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IN CONSTRUCTION HOLDINGS LIMITED
現恆建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1500)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board of directors (the “**Board**”) of In Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 as follows:

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

For the six months ended 30 September 2017

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2017	2016
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Revenue	3	137,507	197,313
Direct costs		<u>(96,024)</u>	<u>(110,543)</u>
Gross profit		41,483	86,770
Other revenue	4	4,443	5,135
Administrative and other operating expenses		<u>(11,431)</u>	<u>(12,605)</u>
Profit from operations		34,495	79,300
Finance costs	5(a)	<u>(94)</u>	<u>(148)</u>
Profit before taxation	5	34,401	79,152
Income tax	6	<u>(5,748)</u>	<u>(12,945)</u>
Profit and total comprehensive income for the period		<u>28,653</u>	<u>66,207</u>
Earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>3.5</u>	<u>8.0</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 September 2017 \$'000 (Unaudited)	At 31 March 2017 \$'000 (Audited)
Non-current asset			
Property, plant and equipment		<u>15,271</u>	<u>20,726</u>
Current assets			
Gross amounts due from customers for contract work		56,191	50,613
Finance lease receivables		337	1,201
Trade and other receivables	8	139,575	242,127
Cash and bank balances		<u>141,659</u>	<u>96,127</u>
		<u>337,762</u>	<u>390,068</u>
Current liabilities			
Gross amounts due to customers for contract work		26,695	21,089
Trade and other payables	9	40,634	49,291
Bank loan – secured		–	5,116
Obligations under finance leases		337	1,201
Tax payable		<u>11,330</u>	<u>5,353</u>
		<u>78,996</u>	<u>82,050</u>
Net current assets		<u>258,766</u>	<u>308,018</u>
Total assets less current liabilities		<u>274,037</u>	<u>328,744</u>

	At	At
	30 September	31 March
<i>Note</i>	2017	2017
	\$'000	\$'000
	(Unaudited)	(Audited)
Non-current liability		
Deferred tax	<u>1,640</u>	<u>2,000</u>
NET ASSETS	<u>272,397</u>	<u>326,744</u>
CAPITAL AND RESERVES		
Share capital	8,300	8,300
Reserves	<u>264,097</u>	<u>318,444</u>
TOTAL EQUITY	<u>272,397</u>	<u>326,744</u>

Notes:

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Group is principally engaged as a contractor in the foundation industry in Hong Kong. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 September 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 April 2015.

The interim results set out in this announcement do not constitute the Group's financial statements for the six months ended 30 September 2017 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments have had material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue from construction contracts earned during the period.

Segment information

The chief operating decision-maker regards the Group’s business as a single operating segment and reviews financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

4. OTHER REVENUE

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Bank interest income	469	439
Interest income from finance lease receivables	12	63
Sales of scrap materials	908	622
Rental income from machinery	3,000	4,000
Gain on disposal of property, plant and equipment	54	–
Others	–	11
	4,443	5,135

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	82	85
Finance charges on obligations under finance leases	12	63
	<u>94</u>	<u>148</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	358	403
Salaries, wages and other benefits	12,129	11,952
	<u>12,487</u>	12,355
(Less)/add: Amount included in construction contracts in progress	(324)	5,207
	<u>12,163</u>	<u>17,562</u>
(c) Other items		
Depreciation	3,135	3,241
Operating lease charges: minimum lease payments in respect of leasing of office	531	469
	<u>531</u>	<u>469</u>

6. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	6,108	13,362
Deferred tax		
Origination and reversal of temporary difference	(360)	(417)
	<u>5,748</u>	<u>12,945</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 September 2017.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$28,653,000 (2016: \$66,207,000) and weighted average of 830,000,000 shares (2016: weighted average of 830,000,000 shares) in issue during the period.

(b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 September 2017 and 2016.

8. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 month	22,596	81,670
1 to 2 months	2,168	–
2 to 3 months	–	16,500
Over 3 months	31,397	58,257
Trade debtors (<i>note (i)</i>)	56,161	156,427
Deposits, prepayments and other receivables (<i>note (ii)</i>)	23,168	20,106
Retentions receivable (<i>note (iii)</i>)	60,246	65,594
	<u>139,575</u>	<u>242,127</u>

Notes:

- (i) Trade debtors are normally due within 14 – 30 days from the date of billing. Trade debtors of \$22,596,000 and \$81,670,000 as at 30 September 2017 and 31 March 2017 respectively were not yet past due and \$33,565,000 and \$74,757,000 as at 30 September 2017 and 31 March 2017 respectively were past due but not impaired. These related to trade debtors from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.
- (ii) Except for an amount of \$4,937,000 as at 30 September 2017 (31 March 2017: \$20,000), which is expected to be recovered or recognised as expense after one year, all of the remaining balances of the Group are expected to be recovered or recognised as expenses within one year.
- (iii) Except for an amount of \$5,744,000 as at 30 September 2017 (31 March 2017: \$20,786,000), which is expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

9. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 month	15,882	25,150
1 to 2 months	3,380	10,872
2 to 3 months	12,915	3,280
Over 3 months	2,587	3,056
Trade creditors	34,764	42,358
Other payables and accruals	5,278	6,715
Amounts due to shareholders (<i>note</i>)	592	218
	<u>40,634</u>	<u>49,291</u>

Note: The amounts due to shareholders at 30 September 2017 and 31 March 2017 was unsecured, interest-free and had no fixed terms of repayment.

10. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Interim dividend declared after the interim period of 3 cents (2016: 10 cents) per ordinary share	<u>24,900</u>	<u>83,000</u>

The 2017 interim dividend declared after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period 10 cents (six months ended 30 September 2016: 3.4 cents) per ordinary share	<u>83,000</u>	<u>28,220</u>

11. CONTINGENT LIABILITIES

As at 30 September 2017, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries for projects amounting to \$70,811,000 (31 March 2017: \$73,141,000). The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is engaged as a contractor in the foundation industry in Hong Kong, undertaking foundation works as well as associated works including demolition works, site formation works, ground investigation field works and general building works for local customers.

Business Review

The Group has been engaged to undertake foundation and associated works in private sector construction projects in Hong Kong, with an emphasis on design and build projects and undertaking the role of a main contractor.

The Group places emphasis on design and build projects because of the flexibility and capability in coming up with foundation design plan that suits its customers' requirements and the site conditions. During the six months ended 30 September 2017, the Group has successfully carried out construction works with alternative design which not only complies with the technical requirements but is also more cost efficient for "design and build" contracts. The cost efficient proposals allow the Group to offer its customers more competitive pricing and at the same time secure its profit margin for the period.

During the six months ended 30 September 2017, five foundation projects with an aggregate contract sum of HK\$317.7 million were awarded to the Group. Two foundation projects were completed. As at 30 September 2017, eight foundation projects with the outstanding contract sum of HK\$392.2 million were either in progress or had not yet commenced.

<u>Year/Period of award/project</u>	<u>Type of contract</u>	<u>Status as at 30 September 2017</u>
<i>Year 2014-2015</i>		
A Kung Ngam Road, Shau Kei Wan	Design and build	Completed
<i>Year 2015-2016</i>		
Queen's Road Central, Central	Design and build	Work in progress
<i>Year 2016-2017</i>		
Cheung Sha, Lantau Island	Design and build	Work in progress
Kai Tak Road, Kowloon City	Design and build	Completed
St. Paul's School, Happy Valley	Build only	Work in progress
<i>Six months ended 30 September 2017</i>		
Chai Wan Kok Street, Tsuen Wan	Design and build	Work in progress
Sky City, Chek Lap Kok	Design and build	Work in progress
Seymour Road, HongKong	Design and build	Not yet commenced
Robinson Road, Mid-Levels	Design and build	Not yet commenced
Police Officers' Club, Shatin to Central Link	Build only	Not yet commenced

Recent Development

Subsequent to the end of the reporting period, the Group has been awarded a new foundation project on Waterloo Road with a contract sum of HK\$28.3 million, which is expected to be completed in the year ending 31 March 2019.

Financial Review

During the six months ended 30 September 2017, there were 10 projects contributing revenue of approximately HK\$137.5 million, whereas revenue for the corresponding period in the prior year of HK\$197.3 million was contributed by 10 projects. The top five projects contributed revenue amounted to HK\$127.6 million (2016: HK\$186.4 million), in which the top project contributed 52% of the total revenue.

As mentioned in the announcement dated 27 October 2017, the prolonged delay on granting funds for new public works in the last two years had driven more public sector contractors to tender for work in the private sector. Such fierce competition in the market had led to (i) a decrease in contract revenue being recognized by the Group during the six months ended 30 September 2017 by HK\$59.8 million or 30.3% as compared with that of the corresponding period in 2016, and (ii) a decrease in gross profit margin to 30.2% for the six months ended 30 September 2017 from 44.0% for the corresponding period in the prior year. Such decrease was primarily attributable to, among other factors, a few foundation projects with relatively low gross profit margin compared with the overall gross profit margin of the corresponding period in 2016.

Administrative and other operating expenses decreased by approximately HK\$1.2 million to approximately HK\$11.4 million, compared with approximately HK\$12.6 million of the corresponding period in the prior year, which was mainly due to foreign exchange gain arising from bank deposits denominated in Renminbi.

As a result, profit before taxation for the period has decreased by HK\$44.8 million or 56.6% to HK\$34.4 million, from HK\$79.2 million for the corresponding period in the prior year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2017	As at 31 March 2017
Current ratio	4.3	4.8
Gearing ratio ¹	0.1%	1.9%

Note:

1. Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the reporting dates.

Current ratio decreased from 4.8 as at 31 March 2017 to 4.3 as at 30 September 2017 mainly due to the reduction of trade receivables. Gearing ratio decreased from 1.9% as at 31 March 2017 to 0.1% as at 30 September 2017, mainly due to the repayment of bank loan of HK\$5.1 million during the six months ended 30 September 2017.

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$141.7 million (31 March 2017: HK\$96.1 million), of which approximately HK\$52.6 million (31 March 2017: HK\$59.1 million) were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects and requirement of our general banking facilities. As at 30 September 2017, the Group had no bank overdrafts.

The capital structure of the Group consisted of equity of HK\$272.4 million and debts (including payables not incurred in the ordinary course of business) of HK\$0.3 million as at 30 September 2017.

The Group adopts a prudent approach in cash management. The Group did not have any material outstanding debts as at 30 September 2017. Payment to settle trade payable represented the significant part of the cash outflow of the Group. Taking into account the light debt leverage, the Group is able to generate cash and meet upcoming cash requirements. In any case, the Group may utilise its banking facilities of HK\$160.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$131.2 million.

EMPLOYEES

The Group had 43 full-time employees as at 30 September 2017. The Group offers a competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. The remuneration package is comprised of salary, a performance-based bonus, and other benefits including training and provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2017 (2016: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 30 September 2017.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2017. There is no other plan for material investments or capital assets as at 30 September 2017.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing of the shares of the Company (the “Listing”) will be utilised subsequent to the Listing in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 31 March 2015 and the announcement of the Company dated 7 August 2015. The below table sets out the proposed applications of the net proceeds and usage up to 30 September 2017:

	Proposed application <i>HK\$'million</i>	Actual usage up to 30 September 2017 <i>HK\$'million</i>
Hiring of additional staff	14.9	2.7
Acquisition of additional machinery and equipment	29.9	29.9
Financing for the issue of surety bonds for future projects	44.7	34.2
General working capital	10.0	10.0
	<u>99.5</u>	<u>76.8</u>

FUTURE PROSPECTS

Taking into account the policy of the Government of the Hong Kong Special Administrative Region in increasing land supply and proposing several large infrastructure projects, the Group expects an optimistic growth in the construction industry. Despite vigorous competition in the Hong Kong construction industry, the Board is optimistic that the Group can maintain steady growth in net profit and scale of operations due to its long established reputation and proven ability. To maintain its competitive edge, the Group continues to adhere to its business strategy, by expanding its capacity to capture more business opportunities, reinforcing our capability in foundation design and project management skills and offering qualitative and flexible solution to its customers.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK\$0.03 per share (2016: HK\$0.1) to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 13 December 2017. Interim dividend will be distributed to shareholders on Friday, 29 December 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the interim dividend, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Wednesday, 13 December 2017, during which period no transfer of shares of the Company will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, the Company's branch share registrar in Hong Kong, not later than 4:30 p.m. on Monday, 11 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2017 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

Since Listing, the Board is of the opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) except for the deviation from provision A.2.1 of the Code which is explained below:

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lau Pak Man is the Chairman and Chief Executive Officer, responsible for overall strategic development, project management and client management of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Lau Pak Man has the benefit of ensuring consistent and continuous planning and execution of the Company’s strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises equal number of independent non-executive Directors and executive Directors also provides added independence to the Board. Further, the audit committee of the Company (the “**Audit Committee**”), which is composed exclusively of independent non-executive Directors, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors (the “**Model Code**”). Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2017.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 September 2017 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

The Audit Committee, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and has reviewed the interim results and financial report of the Group for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.inconstruction.hk and the Stock Exchange's website at www.hkexnews.hk. The interim report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

By order of the Board
In Construction Holdings Limited
Lau Pak Man
Chairman

Hong Kong, 24 November 2017

As at the date of this announcement, the Board comprises Mr. Lau Pak Man, Mr. Cheng Wing Cheong and Ms. Kwan Kit Sum Kit as executive Directors; Mr. Leung Chi Kin, Mr. Lam Chi Hung Louis and Mr. Yau Chi Man Norman (also known as Iao Chi Meng) as independent non-executive Directors.