

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

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

For the six months ended 30 September 2019

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2019	2018
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Revenue	3	188,587	151,988
Direct costs		<u>(173,808)</u>	<u>(139,605)</u>
Gross profit		14,779	12,383
Other revenue	4	1,152	3,641
Administrative and other operating expenses		<u>(12,505)</u>	<u>(13,607)</u>
Profit from operations		3,426	2,417
Finance costs	5(a)	<u>(575)</u>	<u>(28)</u>
Profit before taxation	5	2,851	2,389
Income tax	6	<u>(322)</u>	<u>(488)</u>
Profit and total comprehensive income for the period		<u>2,529</u>	<u>1,901</u>
Earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>0.30</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 September 2019 \$'000 (Unaudited)	At 31 March 2019 \$'000 (Audited)
Non-current assets			
Property, plant and equipment		296	403
Lease receivables		17,489	16,857
Deferred tax assets		51	42
		<u>17,836</u>	<u>17,302</u>
Current assets			
Contract assets		204,226	128,742
Inventories		831	1,514
Lease receivables		4,547	3,814
Trade and other receivables	8	125,423	143,617
Tax recoverable		3,306	3,574
Cash and bank balances		44,525	45,611
		<u>382,858</u>	<u>326,872</u>
Current liabilities			
Contract liabilities		3,662	2,238
Trade and other payables	9	102,542	76,353
Bank overdraft – secured		2,013	–
Bank loan – secured		10,000	–
Loan from a shareholder		13,000	–
Lease liabilities		4,547	3,814
		<u>135,764</u>	<u>82,405</u>
Net current assets		<u>247,094</u>	<u>244,467</u>
Total assets less current liabilities		<u>264,930</u>	<u>261,769</u>

	At	At
<i>Note</i>	30 September	31 March
	2019	2019
	\$'000	\$'000
	(Unaudited)	(Audited)
Non-current liability		
Lease liabilities	<u>17,489</u>	<u>16,857</u>
NET ASSETS	<u>247,441</u>	<u>244,912</u>
CAPITAL AND RESERVES		
Share capital	8,300	8,300
Reserves	<u>239,141</u>	<u>236,612</u>
TOTAL EQUITY	<u>247,441</u>	<u>244,912</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 2019 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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

Overview

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("**HKFRS**"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

As at 1 April 2019, all the operating lease commitments of the Group relate to short-term leases or leases of low-value assets. The Group decided to apply recognition exemptions to short-term leases and leases of low-value assets. Hence, there is no impact on the financial statements.

(ii) Lessor accounting

The Group leases out a number of items of machinery as the lessor of finance leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

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	
	2019	2018
	\$'000	\$'000
Bank interest income	335	296
Interest income from lease receivables	503	–
Sales of scrap materials	296	311
Rental income from machinery	–	3,000
Others	18	34
	<u>1,152</u>	<u>3,641</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2019	2018
	\$'000	\$'000
(a) Finance costs		
Interest on bank overdraft	1	28
Interest on bank loan	71	–
Interest on lease liabilities	503	–
	<u>575</u>	<u>28</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	399	350
Salaries, wages and other benefits	15,286	11,914
	<u>15,685</u>	<u>12,264</u>
(c) Other items		
Depreciation	125	2,886
Lease payments in respect of leasing of office	596	596
	<u>596</u>	<u>596</u>

6. INCOME TAX

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

	Six months ended	
	30 September	
	2019	2018
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	331	794
Deferred tax		
Origination and reversal of temporary difference	<u>(9)</u>	<u>(306)</u>
	<u>322</u>	<u>488</u>

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 is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 September 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2019 is based on the profit attributable to equity shareholders of the Company of \$2,529,000 (six months ended 30 September 2018: \$1,901,000) and weighted average of 830,000,000 shares (six months ended 30 September 2018: 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 2019 and 2018.

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 loss allowance, is as follows:

	At 30 September 2019 \$'000	At 31 March 2019 \$'000
Within 1 month	34,999	35,595
1 to 2 months	18,178	–
2 to 3 months	–	–
Over 3 months	1,501	15,086
Trade debtors, net of loss allowance (<i>note (i)</i>)	54,678	50,681
Deposits, prepayments and other receivables (<i>note (ii)</i>)	35,171	36,635
Retentions receivable (<i>note (iii)</i>)	35,569	56,294
Amounts due from shareholders (<i>note (iv)</i>)	5	7
	<u>125,423</u>	<u>143,617</u>

Notes:

- (i) Trade debtors are normally due within 14 – 30 days from the date of billing.
- (ii) As at 30 September 2019 and 31 March 2019, all of the balances are expected to be recovered or recognised as expense within one year.
- (iii) All of the retentions receivable as at 30 September 2019 and 31 March 2019 are expected to be recovered within one year.
- (iv) The amounts due from shareholders as at 30 September 2019 and 31 March 2019 were unsecured, interest-free and 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 2019 \$'000	At 31 March 2019 \$'000
Within 1 month	41,664	29,041
1 to 2 months	6,390	14,705
2 to 3 months	17,023	14,271
Over 3 months	24,327	12,561
Trade creditors	89,404	70,578
Other payables and accruals	13,130	5,775
Amount due to a shareholder (<i>note</i>)	8	–
	<u>102,542</u>	<u>76,353</u>

Note: The amount due to a shareholder as at 30 September 2019 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	
2019	2018
\$'000	\$'000

No dividend was proposed after the end of the interim period
(2018: nil)

-	-
<u> </u>	<u> </u>

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	
2019	2018
\$'000	\$'000

No dividend was declared or paid in respect of the previous
financial year, during the interim period
(six months ended 30 September 2018: nil)

-	-
<u> </u>	<u> </u>

11. CONTINGENT LIABILITIES

As at 30 September 2019, 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 subsidiary for projects amounting to \$89,827,000 (31 March 2019: \$86,692,000) 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 principally 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 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 six months ended 30 September 2019, 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 2019, three new foundation projects with a contract sum of HK\$324.1 million were awarded to the Group. One existing foundation project was completed during the period. As at 30 September 2019, eight foundation projects with the outstanding contract sum of HK\$715.5 million were all in progress.

Year/Period of award/project	Type of contract	Status as at 30 September 2019
<i>Year 2017-2018</i>		
Chai Wan Kok Street, Tsuen Wan	Design and build	Work in progress
Seymour Road	Design and build	Work in progress
Robinson Road, Mid-Levels	Design and build	Completed
<i>Year 2018-2019</i>		
Kok Cheung Street, Tai Kok Tsui	Design and build	Work in progress
Tai Po Kau	Design and build	Work in progress
Caine Road	Design and build	Work in progress
<i>Year 2019-2020</i>		
Hok Yuen Street	Design and build	Work in progress
Tung Street	Design and build	Work in progress
Kwun Chui Road	Build only	Work in progress

Financial Review

During the six months ended 30 September 2019, there were 14 projects contributing revenue of approximately HK\$188.6 million, whereas revenue for the corresponding period in 2018 of approximately HK\$152.0 million was contributed by 7 projects. The top five projects contributed revenue amounted to approximately HK\$176.8 million (2018: approximately HK\$131.4 million), in which the top project contributed 45.4% of the total revenue.

The Group recorded an increase in contract revenue for the six months ended 30 September 2019 by approximately HK\$36.6 million as compared with that of the corresponding period in 2018. Gross profit increased by approximately HK\$2.4 million, to approximately HK\$14.8 million for the current period from approximately HK\$12.4 million for the corresponding period in 2018. However, gross profit margin decreased to 7.8% for the current period from 8.1% for the corresponding period in 2018. Such decrease was primarily attributable to, among other factors, work done for the three foundation projects are at their preliminary stages with low certified revenue and gross profit for the six months ended 30 September 2019.

Administrative and other operating expenses decreased by approximately HK\$1.1 million to approximately HK\$12.5 million, compared with approximately HK\$13.6 million of the corresponding period in the prior year, which was mainly due to decrease in depreciation of plant and machineries as compared with last period.

As a result, profit for the period was HK\$2.5 million, increased by approximately HK\$0.6 million compared with the corresponding period in the prior year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2019	As at 31 March 2019
Current ratio	2.8	4.0
Gearing ratio ¹	19.0%	8.5%

Note:

1. Gearing ratio is calculated based on debts including lease liabilities, bank loan and overdraft and shareholder's loan divided by the total equity as at the reporting dates.

Gearing ratio increased by 10.5% as at 30 September 2019 as compared to that as at 31 March 2019 was mainly due to new bank loan of HK\$10 million and shareholder's loan of HK\$13 million as at 30 September 2019.

As at 30 September 2019, the Group had cash and bank balances of approximately HK\$44.5 million (31 March 2019: HK\$45.6 million), of which approximately HK\$35.5 million (31 March 2019: HK\$36.8 million) were restricted bank deposits. Such restricted bank deposits 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 2019, the Group had bank overdraft of approximately HK\$2.0 million (31 March 2019: Nil).

The capital structure of the Group consisted of equity of HK\$247.4 million and debts (including lease liabilities, bank loan and overdraft and shareholder's loan) of HK\$47.0 million as at 30 September 2019.

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, bank loan and overdraft and shareholder's loan, the Group did not have any material outstanding debts as at 30 September 2019. 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\$150.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$97.4 million.

EMPLOYEES

The Group had 49 full-time employees as at 30 September 2019 (2018: 44). 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, performance-based bonus, and other benefits including training and provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2019.

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 30 September 2019.

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 2019. There is no other plan for material investments or capital assets as at 30 September 2019.

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 announcements 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 30 September 2019:

	Proposed application <i>HK\$'million</i>	Actual usage up to 30 September 2019 <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	45.0
General working capital	10.0	10.0
	<u>99.5</u>	<u>87.8</u>

FUTURE PROSPECTS

Taking into account the Chief Executive's Policy Address 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

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 2019 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 2019.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 September 2019 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 Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim results and financial report of the Group for the six months ended 30 September 2019.

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, 29 November 2019

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.