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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 2024

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 2024, together with the comparative figures for the year ended 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2024 \$'000	2023 \$'000
Revenue	3	383,102	332,351
Direct costs		<u>(376,086)</u>	<u>(327,111)</u>
Gross profit		7,016	5,240
Other revenue	4	1,061	2,100
Administrative and other operating expenses		<u>(20,642)</u>	<u>(22,312)</u>
Loss from operations		(12,565)	(14,972)
Finance costs	5(a)	<u>(146)</u>	<u>(352)</u>
Loss before taxation	5	(12,711)	(15,324)
Income tax	6	<u>(144)</u>	<u>(5)</u>
Loss and total comprehensive income for the year		<u>(12,855)</u>	<u>(15,329)</u>
Loss per share (Hong Kong cents)			
Basic and diluted	7	<u>(1.5)</u>	<u>(1.8)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2024 \$'000	2023 \$'000
Non-current assets			
Property, plant and equipment		33	134
Lease receivables		–	65
Deferred tax assets		241	226
		<u>274</u>	<u>425</u>
Current assets			
Contract assets		247,602	170,537
Inventories – raw materials		18,399	2,306
Lease receivables		65	5,256
Trade and other receivables	8	50,348	69,491
Tax recoverable		11	13,308
Cash and bank balances		78,565	112,049
		<u>394,990</u>	<u>372,947</u>
Current liabilities			
Trade and other payables	9	113,892	80,626
Lease liabilities		65	5,246
Contract liabilities		6,727	–
Loan from a shareholder		13,000	13,000
		<u>133,684</u>	<u>98,872</u>
Net current assets		<u>261,306</u>	<u>274,075</u>
Total assets less current liabilities		<u>261,580</u>	<u>274,500</u>

	<i>Note</i>	2024 \$'000	2023 \$'000
Non-current liability			
Lease liabilities		—	65
		<u> </u>	<u> </u>
NET ASSETS		261,580	274,435
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Share capital		8,300	8,300
Reserves		253,280	266,135
		<u> </u>	<u> </u>
TOTAL EQUITY		261,580	274,435
		<u> </u>	<u> </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 2024 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**") 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 (the "**Listing Rules**").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments and guidance to HKFRSs that are first effective for the current accounting period of the Group.

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of Accounting Estimates*
- Amendments to HKAS 12, *Income taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to HKAS 12, *Income taxes, International Tax Reform – Pillar Two Model Rules*
- HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund – Long Service Payment offsetting mechanism

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.

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

	2024	2023
	\$'000	\$'000
Bank interest income	587	509
Interest income from lease receivables	130	353
Sales of scrap materials	275	58
Government subsidies (<i>note</i>)	–	1,066
Others	69	114
	1,061	2,100

Note:

During the year ended 31 March 2023, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the “**Government**”). The purpose of the funding is to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

5. LOSS BEFORE TAXATION

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

	2024	2023
	\$'000	\$'000
(a) Finance costs		
Interest on lease liabilities	146	352
	146	352

	2024	2023
	\$'000	\$'000
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	785	766
Salaries, wages and other benefits	<u>32,162</u>	<u>32,736</u>
	<u>32,947</u>	<u>33,502</u>
(c) Other items		
Depreciation	101	111
Lease payments relating to leases of low-value assets	40	40
Lease payments relating to short-term leases	1,192	1,192
Net foreign exchange loss	1,421	1,995
Provision for/(reversal of) impairment losses on trade and other receivables and contract assets	55	(81)
Auditors' remuneration		
– audit services	1,080	1,270
– other services	<u>420</u>	<u>510</u>

6. INCOME TAX

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

	2024	2023
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the year	149	154
Under/(over)-provision in respect of prior years	<u>10</u>	<u>(155)</u>
	159	(1)
Origination and reversal of temporary differences	<u>(15)</u>	<u>6</u>
	<u>144</u>	<u>5</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 for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

The provision for Hong Kong Profits Tax for 2024 has also taken into account a reduction of 100% of the tax payable for the year of assessment 2023-24 subject to a maximum reduction of \$3,000 granted by the Government for each business (2023: a reduction of 100% of the tax payable for the year of assessment 2022-23 subject to a maximum reduction of \$6,000).

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of \$12,855,000 (2023: loss of \$15,329,000) and the weighted average of 830,000,000 shares in issue (2023: 830,000,000 shares).

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2024 and 2023.

8. TRADE AND OTHER RECEIVABLES

	2024	2023
	\$'000	\$'000
Trade debtors, net of loss allowance	23,807	35,596
Deposits, prepayments and other receivables (Notes (i) and (ii))	7,102	8,030
Retentions receivable, net of loss allowance (Note (iii))	19,439	25,863
Amounts due from shareholders (Note (iv))	—	2
	50,348	69,491

Notes:

- (i) As at 31 March 2024, except for the balance of \$3,613,000 (2023: \$75,000) which was expected to be recovered or recognised as expense after one year, all of the remaining balances were expected to be recovered or recognised as expense within one year.
- (ii) As at 31 March 2024, deposits of \$5,158,000 (2023: \$1,330,000) were pledged to secure the issuance of performance bonds.
- (iii) As at 31 March 2024 and 2023, all the retentions receivable were expected to be recovered within one year.
- (iv) The amounts due from shareholders at 31 March 2023 were unsecured, interest-free and recovered during the year.

(a) **Ageing analysis**

Included in trade and other receivables are trade debtors, based on the invoice date (net of loss allowance) with the following ageing analysis at the end of the reporting period:

	2024	2023
	\$'000	\$'000
Within 1 month	14,223	31,414
Over 1 month but within 2 months	8,757	1,685
Over 2 months but within 3 months	827	–
Over 3 months	–	2,497
	<u>23,807</u>	<u>35,596</u>

Trade debtors are normally due within 30-90 days from the date of billing.

9. TRADE AND OTHER PAYABLES

	2024	2023
	\$'000	\$'000
Trade creditors	59,884	52,236
Provision for construction works (<i>Note (i)</i>)	19,395	10,498
Other payables and accruals	34,613	17,892
	<u>113,892</u>	<u>80,626</u>

Note

(i) **Provision for construction works**

	\$'000
At 1 April 2023	10,498
Additional provisions made	9,172
Provision utilised	<u>(275)</u>
At 31 March 2024	<u>19,395</u>

(a) *Ageing analysis*

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis at the end of the reporting period:

	2024	2023
	<i>\$'000</i>	<i>\$'000</i>
Within 1 month	3,049	17,754
Over 1 month but within 2 months	49,612	19,827
Over 2 months but within 3 months	2,010	10,841
Over 3 months	5,213	3,814
	59,884	52,236

10. DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2024	2023
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of nil cents (2023: 3 cent) per share	–	24,900

The Board of directors has resolved not to declare any final dividend for the year ended 31 March 2024 (2023: nil).

11. CONTINGENT LIABILITIES

As at 31 March 2024, 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 \$112,229,000 (2023: \$60,955,000) 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 the 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 Financial Year 2023/24, the Group has successfully carried out construction works with alternative design which not only complies with the technical requirements but also be more cost efficient for "design and build" contracts.

During the Financial Year 2023/24, three new projects with an aggregate contract value of HK\$700.5 million were awarded to the Group. Four projects were completed during the year. As at 31 March 2024, six projects with the outstanding contract sum of HK\$691.1 million were all in progress.

Year of award/project	Type of contract	Status as at 31 March 2024
<i>Year 2019-2020</i> Hok Yuen Street	Design and build	Completed
<i>Year 2020-2021</i> Wo Shang Wai Des Voeux Road Central	Monitoring and maintenance Design and build	Work in progress Work in progress
<i>Year 2021-2022</i> State Theatre China Recreation Club	Build only Design and build	Completed Completed
<i>Year 2022-2023</i> Boardcast Drive Robinson Road 27D-F	Design and build Design and build	Completed Work in progress
<i>Year 2023-2024</i> Robinson Road 105 Tai Po Kau 234 Coombe Road 38	Design and build Design and build Design and build	Work in progress Work in progress Work in progress

Financial Review

During the Financial Year 2023/24, there were 11 projects contributing revenue and gross profit of approximately HK\$383.1 million and HK\$7.0 million, respectively, whereas revenue and gross profit for the Financial Year 2022/23 of HK\$332.4 million and HK\$5.2 million, respectively were contributed by 13 projects. Top five projects contributed revenue amounted to HK\$306.8 million (2023: HK\$316.2 million), in which the top project contributed 22.5% of the total revenue.

The Group recorded an increase in contract revenue for the year ended 31 March 2024 by approximately HK\$50.7 million as compared with that of the corresponding year in 2023. Gross profit increased by approximately HK\$1.8 million, to approximately HK\$7.0 million for the current year from approximately HK\$5.2 million for the corresponding year in 2023. Gross profit margin increased to 1.8% for the current year from 1.6% for the corresponding year in 2023. Such increase was primarily attributable to among other factors, realisation of profit upon completion of projects during the year.

Administrative and other operating expenses decreased by approximately HK\$1.7 million to approximately HK\$20.6 million, compared with approximately HK\$22.3 million for the Financial Year 2022/23, which was mainly due to decrease in salaries and foreign exchange loss arising from bank deposits denominated in Renminbi.

As a result, loss for the Financial Year 2023/24 was HK\$12.9 million, whereas loss for the last financial year was HK\$15.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2024	2023
Current ratio	3.0	3.8
Gearing ratio ¹	5.0%	6.7%

Note:

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

Gearing ratio decreased by 1.7 percentage point as at 31 March 2024 as compared to that as at 31 March 2023 was mainly due to repayment of HK\$5.2 million lease liabilities during the year ended 31 March 2024.

As at 31 March 2024, the Group had cash and bank balances of HK\$78.6 million (2023: HK\$112.0 million), of which HK\$43.9 million (2023: HK\$43.6 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 2024, the Group had no bank overdrafts (2023: Nil).

The capital structure of the Group consisted of equity of HK\$261.6 million, with HK\$13.1 million debts as at 31 March 2024.

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities and shareholder's loan, the Group did not have any material outstanding debts as at 31 March 2024. 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\$190.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$100.2 million.

EMPLOYEES

The Group had 48 full-time employees as at 31 March 2024 (2023: 53). The Group offers a competitive remuneration package that is based on the overall market rates and employee performance, as well as the performance of the Group. The remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 March 2024 (2023: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to the this announcement, the Group had no other contingent liabilities as at 31 March 2024.

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 2023/24. There is no other plan for material investments or capital assets as at 31 March 2024.

FUTURE PROSPECTS

Taking into account the Government of the Hong Kong Special Administrative Region's policy in increasing land supply and commitment to infrastructure investments, the Group expects a rebound in the foundation industry in the medium run. Despite the vigorous competition in the Hong Kong construction industry, 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 healthy financial position. To maintain its competitive edge, the Group will continue to adhere to its business strategy, by expanding our capacity to capture more business opportunities, reinforcing its capability in foundation design and project management skills, and offering qualitative and flexible solution to its customers.

DIVIDENDS

The Board has resolved not to declare a final dividend for the Financial Year 2023/24.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2023/2024 AGM, the register of members of the Company will be closed from Tuesday, 3 September 2024 to Friday, 6 September 2024, 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 (Branch Share Registrar) in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 2 September 2024.

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 2024 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 C1 to the Listing Rules except for the deviation from provision C.2.1 of the Code which is explained below:

According to provision C.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 2024.

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 C3 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 figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS, ANNUAL REPORT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE 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 2023/2024 Annual Report and 2023/2024 Environmental, Social and Governance Report will be despatched to shareholders upon request 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, 21 June 2024

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 Ms. Mok Kam Sheung as independent non-executive Directors.