net of expected credit losses allowance, was as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**27,206**	26,854
31 – 60 days	**864**	1,959
61 – 90 days	**–**	16
Over 90 days	**255**	629
	28,325	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.

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Due within one year	**5,908**	7,556
Due after one year	**14,681**	11,320
	20,589	18,876

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**18,120**	27,353
Retention payables	**14,098**	12,922
Accruals and other payables	**5,193**	9,884
	37,411	50,159

Ageing analysis of payables based on the invoices date is as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**17,734**	24,213
31 – 60 days	**46**	1,650
61 – 90 days	**28**	569
Over 90 days	**312**	921
	18,120	27,353

14. LEASE LIABILITIES

The analysis of the Group's obligations under lease (2018: obligations under finance leases) is as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Total minimum lease payments:		
Within one year	**3,817**	1,547
After one year but within two years	**2,047**	658
After two years but within three years	**393**	315
	6,257	2,520
Future finance charges on lease liabilities	**(242)**	(104)
Present value of lease obligation	**6,015**	2,416
Present value of minimum lease payments:		
Within one year	**3,637**	1,474
After one year but within two years	**1,989**	632
After two years but within three years	**389**	310
	6,015	2,416
Less: Portion due within one year included under current liabilities	**(3,637)**	(1,474)
Portion due after one year included under non-current liabilities	**2,378**	942

As at 30 June 2019, leases of motor vehicles amounted to HK$2,724,000 are held by the Group in trust but used by and belong to subcontractors.

During the six months ended 30 June 2019, the Group entered into a lease agreement for use of office premises for 3 years. The Group makes fixed payments during the contract period. The lease agreement contains an option for further extending the lease period from 3 years to 4 years by giving a notice to landlord before the end of the lease. The Group considered the option would not be exercise at the lease commencement date.

During the six months ended 30 June 2019, the Group entered into a lease arrangement for sub-lease to sub-contractors (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.

During the six months period ended 30 June 2019, the total cash outflows for the leases are HK$2,682,000.

15. SHARE CAPITAL

	Number of ordinary shares	***HK$'000***
Authorised:		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	4,000,000,000	40,000
Issued and fully paid:		
As at 1 January 2018, 31 December 2018 and 1 January 2019	1,400,000,000	14,000
Issuance of ordinary shares pursuant to the share placing (note)	280,000,000	2,800
As at 30 June 2019	1,680,000,000	16,800

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over 20 years' of experience in the civil engineering industry, the Group is a leading slope works contractor in Hong Kong. Geotech Engineering Limited ("**Geotech Engineering**"), the Group's principal operating subsidiary, 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). It is also an approved contractor included in the List of Approved Contractors for Public Works under the category of "Site formation" (Group B probationary status). Geotech Engineering is a registered specialist contractor in the categories of site formation works and ground investigation field works with the Building Authority.

The Directors are aware that the keen competition in the industry and increase in overall construction cost may continually affect the Group's gross profit and profit margin. In order to maintain our market share in the slope works sector, the Group has applied a more proactive pricing strategy since 2018. The Group will closely monitor the market and respond to changes in the market conditions. The Directors are confident that with the Group's reputation in the slope works sector and our experienced management team, the Group is in a good position to compete with its competitors. The Group will continue to improve our competitiveness in the market by continuing to provide quality works to our customers. As the business environment remained challenging due to the keen competition in the slope works sector, the Group has been seeking suitable development opportunities for diversification of its businesses.

The Group has tried to diversify to various 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, the Group 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 significant to the Group's development in construction and engineering services in Hong Kong.

As at 30 June 2019, the Group had 33 slope works and ground investigation field works projects on hand (including contracts in progress and contracts which are yet to commence) with a total outstanding contract sum of approximately HK$757.6 million. As at 31 December 2018, the Group had 22 slope works and ground investigation field works projects on hand with a total outstanding contract sum of approximately HK$711.7 million.

OUTLOOK

Following the close of mandatory unconditional cash offer in early January 2019, the Board has reviewed the operation and business activities of the Group. In addition to the market of Hong Kong, the Group considers to explore other business opportunities and/or to seek to expand the geographical coverage of the principal business of the Group for enhancing the future development and strengthening the revenue base of the Group. The Directors believe that diversification of its businesses could provide a better return to the shareholders of the Company.

The Directors are aware that the property industry in Kingdom of Cambodia ("**Cambodia**") has been growing rapidly in recent years. It provides business opportunities for site formation, construction and decoration projects in Cambodia. Leveraging the Group's experience in Hong Kong and in order to seize these opportunities, the Group is exploring its business opportunities in the provision of construction and decoration engineering services in Cambodia. In addition, in view of the increasing residential and commercial housing supply in Hong Kong, the Group has expanded its business in the property management sector in Hong Kong. In August 2019, the Group entered into a property management consultancy services agreement with a property owner in Hong Kong, and Mr. Chen Zhi, who is the chairman of the Board, an executive Director and controlling shareholder of the Company, is the ultimate controlling shareholder of the property owner. This transaction is de minimis continuing connected transaction exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Besides, following the completion of placing of new shares of the Company in June 2019 with a 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 revenue increased by approximately HK$68.6 million or approximately 60.7% from approximately HK$113.1 million for the six months ended 30 June 2018 to approximately HK$181.7 million for the six months ended 30 June 2019. The significant increase in revenue for the six months ended 30 June 2019 was mainly due to the commencement of certain major contracts during the second half of 2018.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 June 2019 amounted to approximately HK$9.3 million, representing a decrease of approximately 25.6% as compared to approximately HK$12.5 million for the six months ended 30 June 2018. The Group's gross profit margin for the six months ended 30 June 2019 was approximately 5.1%, as compared to approximately 11.1% for the six months ended 30 June 2018. The significant decrease in the gross profit margin for the six months ended 30 June 2019 was mainly due to our proactive pricing strategy for maintenance of competitiveness given the keen competition in the market.

Other Income

Other income mainly included rental income from leasing of machinery, bank interest income and safety consultancy income. For the six months ended 30 June 2019, other income amounted to approximately HK$2.5 million (six months ended 30 June 2018: approximately HK$1.8 million). The increase in other income was mainly due to the increase in bank interest income and safety consultancy income during the six months ended 30 June 2019.

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 June 2019 amounted to approximately HK$14.5 million, representing an increase of approximately 46.9% compared with approximately HK$9.9 million for six months ended 30 June 2018. The increase was mainly due to (i) higher legal and professional fees largely relating to the mandatory unconditional cash offer; and (ii) higher staff costs resulting from increase in the number of employees.

Finance Costs

Finance costs included interest charges on bank borrowings and finance charge on lease liabilities. Finance costs for the six months ended 30 June 2019 was approximately HK$73,000, representing a decrease of approximately 50.7% compared with approximately HK$148,000 for the six months ended 30 June 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 Expense

Income tax expense decreased by approximately 73.8% from approximately HK$861,000 for the six months ended 30 June 2018 to approximately HK$226,000 for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in taxable profit for the six months ended 30 June 2019 and the reduced effective tax rate under the new two-tiered tax rates regime in Hong Kong.

Net (Loss)/Profit

Loss attributable to equity holders of the Company for the six months ended 30 June 2019 amounted to approximately HK$3.0 million, as compared to the profit attributable to equity holders of the Company of approximately HK$3.4 million for the six months ended 30 June 2018. The Group's net loss for the six months ended 30 June 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 six months ended 30 June 2019 was approximately 1.7%, as compared to net profit margin of approximately 3.0% for the six months ended 30 June 2018.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the Company's issued share capital was HK$16.8 million and the number of issued ordinary shares was 1,680 million of HK$0.01 each.

As at 30 June 2019, the Group had total cash and bank balances of approximately HK$155.3 million (31 December 2018: approximately HK$82.3 million). The total borrowings of the Group as at 30 June 2019 was approximately HK$6.0 million (31 December 2018: approximately HK$2.4 million). All borrowings were denominated in Hong Kong dollars. Interests were charged at fixed rates. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards it 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 all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group as at 30 June 2019 was approximately 2.2% (31 December 2018: approximately 1.3%). The increase in gearing ratio was mainly due to the higher total indebtedness level from leases entered into during the six months ended 30 June 2019.

Pledge of Assets

As at 30 June 2019, the Group's property, plant and equipment with net book value of approximately HK$1.0 million were pledged under leases (31 December 2018: HK$1.1 million).

Foreign Exchange Risk

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With an insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Significant Investment, Material Acquisitions or Disposal of Subsidiaries and Associated Companies

During the six months ended 30 June 2019, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

Employees and Remuneration Policy

As at 30 June 2019, 177 staff were on the Group's payroll (31 December 2018: 145 staff). For the six months ended 30 June 2019, total staff costs (including directors' remuneration) amounted to approximately HK$14.5 million (six months ended 30 June 2018: approximately HK$16.1 million). Total staff costs comprised salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. In order to attract and retain high quality staff for the smooth operation of the Group, the remuneration policy of the Group's employees are being reviewed periodically to ensure that the salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications 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 30 June 2019, the Group had no material capital commitments nor contingent liabilities (31 December 2018: nil).

Use of Net Proceeds from the Listing

Net proceeds from the Listing in 2017 ("**Net Proceeds**") amounted to approximately HK$72.8 million. The Group intends to apply Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 28 September 2017 (the "**Prospectus**"). The application of Net Proceeds during the six months ended 30 June 2019 were as follows:

	Planned use of Net Proceeds remained unused as at 1 January 2019	Actual use of Net Proceeds during the six months ended 30 June 2019	Unused amount of Net Proceeds as at 30 June 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 and site level	9,786	2,985	6,801
Total	20,133	3,404	16,729

As at 30 June 2019, the unused amount of Net Proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. Up to 30 June 2019, all Net Proceeds were applied in accordance with the intentions previously disclosed in the Prospectus and the remaining Net Proceeds are expected to be used as planned.

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) of approximately HK$88.7 million remained unused as at 30 June 2019 and are intended to be used for general working capital of the Group and any potential investment opportunities in the future.

CORPORATE GOVERNANCE CODE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and complied with the corporate governance code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2019.

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 of the Directors, all Directors have confirmed that they have complied with the requirements of the Model Code during the six months ended 30 June 2019.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 21 September 2017. The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there was no outstanding share option as at 30 June 2019.

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 six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established the audit committee of the Company (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. The primary duties of the Audit Committee are, among other things, to make recommendation to the Board on the appointment, reappointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of our Group. The Audit Committee consists of 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 INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2019 are unaudited but have been reviewed and approved by the Audit Committee, which 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 unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 have been reviewed by our auditor, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Chen Zhi as Chairman and executive Director, Mr. Qiu Dong as executive Director and 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.