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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 ANNUAL CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

ANNUAL CONSOLIDATED RESULTS

The board of directors (the “**Board**”) of In Construction Holdings Limited (the “**Company**”) is pleased to present the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

(expressed in Hong Kong dollars)

	<i>Note</i>	2018 \$'000	2017 \$'000
Revenue	3	287,846	370,235
Direct costs		<u>(251,418)</u>	<u>(225,325)</u>
Gross profit		36,428	144,910
Other revenue	4	10,851	9,620
Administrative and other operating expenses		<u>(19,617)</u>	<u>(26,469)</u>
Profit from operations		27,662	128,061
Finance costs	5(a)	<u>(96)</u>	<u>(264)</u>
Profit before taxation	5	27,566	127,797
Income tax	6	<u>(4,548)</u>	<u>(21,100)</u>
Profit and total comprehensive income for the year		<u>23,018</u>	<u>106,697</u>
 Earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>2.8</u>	<u>12.9</u>

Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

(expressed in Hong Kong dollars)

	<i>Note</i>	2018 \$'000	2017 \$'000
Non-current asset			
Property, plant and equipment		12,986	20,726
Current assets			
Gross amounts due from customers for contract work		105,892	50,613
Finance lease receivables		–	1,201
Trade and other receivables	8	116,184	242,127
Tax recoverable		16,649	–
Cash and bank balances		68,035	96,127
		306,760	390,068
Current liabilities			
Gross amounts due to customers for contract work		7,354	21,089
Trade and other payables	9	69,280	49,291
Bank loan – secured		–	5,116
Obligations under finance leases		–	1,201
Tax payable		–	5,353
		76,634	82,050
Net current assets		230,126	308,018
Total assets less current liabilities		243,112	328,744

	<i>Note</i>	2018 \$'000	2017 \$'000
Non-current liabilities			
Deferred tax liabilities		<u>1,250</u>	<u>2,000</u>
NET ASSETS		<u>241,862</u>	<u>326,744</u>
CAPITAL AND RESERVES			
Share capital		8,300	8,300
Reserves		<u>233,562</u>	<u>318,444</u>
TOTAL EQUITY		<u>241,862</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 "**Listing**").

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 March 2018 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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 year.

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

	2018 \$'000	2017 \$'000
Bank interest income	796	815
Interest income from finance lease receivables	14	98
Sales of scrap materials	1,963	690
Rental income from machinery	6,000	7,000
Gain on disposal of property, plant and equipment	225	-
Others	1,853	1,017
	<u>10,851</u>	<u>9,620</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2018 \$'000	2017 \$'000
(a) Finance costs		
Interest on bank loan	82	166
Finance charges on obligations under finance leases	14	98
	<u>96</u>	<u>264</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	708	762
Salaries, wages and other benefits	25,323	26,124
	26,031	26,886
(Less)/add: Amount included in construction contracts in progress	(708)	10,225
	<u>25,323</u>	<u>37,111</u>
(c) Other items		
Depreciation	6,119	6,468
Operating lease charges: minimum lease payments in respect of leasing of office	1,128	871
Auditors' remuneration		
– audit services	1,050	1,000
– other services	400	380
	<u>6,119</u>	<u>6,468</u>

6. INCOME TAX

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

	2018	2017
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the year	5,302	21,916
Over-provision in respect of prior years	(4)	(98)
	5,298	21,818
Deferred tax		
Origination and reversal of temporary difference	(750)	(718)
	4,548	21,100

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the 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 for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account a reduction of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of \$30,000 granted by the Government of the Hong Kong Special Administrative Region (the “Government”) for each business (2017: a reduction of 75% of the tax payable for the year of assessment 2016-17 subject to a maximum reduction of \$20,000).

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 \$23,018,000 (2017: \$106,697,000) and the weighted average of 830,000,000 shares in issue (2017: 830,000,000 shares).

(b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2018 and 2017.

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:

	2018	2017
	\$'000	\$'000
Within 1 month	–	81,670
2 to 3 months	–	16,500
Over 3 months	289	58,257
	<hr/>	<hr/>
Trade debtors (<i>note (i)</i>)	289	156,427
Deposits, prepayments and other receivables (<i>note (ii)</i>)	49,834	20,106
Retentions receivable (<i>note (iii)</i>)	66,061	65,594
	<hr/>	<hr/>
	116,184	242,127
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Trade debtors are normally due within 14-30 days from the date of billing. Trade debtors of \$81,670,000 as at 31 March 2017 were not yet past due and \$289,000 and \$74,757,000 as at 31 March 2018 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 \$17,372,000 (2017: \$20,000) as at 31 March 2018, 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 expense within one year.
- (iii) Except for an amount of \$8,369,000 (2017: \$20,786,000) as at 31 March 2018, 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:

	2018 \$'000	2017 \$'000
Within 1 month	21,314	25,150
1 to 2 months	15,973	10,872
2 to 3 months	16,118	3,280
Over 3 months	12,059	3,056
	<hr/>	<hr/>
Trade creditors	65,464	42,358
Other payables and accruals	3,732	6,715
Amounts due to shareholders (<i>note</i>)	84	218
	<hr/>	<hr/>
	69,280	49,291
	<hr/> <hr/>	<hr/> <hr/>

Note: The amounts due to shareholders at 31 March 2018 and 2017 were unsecured, interest-free and had no fixed terms of repayment.

10. DIVIDENDS

(a) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2018 \$'000	2017 \$'000
Final dividend of 10 cents (2017: 3.4 cents) per ordinary share	83,000	28,220
	<hr/> <hr/>	<hr/> <hr/>

(b) Dividends payable to equity shareholders of the Company attributable for the year:

	2018 \$'000	2017 \$'000
Interim dividend declared and paid of 3 cents (2017: 10 cents) per ordinary share	24,900	83,000
No dividend was proposed after the end of the reporting period (2017: 10 cents per ordinary share) (<i>Note</i>)	–	83,000
	<hr/>	<hr/>
	24,900	166,000
	<hr/> <hr/>	<hr/> <hr/>

Note: The final dividend proposed after the year end of the reporting period has not been recognised as a liability at the end of the reporting period.

11. CONTINGENT LIABILITIES

As at 31 March 2018, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the objections undertaken by the Group's subsidiary for projects amounting to \$84,461,000 (2017: \$73,141,000) in its ordinary course of business. 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 was engaged to undertake foundation and associated works in the private sector construction projects in Hong Kong, with an emphasis on design and build projects and on undertaking the role as 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 year ended 31 March 2018 (the "**Financial Year 2017/18**"), the Group had successfully carried out construction works with alternative design which not only complies with the technical requirements but also more cost efficient for "design and build" contracts. The cost efficient proposals allow the Group to offer its customers a more competitive pricing and at the same time secure its profit margin for the year.

During the Financial Year 2017/18, six foundation projects with an aggregate contract sum of HK\$345.2 million were awarded to the Group. Four foundation projects were completed during the year. As at 31 March 2018, seven foundation projects with the outstanding contract sum of approximately HK\$293.8 million were in progress.

Year of award/project	Type of contract	Status as at 31 March 2018
<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	Completed
<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 Primary Catholic School, Happy Valley	Build only	Work in progress
<i>Year 2017-2018</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, Hong Kong	Design and build	Work in progress
Robinson Road, Mid-Levels	Design and build	Work in progress
Police Officers' Club, Shatin to Central Link	Build only	Completed
Waterloo Road, Kowloon	Build only	Work in progress

Financial Review

During the Financial Year 2017/18, there were 19 projects contributing revenue and gross profit of approximately HK\$287.8 million and HK\$36.4 million, respectively, whereas revenue and gross profit for the year ended 31 March 2017 (the “**Financial Year 2016/17**”) of HK\$370.2 million and HK\$144.9 million, respectively were contributed by 15 projects. Top five projects contributed revenue amounted to HK\$219.1 million (2017: HK\$317.9 million), in which the top project contributed 26.0% of the total revenue.

As mentioned in the announcement dated 18 May 2018, the prolonged delay on granting funds for new public works has 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 recognised by the Group during the Financial Year 2017/18 by HK\$82.4 million or 22.3% as compared with that of last year, and (ii) a decrease in gross profit margin to 12.7% for the Financial Year 2017/18 from 39.1% of last 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 last financial year.

Administrative and other operating expenses decreased by approximately HK\$6.9 million to approximately HK\$19.6 million, compared with approximately HK\$26.5 million of the Financial Year 2016/17, which was mainly due to foreign exchange gain arising from bank deposits denominated in Renminbi and successful claims for legal costs incurred in prior years.

As a result, profit before taxation for the Financial year 2017/18 decreased by HK\$100.2 million or 78.4% to HK\$27.6 million, from the last financial year of HK\$127.8 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2018	2017
Current ratio	4.0	4.8
Gearing ratio 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.

As at 31 March 2018, the Group had cash and bank balances of HK\$68.0 million (2017: HK\$96.1 million), of which HK\$47.5 million (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 31 March 2018, the Group had no bank overdrafts (2017: Nil).

The capital structure of the Group consisted of equity of HK\$241.9 million, with no debts as at 31 March 2018 due to full repayment of bank loan and finance lease payable during the Financial Year 2017/18.

The Group adopts a prudent approach in cash management. The Group did not have any material outstanding debts as at 31 March 2018. 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 31 March 2018 (2017: 43). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. 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 31 March 2018 (2017: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 31 March 2018.

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 Financial Year 2017/18. There is no other plan for material investments or capital assets as at 31 March 2018.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing will be utilised subsequent to the Listing in accordance with the proposed applications set out in the section “Future Plans and Use of Proceeds” of the Prospectus and the announcement of the Company dated 7 August 2015 and 28 March 2018. The below table sets out the proposed applications of the net proceeds and usage up to 31 March 2018:

	Proposed application <i>HK\$'million</i>	Actual usage up to 31 March 2018 <i>HK\$'million</i>
Hiring of additional staff	2.9	2.9
Acquisition of additional machinery and equipment	29.9	29.9
Financing for the issue of surety bonds for future projects	56.7	44.7
General working capital	10.0	10.0
	<u>99.5</u>	<u>87.5</u>

FUTURE PROSPECTS

Taking into account the Policy of the Government of the Hong Kong Special Administrative Region in increasing land supply and commitment to infrastructure investments, the Group expects a rebound in the foundation industry in the long run. Despite vigorous competition in the construction industry in Hong Kong, the Board is confident with the Group's future development in its net profit and scale of operations due to its long established reputation, the listing platform and its healthy financial position. To maintain its competitive edge, the Group continues to adhere to its business strategy, by expanding its capacity to capture more business opportunities, reinforcing its capability in foundation design and project management skills, and offering qualitative and flexible solutions to its customers.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the Financial Year 2017/18.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 31 August 2018, the register of members of the Company will be closed from Monday, 27 August 2018 to Friday, 31 August 2018, both days inclusive, 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 the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 August 2018.

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 year.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 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 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**”) 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.

AUDIT COMMITTEE REVIEW

The Audit Committee consists of three independent non-executive Directors and has reviewed the Group’s consolidated financial statements for the year ended 31 March 2018.

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 year.

SCOPE OF WORK OF AUDITORS

The financial figures in respect of the preliminary announcement of the Group's results for the Financial Year 2017/18 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 2018 Annual 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 year.

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

Hong Kong, 22 June 2018

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.