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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 2016**

**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 2016, together with the comparative figures for the corresponding period in 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 September 2016*

(Expressed in Hong Kong dollars)

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>197,313</b>	262,617
Direct costs		<u><b>(110,543)</b></u>	<u>(179,604)</u>
<b>Gross profit</b>		<b>86,770</b>	83,013
Other revenue	4	<b>5,135</b>	2,935
Administrative and other operating expenses		<u><b>(12,605)</b></u>	<u>(15,046)</u>
<b>Profit from operations</b>		<b>79,300</b>	70,902
Finance costs	5(a)	<u><b>(148)</b></u>	<u>(121)</u>
<b>Profit before taxation</b>	5	<b>79,152</b>	70,781
Income tax	6	<u><b>(12,945)</b></u>	<u>(12,435)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>66,207</b></u>	<u>58,346</u>
<b>Earnings per share (Hong Kong cents)</b>			
Basic and diluted	7	<u><b>8.0</b></u>	<u>7.2</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

(Expressed in Hong Kong dollars)

	At 30 September 2016 \$'000 (Unaudited)	At 31 March 2016 \$'000 (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	23,920	27,161
Finance lease receivables	337	1,201
	<u>24,257</u>	<u>28,362</u>
<b>Current assets</b>		
Gross amounts due from customers for contract work	119,031	75,514
Finance lease receivables	2,342	2,929
Trade and other receivables	8 131,042	104,165
Cash and bank balances	187,488	229,592
	<u>439,903</u>	<u>412,200</u>
<b>Current liabilities</b>		
Gross amounts due to customers for contract work	11,353	1,954
Trade and other payables	9 50,483	71,055
Bank loan – secured	5,788	6,453
Obligations under finance leases	2,342	2,929
Loans from shareholders	9,000	9,000
Tax payable	13,302	13,985
	<u>92,268</u>	<u>105,376</u>
<b>Net current assets</b>	<u>347,635</u>	<u>306,824</u>
<b>Total assets less current liabilities</b>	<u>371,892</u>	<u>335,186</u>

	At <b>30 September</b> <i>Note</i> <b>2016</b> <b>\$'000</b> <b>(Unaudited)</b>	At 31 March 2016 \$'000 (Audited)
<b>Non-current liabilities</b>		
Obligations under finance leases	337	1,201
Deferred tax	<u>2,301</u>	<u>2,718</u>
	<u>2,638</u>	<u>3,919</u>
<b>NET ASSETS</b>	<b><u>369,254</u></b>	<b><u>331,267</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	8,300	8,300
Reserves	<u>360,954</u>	<u>322,967</u>
<b>TOTAL EQUITY</b>	<b><u>369,254</u></b>	<b><u>331,267</u></b>

*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 2016 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company:

- *Annual improvements to HKFRSs 2012-2014 cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative.*

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Bank interest income	439	320
Interest income from finance lease receivables	63	114
Sales of scrap materials	622	809
Rental income from machinery	4,000	1,500
Others	11	192
	<u>5,135</u>	<u>2,935</u>

## 5 PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank overdrafts	–	7
Interest on bank loan	85	–
Finance charges on obligations under finance leases	63	114
	<u>148</u>	<u>121</u>
<b>(b) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plans	403	348
Salaries, wages and other benefits	11,952	11,753
	<u>12,355</u>	<u>12,101</u>
Add/(less): Amount included in construction contracts in progress	5,207	(3,723)
	<u>17,562</u>	<u>8,378</u>
<b>(c) Other items</b>		
Depreciation	3,241	1,775
Operating lease charges: minimum lease payments in respect of leasing of office	469	402
Listing expenses	–	4,450
	<u>–</u>	<u>4,450</u>

## 6 INCOME TAX

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the period	13,362	11,051
<b>Deferred tax</b>		
Origination and reversal of temporary difference	(417)	1,384
	<u>12,945</u>	<u>12,435</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% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 September 2016.

## 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 \$66,207,000 (2015: \$58,346,000) and weighted average of 830,000,000 shares in issue during the period (2015: weighted average of 812,131,148 shares in issue after adjusting for issuance of new shares in 2015).

### (b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 September 2016 and 2015.

## 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 2016 \$'000	At 31 March 2016 \$'000
Within 1 month	28,407	33,538
1 to 2 months	189	–
2 to 3 months	9,122	–
Over 3 months	22,086	2,620
Trade debtors ( <i>note (i)</i> )	59,804	36,158
Deposits, prepayments and other receivables ( <i>note (ii)</i> )	19,299	18,289
Retentions receivable ( <i>note (iii)</i> )	51,939	49,718
	<b>131,042</b>	<b>104,165</b>

### Notes:

- (i) Trade debtors are normally due within 14 – 30 days from the date of billing. Trade debtors of \$28,407,000 and \$33,538,000 as at 30 September 2016 and 31 March 2016 respectively were not yet past due and \$31,397,000 and \$2,620,000 as at 30 September 2016 and 31 March 2016 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 \$12,853,000 as at 30 September 2016 (31 March 2016: \$13,508,000), 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 expense within one year.
- (iii) Except for an amount of \$15,331,000 as at 30 September 2016 (31 March 2016: \$28,402,000), 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 2016 \$'000	At 31 March 2016 \$'000
Within 1 month	14,486	34,359
1 to 2 months	6,105	16,318
2 to 3 months	5,764	7,818
Over 3 months	<u>19,818</u>	<u>8,471</u>
Trade creditors	46,173	66,966
Other payables and accruals	3,248	3,413
Amounts due to shareholders ( <i>note</i> )	<u>1,062</u>	<u>676</u>
	<u><u>50,483</u></u>	<u><u>71,055</u></u>

*Note:* The amounts due to shareholders at 30 September 2016 and 31 March 2016 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	
	2016 \$'000	2015 \$'000
Interim dividend declared after the interim period of 10 cents (2015: Nil) per ordinary share	<u>83,000</u>	<u>—</u>

The 2016 interim dividend declared after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

Dividend 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	
	2016 \$'000	2015 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period 3.4 cents (2015: 3 cents) per ordinary share	<u>28,220</u>	<u>24,900</u>

## **11 CONTINGENT LIABILITIES**

As at 30 September 2016, 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 subsidiaries for projects amounting to \$66,495,000 (31 March 2016: \$72,225,000). 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 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 six months ended 30 September 2016, the Group has 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 more competitive pricing and at the same time secure its profit margin for the period.

During the period, two foundation projects with an aggregate contract sum of HK\$65.3 million were awarded to the Group. Three foundation projects were completed. As at 30 September 2016, five foundation projects with the outstanding contract sum of HK\$287.2 million were in progress and not yet commenced to work.

Below set out a list of projects completed during the period and those which were still in progress as at 30 September 2016:

<u>Year of award/project</u>	<u>Role</u>	<u>Type of contract</u>	<u>Status</u>
<i>Year 2013-2014</i>			
Peel Street/Graham Street, Central	Main contractor	Design and build	Completed
<i>Year 2014-2015</i>			
Perkins Road, Happy Valley	Main contractor	Design and build	Completed
A Kung Ngam Road, Shau Kei Wan	Main contractor	Design and build	Work in progress
Fuk Chak Street and Ka Shin Street, Tai Kok Tsui	Main contractor	Design and build	Completed
<i>Year 2015-2016</i>			
Queen's Road Central, Central	Main contractor	Design and build	Work in progress
King's Road, Quarry Bay	Main contractor	Design and build	Work in progress
<i>Six months ended 30 September 2016</i>			
Cheung Sha, Lantau Island	Main contractor	Design and build	Work in progress
Kai Tak Road, Kowloon City	Main contractor	Design and build	Not yet commenced

## **Recent Development**

Subsequent to the end of the reporting period, the Group has been awarded a new demolition and foundation project in Happy Valley with a contract sum of HK\$121 million, which is expected to be completed in the year ending 31 March 2018.

## **Financial Review**

During the six months ended 30 September 2016, there were 10 projects contributing revenue of approximately HK\$197.3 million, whereas revenue for the corresponding period in last year of HK\$262.6 million was contributed by 12 projects. Top five projects contributed revenue amounted to HK\$186.4 million (2015: HK\$218.5 million), in which the top project contributed 34.7% of the total revenue.

The Group recorded an increase in gross profit margin of 44.0% for the six months ended 30 September 2016 from 31.6% for the corresponding period in last year. Gross profit increased by approximately HK\$3.8 million or 4.6% to approximately HK\$86.8 million for the period from approximately HK\$83.0 million for the corresponding period in 2015. Such increase was primarily attributable to, among other factors, recognition of additional profits due to contribution by a few foundation projects with relatively high gross profit margin compared with the overall gross profit margin of the corresponding period in 2015.

Administrative and other operating expenses decreased by approximately HK\$2.4 million to approximately HK\$12.6 million, compared with approximately HK\$15.0 million of the corresponding period in last year, which was mainly due to the listing expenses of approximately HK\$4.5 million incurred in last period.

As a result, profit for the period has increased to approximately HK\$66.2 million, representing an increase of approximately 13.6% over the corresponding period of approximately HK\$58.3 million in last year.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	<b>As at 30 September 2016</b>	As at 31 March 2016
Current ratio	<b>4.8</b>	3.9
Gearing ratio <sup>1</sup>	<b>4.7%</b>	5.9%

*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 increased from 3.9 as at 31 March 2016 to 4.8 as at 30 September 2016, as a result of improvement due to reduction of trade payables. Gearing ratio decreased from 5.9% as at 31 March 2016 to 4.7% as at 30 September 2016, mainly due to net addition in equity after including net profit for the period and dividend paid.

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$187.5 million (31 March 2016: HK\$229.6 million), of which approximately HK\$52.6 million (31 March 2016: HK\$47.3 million) were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects.

The capital structure of the Group consisted of equity of HK\$369.3 million and debts (including payables incurred not in the ordinary course of business) of HK\$17.5 million as at 30 September 2016.

The Group adopts a prudent approach in cash management. Apart from certain debts including obligations under finance leases, bank loan and loans from shareholders, the Group did not have any material outstanding debts as at 30 September 2016. 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 45 full-time employees as at 30 September 2016. 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 30 September 2016.

## CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 30 September 2016.

## 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 2016. There is no other plan for material investments or capital assets as at 30 September 2016.

## 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 headed “Future Plans and Use of Proceeds” of the Prospectus 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 2016:

	<b>Proposed application</b> <i>HK\$'million</i>	<b>Actual usage up to 30 September 2016</b> <i>HK\$'million</i>
Hiring of additional staff	14.9	1.1
Acquisition of additional machinery and equipment	29.9	29.9
Financing for the issue of surety bonds for future projects	44.7	22.5
General working capital	10.0	10.0
	<hr/>	<hr/>
	<b>99.5</b>	<b>63.5</b>
	<hr/> <hr/>	<hr/> <hr/>

## **FUTURE PROSPECTS**

Taking into account the Government of the Hong Kong Special Administrative Region policy in increasing land supply and proposing several large infrastructure projects, the Group expects an optimistic growth in the construction industry. Despite the vigorous competition in 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.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has resolved to pay an interim dividend of HK\$0.1 per share (2015: nil) to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 13 December 2016. Interim dividend will be distributed to shareholders on Friday, 30 December 2016.

### **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to the interim dividend, the register of members of the Company will be closed on Monday, 12 December 2016 and Tuesday, 13 December 2016, 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, 9 December 2016.

### **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 2016 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”) 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 period.

## **REVIEW OF INTERIM RESULTS**

The interim financial report for the six months ended 30 September 2016 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, consists of three independent non-executive Director, 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 2016.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company's website at [www.inconstruction.hk](http://www.inconstruction.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://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, 25 November 2016

*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.*