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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 2024**

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2024 amounted to approximately HK\$32.8 million (six months ended 30 June 2023: approximately HK\$63.0 million).
- Loss attributable to the equity holders of the Company for the six months ended 30 June 2024 amounted to approximately HK\$8.1 million (six months ended 30 June 2023: approximately HK\$6.5 million).
- Basic and diluted loss per share for the six months ended 30 June 2024 amounted to approximately HK cents 0.48 (six months ended 30 June 2023: approximately HK cents 0.39).
- The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 together with the comparative figures for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Notes</i>	2024	2023
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	4	32,790	62,997
Direct costs		<u>(30,406)</u>	<u>(61,874)</u>
Gross profit		2,384	1,123
Other income	5	2,542	3,058
Administrative expenses		(12,926)	(10,637)
Finance costs	6	<u>(40)</u>	<u>(8)</u>
Loss before income tax	7	(8,040)	(6,464)
Income tax expense	8	<u>(94)</u>	<u>(53)</u>
Loss for the period		<u>(8,134)</u>	<u>(6,517)</u>
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gain on financial assets at fair value through other comprehensive income		<u>28</u>	<u>45</u>
Total comprehensive expense for the period attributable to equity holders of the Company		<u>(8,106)</u>	<u>(6,472)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	10	<u>(0.48)</u>	<u>(0.39)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,521	5,411
Financial assets at fair value through other comprehensive income (“FVOCI”)		1,100	1,072
Finance lease receivables		71	206
Deferred tax assets		268	266
		5,960	6,955
Current assets			
Trade and other receivables	11	53,526	54,040
Contract assets		11,663	12,979
Finance lease receivables		266	261
Cash and bank balances		121,200	137,239
		186,655	204,519
Current liabilities			
Trade and other payables	12	19,860	27,841
Lease liabilities	13	725	729
Tax payable		206	110
Contract liabilities		1,842	4,382
		22,633	33,062
Net current assets		164,022	171,457
Total assets less current liabilities		169,982	178,412
Non-current liabilities			
Lease Liabilities	13	308	655
Long service payment (“LSP”) obligations		850	827
		1,158	1,482
Net assets		168,824	176,930
CAPITAL AND RESERVES			
Share capital	14	16,800	16,800
Reserves		152,024	160,130
Total equity		168,824	176,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

Geotech Holdings Ltd. (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands, and its principal place of business is Unit 706-708, 7th Floor, Tower II, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, 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, property-related services and sales of luxury products.

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.

The condensed consolidated interim financial statements for the six months ended 30 June 2024 were approved for issue by the Board of directors (the “**Directors**”) on 28 August 2024.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 Standards (“**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 the information and disclosures required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023.

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), except when otherwise indicated.

3. ADOPTION OF AMENDED HKFRSs

Amended HKFRSs that are effective for annual period beginning on 1 January 2024

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

Revenue recognised for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Construction and engineering services	24,642	58,831
Property-related services	4,662	4,166
Sales of luxury products	3,486	—
	<u>32,790</u>	<u>62,997</u>

The performance obligations of revenue of the Group from construction and engineering services and property related services are satisfied over time, and the sales of luxury products is at a point in time.

(b) Segment information

The Group's operating activities are attributable to construction and engineering services and property-related services. During the year ended 31 December 2023, the sales of luxury products became a new reporting segment of the Group, The Group commenced its business in sales of luxury products to further diversify its revenue base and introduced a new source of income from the business.

The Group organised its business units based on its segment purposes and the internal management reports are prepared in accordance with accounting policies which conform to HKFRSs, which is regularly reviewed by the executive Directors, being the Chief Operating Decision Maker ("CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM has identified construction and engineering services, property-related services and sales of the luxury products as reportable segments.

For the six months ended 30 June 2024 (unaudited)

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Sales of luxury products HK\$000	Total HK\$'000
Reportable segment revenue				
— From external customers	<u>24,642</u>	<u>4,662</u>	<u>3,486</u>	<u>32,790</u>
Reportable segment results				
(Note)	<u>(5,281)</u>	<u>1,135</u>	<u>(480)</u>	<u>(4,626)</u>
Unallocated corporate income				882
Unallocated corporate expenses				<u>(4,296)</u>
Loss before income tax				<u>(8,040)</u>

Note:

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Sales of luxury products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment results					
— Bank interest income	270	18	–	882	1,170
— Depreciation of non-financial assets	(963)	(2)	–	(1)	(966)
— Expenses arising from LSP obligations	(8)	(2)	–	–	(10)
— Finance costs	(38)	(2)	–	–	(40)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other segment item					
Additions to non-current segment assets	76	–	–	–	76
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 30 June 2024 (unaudited)

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Sales of luxury products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	106,157	5,938	3,160	77,360	192,615
Reportable segment liabilities	23,230	325	100	136	23,791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the six months ended 30 June 2023 (unaudited)

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Total HK\$'000
Reportable segment revenue			
— From external customers	58,831	4,166	62,997
	<u> </u>	<u> </u>	<u> </u>
Reportable segment results (Note)	<u>(3,284)</u>	<u>637</u>	<u>(2,647)</u>
Unallocated corporate income			894
Unallocated corporate expenses			(4,711)
			<u> </u>
Loss before income tax			<u>(6,464)</u>

Note:

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results				
— Bank interest income	265	7	893	1,165
— Depreciation of non-financial assets	(109)	(4)	(1)	(114)
— Net loss on disposal of plant and equipment	(3)	—	—	(3)
— Finance costs	(8)	—	—	(8)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other segment item				
Additions to non-current segment assets	21	—	—	21
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 31 December 2023 (audited)

	Construction and engineering services <i>HK\$'000</i>	Property- related services <i>HK\$'000</i>	Sales of luxury products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	116,158	6,281	4,692	84,343	211,474
Reportable segment liabilities	31,983	79	1,149	1,333	34,544
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The Group's revenue from external customers based on the location of the operation is derived mainly in Hong Kong (place of domicile). Most non-current assets of the Group based on the location of the 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:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Construction and engineering services segment		
Customer A	13,336	12,938
Customer B	–	30,090
	<u> </u>	<u> </u>

(c) Disaggregation of revenue from type of projects

For the six months ended 30 June 2024 (unaudited)

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Sales of luxury products HK\$'000	Total HK\$'000
Private sector project	4,769	4,662	–	9,431
Public sector project	19,873	–	–	19,873
Individuals	–	–	3,486	3,486
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the six months ended 30 June 2023 (unaudited)

	Construction and engineering services HK\$'000	Property- related services HK\$'000	Sales of luxury products HK\$'000	Total HK\$'000
Private sector project	1,423	4,166	–	5,589
Public sector project	57,408	–	–	57,408
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Consultancy fee income	67	205
Rental income from lease of machinery	91	40
Safety consultancy income	82	69
Bank interest income	1,170	1,165
Interest income from finance lease receivables	9	–
Net exchange gain	–	90
Labour charges income	900	354
Sundry income (<i>note (i)</i>)	223	1,135
	<u>2,542</u>	<u>3,058</u>

Note:

- (i) During the six months ended 30 June 2024, sundry income mainly represented handling charges of approximately HK\$44,000 (six months ended 30 June 2023: approximately HK\$1,065,000) paid by subcontractors requesting our assistance in the procurement of construction materials for our construction contracts.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance charge on lease liabilities	27	8
Net interest expense on LSP obligations	13	–
	<u>40</u>	<u>8</u>

7. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax is stated after charging/(crediting):		
(a) Staff costs (including Directors' remuneration)		
Salaries, fees, wages and allowances	12,952	14,575
Retirement scheme contributions	447	451
Expenses arising from LSP obligations	10	–
	<hr/>	<hr/>
Staff costs (including Directors' remuneration) (<i>note</i>)	13,409	15,026
	<hr/> <hr/>	<hr/> <hr/>
(b) Other items		
Depreciation, included in:		
Direct costs		
— Owned assets	671	30
Administrative expenses		
— Owned assets	66	84
— Right-of-use assets	229	–
	<hr/>	<hr/>
	966	114
	<hr/> <hr/>	<hr/> <hr/>
Short term leases	577	219
Subcontracting charges (included in direct costs)	17,066	52,013
Net loss on disposal of plant and equipment	–	3
Net exchange loss/(gain)	2	(90)
	<hr/> <hr/>	<hr/> <hr/>

Note: Staff costs (including Directors' remuneration)

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Direct costs	5,533	6,646
Administrative expenses	7,876	8,380
	<hr/>	<hr/>
	13,409	15,026
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax		
— Current tax	96	53
Deferred tax	(2)	—
	<u>94</u>	<u>53</u>
Total income tax expense	<u>94</u>	<u>53</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2024 and 2023, except that the Group's qualified entity is calculated in accordance with the two-tiered profits tax rates regime and the profits tax of other group entities in Hong Kong which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

No provision for overseas profits tax has been made as the Group had no assessable profits generated in overseas operation during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

9. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	<u>(8,134)</u>	<u>(6,517)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares	<u>1,680,000</u>	<u>1,680,000</u>

The calculation of the basic loss per share for the six months ended 30 June 2024 is based on the loss for the period attributable to equity holders of the Company of HK\$8,134,000 (six months ended 30 June 2023: HK\$6,517,000) and the weighted average number of ordinary shares of 1,680,000,000 in issue during the period (six months ended 30 June 2023: 1,680,000,000).

There were no dilutive potential ordinary shares during the six months ended 30 June 2024 and 2023 and therefore, diluted loss per share equals to basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Trade receivables	2,560	9,595
Less: impairment under expected credit losses (“ECL”) allowance	<u>(217)</u>	<u>(217)</u>
	<u>2,343</u>	<u>9,378</u>
Retention receivables	10,871	12,559
Other receivables (note (i))	24,654	21,074
Prepayment (note (ii))	8,306	7,093
Utility and other deposits	2,041	1,167
Less: impairment under ECL allowance	<u>(9,173)</u>	<u>(9,173)</u>
	<u>36,699</u>	<u>32,720</u>
Amounts due from joint operators (note (iii))	16,907	14,365
Less: impairment under ECL allowance (note (iv))	<u>(2,423)</u>	<u>(2,423)</u>
	<u>14,484</u>	<u>11,942</u>
	<u><u>53,526</u></u>	<u><u>54,040</u></u>

Notes:

- (i) Other receivables include materials and expenses of slope work contracts paid on behalf of subcontractors, for which expenses are recharged to subcontractors.
- (ii) Prepayment mainly represent advance payment to sub-contractors approximately HK\$6,420,000 (31 December 2023: HK\$4,970,000) paid for the working capital.
- (iii) The amounts are unsecured, interest-free and repayable on demand.
- (iv) Due to the financial status of one of the joint operators with an uncertain position for the coming future, the management of the Group conducted impairment assessments on the amount due from the joint operator approximately HK\$16,372,000 impairment under ECL allowance was recognised during the year ended 31 December 2022, and the relevant amount HK\$14,100,000 has been written off during the year ended 31 December 2023. According to that joint operation contract, the management of the Group considers it is not impaired for the proportion of the joint bank account attributable to the Group, approximately HK\$6,452,000 (31 December 2023: HK\$4,416,000). The Group has taken the follow-up actions for the amount due further.

The Directors considered 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 under ECL allowance, is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
0–30 days	1,570	5,411
31–60 days	175	2,145
61–90 days	568	1,822
Over 90 days	30	–
	<u>2,343</u>	<u>9,378</u>

Retention receivables

Retention receivables represent 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:

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Due within one year	6,502	1,226
Due after one year	4,369	11,333
	<u>10,871</u>	<u>12,559</u>

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 ECL assessment, no additional impairment under ECL allowance has been recognised for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

12. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Trade payables (<i>note (i)</i>)	3,781	9,108
Retention payables (<i>note (ii)</i>)	11,590	11,653
Accruals and other payables	4,489	7,080
	<u>19,860</u>	<u>27,841</u>

All amounts are short-term and hence, the carrying values of the Group's trade payables, retention payables and accruals and other payables are considered to be a reasonable approximation of fair value.

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.

Trade payables

Ageing analysis of trade payables based on the invoice dates is as follows:

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
0–30 days	1,932	7,018
31–60 days	382	371
61–90 days	313	883
Over 90 days	1,154	836
	<u>3,781</u>	<u>9,108</u>

13. LEASE LIABILITIES

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

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Total minimum lease payments:		
Within one year	756	756
After one year but within two years	<u>312</u>	<u>690</u>
	1,068	1,446
Future finance charges	<u>(35)</u>	<u>(62)</u>
Present value of lease obligation	<u>1,033</u>	<u>1,384</u>
Present value of minimum lease payments:		
Within one year	725	729
After one year but within two years	<u>308</u>	<u>655</u>
	1,033	1,384
Less: portion due within one year included under current liabilities	<u>(725)</u>	<u>(729)</u>
Portion due after one year included under non-current liabilities	<u>308</u>	<u>655</u>

As at 30 June 2024, 3 (31 December 2023 (audited): 3) of the leases are for use of warehouse and car parks for 2 years (31 December 2023 (audited): 2 years). The Group makes fixed payments during the contract periods.

The leases are effectively secured by the underlying assets as the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

During the six months ended 30 June 2024, the total cash outflows for the leases are HK\$955,000 (six months ended 30 June 2023: HK\$614,000).

14. SHARE CAPITAL

	As at 30 June 2024		As at 31 December 2023	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
As at 1 January 2023, 31 December 2023, 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>4,000,000,000</u>	<u>40,000</u>	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:				
As at 1 January 2023, 31 December 2023, 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>1,680,000,000</u>	<u>16,800</u>	<u>1,680,000,000</u>	<u>16,800</u>

15. RELATED PARTY 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 six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Salaries, fees, wages and allowances	2,520	2,130
Retirement scheme contributions	<u>36</u>	<u>36</u>
	<u>2,556</u>	<u>2,166</u>

(b) Related party transactions

Summary of the related party transactions carried out by the Group during the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Property management consultancy services and property leasing agency services income from Cheer Capital Limited (<i>note (i)</i>)	<u>2,697</u>	<u>2,280</u>

Summary of balance with related parties as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Bank deposits to Prince Bank Plc. <i>(note (ii))</i>		
— balance	161	151
— maximum balance during the six months ended 30 June 2024 (unaudited) and the year ended 31 December 2023 (audited)	219	222

Notes:

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

16. CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the provision of (i) construction and engineering services; (ii) property-related services; and (iii) sales of luxury products for the six months ended 30 June 2024.

Construction and Engineering Services

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

Total revenue of construction and engineering services for the six months ended 30 June 2024 amounted to approximately HK\$24.6 million, representing a decrease of approximately 58.1% as compared with total revenue of approximately HK\$58.8 million for the six months ended 30 June 2023. Such decrease in revenue was mainly due to major project awarded in 2023 was still at the beginning stage during the period and the reduction in new contracts being awarded to the Group during the period as the sector has become extremely competitive. Revenue in this segment continued to be deriving principally from slope works, ground investigation field works and road and drainage works, with public sector projects including those from the Landslip Prevention and Mitigation Programme (the “**Programme**”)* commissioned by the Civil Engineering and Development Department of the Government of the Hong Kong Special Administrative Region (“**HKSAR**”), other government departments and statutory bodies, amounted to approximately 80.6% of total revenue in this segment (six months ended 30 June 2023: approximately 97.6%).

During the six months ended 30 June 2024, Geotech Engineering has continued its strategy for construction and engineering services in Hong Kong through a variety of operational initiatives:

- in response to keen market competition, although securing new contracts had been difficult during the period, the Group has continued to submit tenders but is cautious about the pricing so as to maintain a reasonable gross profit margin while at the same time remaining competitive. The strategy for maintaining a reasonable gross profit might have caused some tenders not being awarded to the Group;
- in order to undertake more construction projects given Geotech Engineering's capacity, it has continued to focus on project management role and our collaboration with subcontractors by subcontracting a substantial part of works required; and
- other than slope works, the Group has continued to seek opportunities to diversify into other types of civil engineering works by tendering projects jointly with partners for contracts which involve various work categories (especially for site formation works and ground investigation field works). The Directors consider that this strategy is beneficial to the Group's diversification in construction and engineering services in Hong Kong.

As at 30 June 2024, the Group had 47 construction contracts on hand, including contracts in progress and contracts yet to commence (31 December 2023: 48 construction contracts) with a total outstanding contract sum of approximately HK\$160.0 million (31 December 2023: approximately HK\$179.1 million). These contracts are expected to be completed on or before 2027. Subsequent to the six months ended 30 June 2024 and up to the date of this announcement, the Group has secured a slope work project as a main contractor in public sector with a contract sum of approximately HK\$169.2 million. That project is expected to be completed by 2028.

Property-related Services

The market environment for the property-related services in Hong Kong was still challenging for the reporting period given the uncertainties in the external economic and business environment of Hong Kong. During the six months ended 30 June 2024, the Group recorded revenue of approximately HK\$4.3 million (six months ended 30 June 2023: approximately HK\$4.2 million) and approximately HK\$0.4 million (six months ended 30 June 2023: HK\$nil) for the provision of property management consultancy services and property leasing agency services respectively. Of which, approximately HK\$2.3 million of property management consultancy services (six months ended 30 June 2023: approximately HK\$2.3 million) and approximately HK\$0.4 million of property leasing agency services (six months ended 30 June 2023: HK\$nil) were generated from continuing connected transactions. Details of the continuing connected transactions are set out in the Company's announcement dated 28 December 2022.

Sales of luxury products

In order to diversify the Group's business and broaden its source of revenue, the Group has been proactively exploring new opportunities to support its long-term development. As part of its strategic business expansion, the Group commenced the business for the sales of luxury products in the fourth quarter of 2023.

During its initial operational stage, the Group aims to capture business potentials while maintaining an optimal risk profile. As such, the Group has strategically focused on the luxury watches segment, which is a sub-segment of the luxury products. The Group's target customers comprises mid-to-high-end customers, and commits to provide customers with high-quality products and services.

While the Group targets to expand its market presence by actively widening its customer base and collaborating with various suppliers to diversify its product offerings, it will adhere to its prudent business approach and devise appropriate business strategies based on market demand and development. The Group will continuously optimise its operations to improve profitability.

OUTLOOK

Apart from focusing on construction and engineering services and property-related services in Hong Kong, the Group has expanded into the sales of luxury products in the fourth quarter of 2023. The Group will continue to explore other business expansion in order to enhance its future development and strengthen its revenue bases. The Board believes that the Group's strategy to diversify its business could provide a better return to the shareholders of the Company (the "**Shareholders**").

In line with the Board's strategy as stated above, the Group is taking a cautious approach for future development:

- the dilemma between winning tenders at extremely thin gross profit margin and submitting tenders at a reasonable gross profit margin exists in every tender opportunity. The Group strives to strike a delicate balance between winning tenders and generating profits for its Shareholders;
- having considered the industry conditions of the construction and engineering services in Hong Kong, the Group will closely monitor the market and respond to changes in market conditions. Going forward, in order to broaden the types of works in the construction and engineering sector other than slope works, Geotech Engineering strives to partner with potential partner(s) for tendering projects in various types of civil engineering works (especially for site formation works and ground investigation field works);

- taking into consideration the market circumstances in Cambodia, the Group will take a cautious approach in the development of our construction and decoration business in Cambodia;
- although our property-related services are expected to remain challenging in the coming years given the uncertainties in the economic and business environment of Hong Kong, by leveraging our management experiences and knowledge gained in the industry, the Group will strive to seek various opportunities in property-related services;
- due to the uncertainties in the economic and business environment of Hong Kong, the Group will continue to adopt a prudent approach regarding its inventory management of luxury products in order to lower costs. The Group will also actively explore potential partnership with new suppliers and expand customer base to diversify business risks; and
- in addition to the above, the Group may also seek to diversify and explore other investment opportunities in the future.

The Group will continue to monitor the situation and assess the market risks and uncertainties and strive to take strict measures to mitigate any potential adverse impact on the Group.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately HK\$30.2 million or approximately 47.9% from approximately HK\$63.0 million for the six months ended 30 June 2023 to approximately HK\$32.8 million for the six months ended 30 June 2024. The Group's total revenue for the period was contributed by the construction and engineering services, property-related services and sales of luxury products.

(a) Construction and Engineering Services

The Group's revenue generated from the construction and engineering services decreased by approximately HK\$34.2 million or approximately 58.1% from approximately HK\$58.8 million for the six months ended 30 June 2023 to approximately HK\$24.6 million for the six months ended 30 June 2024. Such decrease in revenue was mainly due to major project awarded in 2023 was still at the beginning stage during the period and the reduction in new contracts being awarded to the Group during the period as the sector has become extremely competitive.

(b) *Property-related Services*

The Group's revenue from property-related services increased by approximately HK\$0.5 million from approximately HK\$4.2 million for the six months ended 30 June 2023 to approximately HK\$4.7 million for the six months ended 30 June 2024. Such increase was mainly due to the increase in property leasing agency fee during the period. Included in the revenue was continuing connected transactions amounting to approximately HK\$2.7 million (six months ended 30 June 2023: approximately HK\$2.3 million).

(c) *Sales of luxury products*

The Group expanded into the sales of luxury products in the fourth quarter of 2023 and recorded revenue of approximately HK\$3.5 million for the six months ended 30 June 2024, which accounted for approximately 10.6% of the Group's total revenue for the same period.

Gross Profit and Gross Profit Margin

The Group's total gross profit for the six months ended 30 June 2024 amounted to approximately HK\$2.4 million, representing an increase of approximately 112.3% compared with approximately HK\$1.1 million for the six months ended 30 June 2023. The Group's total gross profit margin for the six months ended 30 June 2024 was approximately 7.3%, as compared with approximately 1.8% for the six months ended 30 June 2023.

(a) *Construction and Engineering Services*

The gross profit from construction and engineering services for the six months ended 30 June 2024 amounted to approximately HK\$0.1 million, representing a decrease of approximately 41.5% as compared with approximately HK\$0.2 million for the six months ended 30 June 2023. The gross profit margin from construction and engineering services for the six months ended 30 June 2024 was approximately 0.5%, as compared with approximately 0.4% for the six months ended 30 June 2023. The gross profit margin remained stable for the six months ended 30 June 2024 and 2023, while the decrease in gross profit for the six months ended 30 June 2024 was in line with the decrease in revenue from construction and engineering services as mentioned above.

(b) *Property-related Services*

The gross profit from property-related services for the six months ended 30 June 2024 amounted to approximately HK\$1.8 million, representing an increase of approximately HK\$0.9 million as compared with approximately HK\$0.9 million for the six months ended 30 June 2023. The gross profit margin for the six months ended 30 June 2024 was approximately 39.6%, as compared with approximately 21.7% for the six months ended 30 June 2023. The increase in gross profit and gross profit margin was mainly due to the increase in property leasing agency service during the period.

(c) *Sales of luxury products*

The gross profit and gross profit margin from the sales of luxury products amounted to approximately HK\$0.4 million and 11.7% respectively.

Other Income

Other income mainly included bank interest income, materials charges income, consultancy fee income, labour charges income and sundry income. For the six months ended 30 June 2024, other income amounted to approximately HK\$2.5 million (six months ended 30 June 2023: approximately HK\$3.1 million). The decrease in other income was mainly due to the decrease in handling charges paid by subcontractors requesting our assistance in the procurement of construction materials for our construction contracts during the six months ended 30 June 2024. Further details are set out in note 5 to the condensed consolidated interim financial statements in this announcement.

Administrative Expenses

Administrative expenses primarily comprise staff costs, depreciation and legal and professional fees. The administrative expenses of the Group for the six months ended 30 June 2024 amounted to approximately HK\$12.9 million, representing an increase of approximately 21.5% compared with approximately HK\$10.6 million for the six months ended 30 June 2023. The increase in administrative expenses was largely resulting from the increases in (1) legal and professional fees in relation to certain legal proceedings of the Group; and (2) staff costs and consultancy fee incurred for the business exploration and development of the Group during the six months ended 30 June 2024.

Finance Costs

Finance costs represent finance charge on lease liabilities and net interest expense on long service payment obligations. Finance costs remained stable for the six months ended 30 June 2024 and 2023.

Income Tax Expense

Income tax expense of approximately HK\$94,000 (six months ended 30 June 2023: approximately HK\$53,000) was recognised for the six months ended 30 June 2024. The increase in tax expense was due to the increase in revenue from property-related services during the period.

Net Loss

Net loss for the six months ended 30 June 2024 amounted to approximately HK\$8.1 million, as compared to the net loss of approximately HK\$6.5 million for the six months ended 30 June 2023. The increase in net loss was mainly due to the increase in staff costs and consultancy fee of approximately HK\$1.3 million incurred for the business exploration and development of the Group during the period. As a result, the Group's net loss margin for the six months ended 30 June 2024 was approximately 24.8% (six months ended 30 June 2023: approximately 10.3%).

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Company's issued share capital was HK\$16.8 million and the number of issued ordinary shares of the Company (the "**Shares**") was 1,680 million with par value of HK\$0.01 each.

As at 30 June 2024, the Group had total cash and bank balances of approximately HK\$121.2 million (31 December 2023: approximately HK\$137.2 million). The Group had no bank borrowing as at 30 June 2024 (31 December 2023: nil). Other borrowings of the Group as at 30 June 2024 were lease liabilities of approximately HK\$1.0 million (31 December 2023: approximately HK\$1.4 million). Details of lease liabilities are set out in note 13 to the condensed consolidated interim financial statements in this announcement. All borrowings were denominated in Hong Kong dollars ("**HK\$**"). The interest rates on lease liabilities were charged at fixed rates with effective rates arranging from 4.23% to 5.29% for the six months ended 30 June 2024 (six months ended 30 June 2023: from 4.23% to 5.29%). The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Gearing Ratio

Gearing ratio is calculated by dividing total borrowings by total equity as at the period-end date and multiplied by 100%. As at 30 June 2024, the total borrowings of the Group were lease liabilities of approximately HK\$1.0 million (31 December 2023: approximately HK\$1.4 million). The gearing ratio of the Group as at 30 June 2024 was approximately 0.6% (31 December 2023: approximately 0.8%). The decrease in gearing ratio was mainly due to a lower total indebtedness level from repayment of lease liabilities of the Group.

Pledge of Assets

As at 30 June 2024 and 31 December 2023, the Group had no assets under pledge.

Capital Structure

There has been no change in the capital structure of the Group since the listing (the “**Listing**”) of the Company's shares on the Main Board of the Stock Exchange. The share capital of the Company only comprises ordinary shares.

Foreign Exchange Risk

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue are settled in 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 deposits denominated in the United States Dollars (“**US\$**”) amounting to approximately HK\$37.4 million as at 30 June 2024 (31 December 2023: approximately HK\$37.1 million). Most of the operating transactions from the Group's operation in Cambodia are settled in US\$.

However, HK\$ is pegged to US\$ under the Linked Exchange Rate System, the Group is not exposed to any significant foreign exchange risk against US\$ and therefore has not entered into any derivatives agreement nor committed to any financial instrument to hedge its foreign exchange exposure during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

During the six months ended 30 June 2024, the Group did not have any significant investments held, material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

Employees and Remuneration Policies

As at 30 June 2024, the Group's payroll included 58 full-time employees (31 December 2023: 65 full-time employees). For the six months ended 30 June 2024, total staff costs (including Directors' remuneration) amounted to approximately HK\$13.4 million (six months ended 30 June 2023: approximately HK\$15.0 million). Total staff costs comprised salaries, wages, Directors' fees and allowances, discretionary bonuses and retirement scheme contributions. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy of the Group's employees is being reviewed periodically to ensure that the salary and benefit levels of the employees of the Group are competitive (with reference to market conditions, individual qualifications, position, performance and experience). The Group continues to provide adequate job training to the employees to equip them with practical knowledge and skills. Apart from the defined contribution retirement plan in Hong Kong and Cambodia and job training programs, salary increments and discretionary bonuses are being awarded to employees according to the assessment of individual performance and market situation.

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 30 June 2024.

Capital Commitments

As at 30 June 2024 and 31 December 2023, the Group had no capital commitments.

Contingent Liabilities

As at 30 June 2024 and 31 December 2023, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. Based on the information available, the Board considered that the Group has sufficient insurance coverage on any liability arising from those claims, litigations and potential claims.

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

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

Net proceeds from the Listing ("Net Proceeds") amounted to approximately HK\$72.8 million. As at 30 June 2024, a total amount of approximately HK\$67.5 million out of the Net Proceeds had been used by the Group and approximately HK\$5.3 million remained unused. As at 30 June 2024, the unused amount of Net Proceeds was placed in interest-bearing deposits with licensed banks in Hong Kong. The Group will gradually apply the remaining Net Proceeds for the acquisition of site facilities and equipment (being consistent with the purposes as set out in prospectus of the Company dated 28 September 2017) in accordance with actual business needs and use up the remaining Net Proceeds by the end of 2024. Details are as follows:

	Planned use of Net Proceeds remained unused as at 1 January 2024 <i>HK\$'000</i>	Actual use of Net Proceeds during the six months ended 30 June 2024 <i>HK\$'000</i>	Unused amount of Net Proceeds as at 30 June 2024 <i>HK\$'000</i>	Expected timeline of full utilisation of the unutilised proceeds
Acquisition of the site facilities and equipment	<u>5,290</u>	<u>12</u>	<u>5,278</u>	By the end of 2024

Compliance with the Corporate Governance Code

The Company has adopted and complied with the applicable code provisions (the “**Code Provision(s)**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Listing Rules during the six months ended 30 June 2024. The Directors will periodically review the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code from time to time.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

Share Option Scheme

The share option scheme was adopted by the Company on 21 September 2017 (the “**Share Option Scheme**”) and effective for a period of ten years to 20 September 2027. It is a share incentive scheme established to recognise and acknowledge the contributions that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, as its discretion, offer to grant an option to any director, employee (full-time and part-time), advisor, consultant, supplier, customer, distributor, contractor, agent, business partner or service providers of the Group and to promote the success of the business of the Group.

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all share option schemes of the Company shall not exceed 140,000,000 Shares, being 10% of the 1,400,000,000 Shares in issue as at 12 October 2017, being the date the Shares were listed on the Stock Exchange. The Company may issue a circular to the Shareholders and seek approval from the Shareholders in general meeting for refreshing the 10% limit such that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not exceed 10% of the total number of Shares in issue as at the date of the approval from the Shareholders.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, any further grant of options in excess of this 1% limit shall be subject to the approval of Shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading dates immediately preceding the date of grant; or (iii) the nominal value of a Share.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to the participant at the time of making an offer for the grant of share option.

The total number of securities available for issue under the Share Option Scheme, and all other share option schemes of the Company must not exceed 140,000,000 Shares, representing 8.33% of the total number of Shares as at the date of this announcement.

No share options have been granted under the Share Option Scheme since 21 September 2017. An offer of the grant of a share option shall be accepted by the eligible participants within a period of twenty-one days from the date of offer of grant of share option. The consideration paid by each grantee for the acceptance and grant of each share option is HK\$1.00, which has to be paid within twenty-one days.

There were no options outstanding as at 30 June 2024 (31 December 2023: nil) and no share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2024. For further details of the Share Option Scheme, please refer to the paragraph headed "D. Share Option Scheme" in Appendix IV to the Prospectus.

The Share Option Scheme was adopted before the effective date (being 1 January 2023) of the new Chapter 17 of the Listing Rules. The adoption date of the Share Option Scheme was 21 September 2017. As such, the Share Option Scheme (effective for a term of ten years commencing on the adoption date) shall remain valid and effective until 20 September 2027. The Company will comply with the new Chapter 17 in accordance with the transitional arrangement provided for the Share Option Scheme. Where any grant of the share options is proposed to be made to any person who is a connected person of the Company, the Company shall comply with the relevant provisions of 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 six months ended 30 June 2024.

Competing Interests

None of the Directors, controlling shareholders of the Company nor their respective 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 six months ended 30 June 2024.

Events After the Reporting Period

The Group does not have any material subsequent event after the reporting period and up to the date of this announcement.

Audit Committee

The interim results of the Group for the six months ended 30 June 2024 have not been audited or reviewed by the independent auditors of the Company. The audit committee of the Company has reviewed the Group's unaudited condensed consolidated results for the six months ended 30 June 2024 and discussed with the management of the Company on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

Publication of Interim Results and Interim Report

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.geotech.hk). The interim report of the Company for the six months ended 30 June 2024 will be dispatched to Shareholders of the Company and published on the websites of the Stock Exchange and the Company in compliance with the requirements under the Listing Rules in due course.

By order of the Board
Geotech Holdings Ltd.
Chen Zhi

Chairman and executive Director

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Chen Zhi as chairman and executive Director, Mr. Qiu Weiren (formerly named as Qiu Dong) as executive Director, and Mr. Chan Tsang Mo, Mr. Shen Zejing and Ms. Yip Wai Ching as independent non-executive Directors.