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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 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Period amounted to approximately HK$113.1 million (six months ended 30 June 2017: approximately HK$169.4 million).
- Profit attributable to the equity holders of the Company for the Review Period amounted to approximately HK$3.4 million (six months ended 30 June 2017: approximately HK$12.4 million).
- Basic and diluted earnings per Share for the Review Period amounted to approximately HK cent 0.24 (six months ended 30 June 2017: approximately HK cents 1.08).
- The Directors of the Company do not recommend the declaration of an interim dividend for the Review Period.

The board (the "**Board**") of directors (the "**Directors**") of Geotech Holdings Ltd. (the "**Company**") is pleased to present the first condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Review Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 (note (i)) HK$'000 (unaudited)
Revenue	*4*	**113,073**	169,444
Direct costs		**(100,567)**	(144,350)
Gross profit		**12,506**	25,094
Other income	*5*	**1,752**	1,423
Administrative expenses		**(9,895)**	(10,406)
Finance costs	*6*	**(148)**	(191)
Profit before income tax	*7*	**4,215**	15,920
Income tax expense	*8*	**(861)**	(3,506)
Profit for the period		**3,354**	12,414
Other comprehensive (expense)/income, net of tax			
Items that may be classified subsequently to profit or loss			
Fair value gain on available-for-sale financial assets		**–**	87
Items that will not be classified subsequently to profit or loss			
Fair value loss on financial assets at fair value through other comprehensive income (note (ii))		**(38)**	–
Total comprehensive income for the period		**3,316**	12,501
		HK cent	HK cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	*10*	**0.24**	1.08

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

(ii) This amount is recognised under the accounting policies prior to 1 January 2018. Its part of the opening balance adjustments as at 1 January 2018, the balance of this reserves has been reclassified to financial assets fair value reserve and will not be reclassified to profit or loss in any future periods.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	**As at 30 June 2018** **HK$'000** **(unaudited)**	As at 31 December 2017 (note (i)) *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,930**	8,605
Financial assets at fair value through other comprehensive income		**1,243**	–
Available-for-sales financial assets		**–**	1,281
		9,173	9,886
Current assets			
Trade and other receivables	*11*	**59,235**	57,837
Contract assets	*12*	**48,621**	–
Amounts due from customers on construction contracts	*12*	**–**	49,945
Tax recoverable		**2,139**	2,931
Cash and bank balances		**107,834**	109,386
		217,829	220,099
Current liabilities			
Trade and other payables	*13*	**23,697**	30,288
Borrowings, secured		**6,667**	10,000
Obligation under finance leases		**1,048**	490
Contract liabilities	*12*	**4,180**	–
Amounts due to customers on construction contracts	*12*	**–**	1,250
		35,592	42,028
Net current assets		**182,237**	178,071
Total assets less current liabilities		**191,410**	187,957

	Notes	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 (note (i)) HK$'000 (audited)
Non-current liabilities			
Obligation under finance leases		**501**	433
Deferred tax liabilities		**1,108**	1,039
		1,609	1,472
Net assets		**189,801**	186,485
Capital and reserves			
Share capital	*14*	**14,000**	14,000
Reserves		**175,801**	172,485
Total equity		**189,801**	186,485

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 on 6 June 2016. The Shares of the Company (the "**Shares**") are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 October 2017. The addresses of the registered office and the principal place of business of the Company are Units 05-08, 11/F, Delta House, 3 On Yiu Street, Shek Mun, New Territories Hong Kong.

The Company is an investment holding company, and its subsidiaries are principally engaged in undertaking slope works in Hong Kong.

As at 30 June 2018, to the best knowledge of the Directors, the Company's immediate and ultimate holding company is Flourish Team Limited, a limited company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 49% by Mr. Yau Kin Wing Sino ("**Mr. Yau**"), 49% by the late Mr. Cheung Ting Kam, and 2% by Mr. Kung Ho Man ("**Mr. Kung**"). Ms. Tang Ka Wa Danise ("**Ms. Tang**") holds 2% interest in the Company via Double Wink Limited, a limited company incorporated in the BVI. Flourish Team Limited, Double Wink Limited, Mr. Yau, the late Mr. Cheung Ting Kam, Mr. Kung and Ms. Tang are referred to as the "Controlling Shareholders".

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the Review Period have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange 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 required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017.

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

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars ("**HK$'000**"), 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 2017, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as set out below:

(i) Adoption of new and amended HKFRSs

In addition to the adoption of the following amendments to HKFRSs that have become effective for accounting period beginning on 1 January 2018 and are relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2017 Cycle
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group has applied all the other amendments, which are mandatory for the financial year beginning 1 January 2018.

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 15 Revenue from Contracts with Customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods and services that are substantially the same. In determining the performance obligations, the Group considers whether the customer benefits from the good and service on its own and whether it is distinct in the context of the contract. Factors considered by the Group indicate the goods and services are not separately identifiable would include:

- Whether a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted;

- Whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract;

- the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides slope work services under contracts with customers which are entered into before the services begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the slope work services performed. Revenue from provision of slope work services is therefore recognised over time. The progress towards complete satisfaction of a performance obligation in the slope work services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

There was no material impact of transition to HKFRS 15 on retained earnings at 1 January 2018. In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 18	Reclassification	Carrying amount on 1 January 2018 under HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	49,945	(49,945)	–
Contract assets	–	49,945	49,945
Current liabilities			
Amounts due to customers for contract work	1,250	(1,250)	–
Contract liabilities	–	1,250	1,250

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" ("ECL") model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

(a) Classification and measurement

The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, available-for-sale financial assets under HKAS 39 has been reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. Fair value changes previously accounted for in available-for-sale financial asset revaluation reserve has transferred to the opening balance of financial assets at fair value through other comprehensive income reserve as at 1 January 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 39 *HK$'000*	Reclassification *HK$'000*	Carrying amount on 1 January 2018 under HKFRS 9 *HK$'000*
Non-current assets			
Available-for-sales financial assets	1,281	(1,281)	–
Financial assets at fair value through other comprehensive income	–	1,281	1,281

The impact of these changes on the group's equity is as follows:

	Available-for-sale financial assets revaluation reserve *HK$'000*	Financial assets fair value reserve *HK$'000*
Balance at 31 December 2017	160	–
Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(160)	160
Balance at 1 January 2018	–	160

(b) Impairment

Under the ECL model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

For trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial assets at amortised cost, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

Measurement of ECLs

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings.

4. REVENUE AND SEGMENT INFORMATION

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

Revenue recognised for the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracting revenue	**113,073**	169,444

The chief operating decision maker has been identified as the executive directors of the Company. The Directors regards the Group's business of slope, foundation and general building works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. All the performance obligation of revenue from contracts with customers of the Group are satisfied over time.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**69,668**	76,332
Customer B	**N/A**	24,318
Customer C	**15,088**	N/A

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Consultancy fee income	**140**	–
Rental income from lease of machinery	**462**	138
Labour charges income	**–**	587
Safety consultancy income	**166**	348
Interest income	**186**	–
Others	**798**	350
	1,752	1,423

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loan and overdrafts interest	**126**	191
Finance charge on obligations under finance lease	**22**	–
	148	191

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax is stated after charging/(crediting):		
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**13,811**	16,450
Discretionary bonuses	**1,797**	721
Contributions to defined contribution retirement plans	**468**	200
Staff costs (including directors' remuneration) (note (i))	**16,076**	17,371
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**220**	417
– Leased assets	**63**	–
Administrative expenses		
– Owned assets	**1,239**	1,188
– Leased assets	**48**	–
	1,570	1,605
Operating lease charges in respect of premises	**920**	1,089
Subcontracting charges (included in direct costs)	**82,530**	118,896
Listing expenses	**–**	2,396
Gain on disposal of property, plant and equipment	**(397)**	(89)
Auditors' remuneration	**216**	33

Note: (i) Staff costs (including directors' remuneration)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct costs	**10,854**	12,855
Administrative expenses	**5,222**	4,516
	16,076	17,371

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 June 2018 (six months ended 30 June 2017: 16.5%).

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision for Hong Kong profits tax		
– Current tax	**822**	2,503
– (Over)/Under provision in respect of prior years	**(30)**	362
	792	2,865
Deferred tax	**69**	641
Total income tax expense	**861**	3,506

9. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interim dividends	**–**	30,000

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	**3,354**	12,414
	'000	'000
Number of shares		
Weighted average number of ordinary shares	**1,400,000**	1,150,000

The calculation of the basic earnings per share for the Review Period is based on the profit for the period attributable to equity holders of the Company of HK$3,354,000 (six months ended 30 June 2017: HK$12,414,000) and the weighted average number of ordinary shares of 1,400,000,000 in issue during the period (six months ended 30 June 2017: 1,150,000,000 in issue during the period, as if the reorganisation and capitalisation issue as detailed in the Company's annual financial statements for the year ended 31 December 2017 had been effective since 1 January 2017).

There were no dilutive potential ordinary shares during the Review Period and the six months ended 30 June 2017 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Trade receivables	**5,440**	13,928
Retention receivables	**16,910**	16,663
Other receivables and prepayment	**29,073**	18,853
Prepayments for property, plant and equipment (note)	**6,120**	6,797
Utility and other deposits	**1,692**	1,596
	59,235	57,837

Note: The amount is refundable if the transfer of targeted property, plant and equipment are not completed within one year from the payment date.

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

The Group usually provides customers with a credit term of 21 to 30 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No additional credit loss allowance is recognised on these debtors for the current interim period.

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

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
0-30 days	**4,470**	8,756
31-60 days	**409**	3,184
61-90 days	**–**	1,137
Over 90 days	**561**	851
	5,440	13,928

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 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Due within one year	**7,423**	8,731
Due after one year	**9,487**	7,932
	16,910	16,663

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

No amounts in relation to other receivables were past due at 30 June 2018 (31 December 2017: Nil).

12. CONTRACT ASSETS/CONTACT LIABILITIES/AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (audited)
Contract costs incurred plus recognised profits less recognised losses	**653,671**	902,328
Less: progress billings	**(609,230)**	(853,633)
Contract work-in-progress	**44,441**	48,695
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	**–**	49,945
Amounts due to customers on construction contracts	**–**	(1,250)
Contract assets	**48,621**	–
Contract liabilities	**(4,180)**	–
	44,441	48,695

The gross amounts of contract assets/contract liabilities/due from/(to) customers on construction contracts are expected to be recovered/settled within one year.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (audited)
Trade payables	**8,468**	11,536
Retention payables	**10,986**	10,143
Accruals and other payables	**4,243**	8,609
	23,697	30,288

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

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (audited)
0-30 days	**4,131**	7,267
31-60 days	**2,130**	2,643
61-90 days	**313**	545
Over 90 days	**1,894**	1,081
	8,468	11,536

14. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
As at 30 June 2018 and 31 December 2017	4,000,000,000	40,000
Issued and fully paid:		
As at 30 June 2018 and 31 December 2017	1,400,000,000	14,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With over 20 years of experience in Hong Kong civil engineering industry, specialising in slope works and ground investigation field works, 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 also registered as 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 industry competition 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 industry, the Group will closely monitor the market and respond to changes in market conditions. The Directors are confident that with the Group's reputation in the slope works industry 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 at 30 June 2018, we had 39 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$401.5 million. Subsequent to the Review Period and up to the date of this announcement, our Group has secured a slope work project in public sector with a contract sum of approximately HK$115.6 million and that project is expected to be completed by 2021. As at 31 December 2017, we had 43 slope works and ground investigation field works projects on hand with a total outstanding contract sum of approximately HK$492.5 million.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$56.4 million or approximately 33.3% from approximately HK$169.4 million for the six months ended 30 June 2017 to approximately HK$113.1 million for the Review Period. The decrease in revenue was mainly due to (i) the completion of certain major slope works projects in the second half of 2017 or under the Review Period, and (ii) net off with revenue increase in the projects awarded in 2017, which have achieved significant progress in the Review Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Review Period amounted to approximately HK$12.5 million, representing a decrease of approximately 50.2% as compared with approximately HK$25.1 million for the six months ended 30 June 2017. The Group's gross profit margin for the Review Period was approximately 11.1%, as compared with approximately 14.8% for the six months ended 30 June 2017. The decrease in the gross profit margin for the Review Period was mainly due to the increase in overall construction costs and the keen competition in the market for new projects. In order to maintain competitiveness in the slope works industry in Hong Kong, we have adjusted our pricing strategy, which in term affects the gross profit margin in the Review Period.

Other Income

Other income mainly included rental income from leasing of motor vehicles and machinery, labour charges income mainly derived from provision of safety consultancy services by the staff and gain on disposal of property, plant and equipment. During the Review Period, other income amounted to approximately HK$1.8 million (six months ended 30 June 2017: approximately HK$1.4 million). The increase in other income was mainly due to the gain on disposal of property, plant and equipment during the Review Period.

Administrative Expenses

The administrative expenses of the Group for the Review Period amounted to approximately HK$9.9 million, representing a decrease of approximately 4.9% compared with approximately HK$10.4 million for six months ended 30 June 2017. The decrease was mainly attributable to the net effect of (i) approximately HK$2.4 million listing expenses incurred for the six months ended 30 June 2017 (Review Peirod: nil); and (ii) the compliance costs and staff costs incurred due to the listing of the ordinary shares of the Company in October 2017.

Finance Costs

Finance costs for the Review Period was approximately HK$148,000, representing a decrease of approximately 22.5% compared with approximately HK$191,000 for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in interest charges on bank borrowings as a result of ongoing repayment of relevant bank borrowings.

Income Tax Expense

Income tax expense decreased by approximately 75.4% from approximately HK$3.5 million for the six months ended 30 June 2017 to approximately HK$0.9 million for the Review Period. Such decrease was driven by the decrease in revenue and gross profit for the Review Period as discussed above.

Net Profit

Profit attributable to owners of the Company for the Review Period decreased by approximately HK$9.1 million or approximately 73.0% from approximately HK$12.4 million for the six months ended 30 June 2017 to HK$3.4 million for the Review Period. The decrease in the Group's net profit for the Review Period was mainly due to the decrease in revenue. The Group's net profit margin for the Review Period was approximately 3.0%, as compared with approximately 7.3% for the six months ended 30 June 2017. The decrease in the net profit margin for the Review Period was mainly due to the decrease in gross profit margin as discussed above.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the Review Period.

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 October 2017 and there has been no change in capital structure of the Group since then.

As at 30 June 2018, the Company's issued capital was HK$14 million and the number of its issued ordinary shares was 1,400 million of HK$0.01 each.

As at 30 June 2018, the Group had total cash and bank balances of approximately HK$107.8 million (31 December 2017: approximately HK$109.4 million). The total borrowings of the Group, consist of bank borrowings and obligation under finance leases, of the Group as at 30 June 2018 was approximately HK$8.2 million (31 December 2017: approximately HK$10.9 million). All borrowings were denominated in Hong Kong dollars. Interests are charged at fixed and floating 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 2018 was approximately 4.3% (31 December 2017: approximately 5.9%). The decrease in gearing ratio is mainly due to the lower total indebtedness level from the repayment of bank borrowings during the Review Period.

Pledge of Assets

As at 30 June 2018, the Group had approximately HK$0.9 million of net book value of our plant, machinery and equipment were pledged under finance leases (31 December 2017: 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 the 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 Review Period (six months ended 30 June 2017: nil).

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

During the Review Period, 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 2018, 128 staff fell into the Group's payroll (31 December 2017: 114 staff). Total staff costs included directors' emoluments for the Review Period amounted to approximately HK$16.1 million (six months ended 30 June 2017: approximately HK$17.4 million), 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 and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. 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 provides 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 may be awarded to employees according to the assessment of individual performance and market situation.

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group had no material capital commitments or contingent liabilities (31 December 2017: nil).

Use of Net Proceeds from the Listing

The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("**Net Proceeds**") from the Listing were approximately HK$72.8 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. As stated in the Prospectus, our Company intends to apply the Net Proceeds to satisfy Specific Working Capital Requirement, finance site facilities and equipment and expand our workforce. The use of proceeds has been consistent with the disclosure in the Prospectus. The total net proceeds received were applied by the Group from the Listing Date up to 30 June 2018 are as follows:

Use of Net Proceeds:	**Planned use of proceeds**	**Actual use of proceeds from the Listing Date to 30 June 2018**
	HK$'000	*HK$'000*
Satisfaction of Specific Working Capital Requirement	44,144	44,144
Acquisition of the site facilities and equipment	14,351	4,004
Expansion of our workforce both at office and site level	14,350	2,135
Total	72,845	50,283

As at 30 June 2018 and the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Review Period under review, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

CORPORATE GOVERNANCE CODE/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 Rules Governing the Listing Rules during the Review Period and up to the date of this announcement.

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 Companies (the "**Model Code**") as set out in Appendix 10 of 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 Review Period and up to the date of this announcement.

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 is no outstanding share option as at 30 June 2018.

Competing Interests

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Compliance Adviser's Interest

As notified by the Company's compliance adviser, Grande Capital Limited ("**Grande Capital**"), as at 30 June 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 25 January 2018, Grande Capital nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

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 Review Period and up to the date of this announcement.

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 amount of public float for its Shares as required under the Listing Rules during the Review Period and up to the date of this announcement.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 24 August 2018, Mr. Wei Qianjiang has been appointed as an independent non-executive Director with effect from 24 August 2018.

AUDIT COMMITTEE

The Company established the Audit Committee on 21 September 2017 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules. 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 Company. The Audit Committee consists of three members, namely Mr. Chow Chun To, Mr. Fung Chi Kin and Mr. Cheung Wai Lun Jacky. Mr. Chow Chun To is the chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The interim financial results of the Group for the Review Period 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 condensed consolidated interim financial statements for the Review Period 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 Hong Kong Institute of Certified Public Accountants.

By Order of the Board
Geotech Holdings Ltd.
Yau Kin Wing Sino
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises a total of 6 Directors, namely Mr. Yau Kin Wing Sino, Mr. Kung Ho Man and Ms. Tang Ka Wa Danise as executive Directors; and Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky, Mr. Chow Chun To and Mr. Wei Qianjiang as independent non-executive Directors.