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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 2018

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

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

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2018	2017
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Revenue	3	151,988	137,507
Direct costs		<u>(139,605)</u>	<u>(96,024)</u>
Gross profit		12,383	41,483
Other revenue	4	3,641	4,443
Administrative and other operating expenses		<u>(13,607)</u>	<u>(11,431)</u>
Profit from operations		2,417	34,495
Finance costs	5(a)	<u>(28)</u>	<u>(94)</u>
Profit before taxation	5	2,389	34,401
Income tax	6	<u>(488)</u>	<u>(5,748)</u>
Profit and total comprehensive income for the period		<u>1,901</u>	<u>28,653</u>
Earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>0.2</u>	<u>3.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 September 2018 \$'000 (Unaudited)	At 31 March 2018 \$'000 (Audited)
Non-current asset			
Property, plant and equipment		<u>10,147</u>	<u>12,986</u>
Current assets			
Contract assets		93,115	–
Inventories		8,278	–
Gross amounts due from customers for contract work		–	105,892
Trade and other receivables	8	185,519	116,184
Tax recoverable		17,527	16,649
Cash and bank balances		<u>44,625</u>	<u>68,035</u>
		<u>349,064</u>	<u>306,760</u>
Current liabilities			
Contract liabilities		7,874	–
Gross amounts due to customers for contract work		–	7,354
Trade and other payables	9	108,288	69,280
Bank overdrafts – secured		5,676	–
Tax payable		<u>185</u>	<u>–</u>
		<u>122,023</u>	<u>76,634</u>
Net current assets		<u>227,041</u>	<u>230,126</u>
Total assets less current liabilities		<u>237,188</u>	<u>243,112</u>

	At	At
<i>Note</i>	30 September	31 March
	2018	2018
	\$'000	\$'000
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	<u>944</u>	<u>1,250</u>
NET ASSETS	<u>236,244</u>	<u>241,862</u>
CAPITAL AND RESERVES		
Share capital	8,300	8,300
Reserves	<u>227,944</u>	<u>233,562</u>
TOTAL EQUITY	<u>236,244</u>	<u>241,862</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 2018 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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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

(a) Overview

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*.

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

The Group has been impacted by HKFRS 9 in relation to measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 March 2018 \$'000	Impact on initial application of HKFRS 15 \$'000	At 1 April 2018 \$'000
Gross amounts due from customers			
for contract work	105,892	(105,892)	–
Contract assets	–	100,840	100,840
Inventories	–	3,849	3,849
Trade and other receivables	116,184	(7,803)	108,381
Tax recoverable	16,649	1,487	18,136
Total current assets	306,760	(7,519)	299,241
Gross amounts due to customers			
for contract work	7,354	(7,354)	–
Contract liabilities	–	7,354	7,354
Total current liabilities	7,354	–	7,354
Net current assets	230,126	(7,519)	222,607
Total assets less current liabilities	243,112	(7,519)	235,593
Net assets	241,862	(7,519)	234,343
Reserves	233,562	(7,519)	226,043
Total equity	241,862	(7,519)	234,343

Further details of these changes are set out in (c) of this note.

(b) **HKFRS 9, Financial instruments**

HKFRS 9 replaces HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, including the measurement of impairment for financial assets. The Group has been impacted by HKFRS 9 in relation to measurement of impairment for financial assets.

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model results in earlier recognition of credit losses, but with no material financial impact to the Group.

(c) **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 April 2018:

	\$'000
Retained profits	
Change in timing of contract costs recognition for construction contracts	(9,006)
Related tax	<u>1,487</u>
Net decrease in retained profits at 1 April 2018	<u><u>(7,519)</u></u>

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts was recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts.

(ii) *Timing of recognition of contract costs*

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the Group that will be used in satisfying performance obligations in the future, and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision of onerous contract is recognised.

Previously, contract costs of the Group were recognised by reference to the stage of completion of the contract, which was measured with reference to the progress certificates issued by the customers or payment applications submitted to the customers. Contract costs were deferred or accrued to report a consistent margin percentage over the term of a contract. Under HKFRS 15, contract costs that related to satisfied performance obligations are expensed as incurred.

As a result of this change in accounting policy, the Group had made adjustments to opening balances at 1 April 2018 which decreased retained profits by \$7,519,000, decreased contract assets by \$9,006,000, and increased tax recoverable by \$1,487,000.

(iii) *Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balance relating to construction contracts in progress were presented in the statement of financial position under “Gross amounts due from customers for contract work” or the “Gross amounts due to customers for contract work” respectively. Receivables for which the Group’s entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period were presented in the statement of financial position as “Retention receivables” under “Trade and other receivables”.

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

- a. “Gross amounts due from customers for contract work” and “retentions receivable” under “trade and other receivables” amounting to \$93,037,000 and \$7,803,000 respectively, are now included under contract assets;
- b. “Gross amounts due to customers for contract work” amounting to \$7,354,000 are now included under contract liabilities;
- c. “Gross amounts due from customers for contract work” amounting to \$3,849,000 are now included under “Inventories”; and
- d. As explained in (ii) above, adjustments to opening balances have been made to decrease contract assets by \$9,006,000.

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	
	2018	2017
	\$'000	\$'000
Bank interest income	296	469
Interest income from finance lease receivables	–	12
Sales of scrap materials	311	908
Rental income from machinery	3,000	3,000
Gain on disposal of property, plant and equipment	–	54
Others	34	–
	<u>3,641</u>	<u>4,443</u>

5. PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2018	2017
	\$'000	\$'000
(a) Finance costs		
Interest on bank overdrafts	28	–
Interest on bank loan	–	82
Finance charges on obligations under finance leases	–	12
	<u>28</u>	<u>94</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	350	358
Salaries, wages and other benefits	11,914	12,129
	<u>12,264</u>	<u>12,487</u>
Less: Amount included in construction contracts in progress	–	(324)
	<u>12,264</u>	<u>12,163</u>
(c) Other items		
Depreciation	2,886	3,135
Operating lease charges: minimum lease payments in respect of leasing of office	596	531
	<u>596</u>	<u>531</u>

6. INCOME TAX

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

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	794	6,108
Deferred tax		
Origination and reversal of temporary difference	(306)	(360)
	<u>488</u>	<u>5,748</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 at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 September 2018.

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 \$1,901,000 (2017: \$28,653,000) and weighted average of 830,000,000 shares (2017: 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 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:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Within 1 month	30,195	–
1 to 2 months	28,691	–
2 to 3 months	15,576	–
Over 3 months	1,340	289
Trade debtors, net of loss allowance (<i>note (i)</i>)	75,802	289
Deposits, prepayments and other receivables (<i>note (ii)</i>)	51,891	49,834
Retentions receivable (<i>notes (iii) and (iv)</i>)	57,826	66,061
	<u>185,519</u>	<u>116,184</u>

Notes:

- (i) Trade debtors are normally due within 14 – 30 days from the date of billing.
- (ii) Except for an amount of \$17,237,000 as at 30 September 2018 (31 March 2018: \$17,372,000), 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 \$8,369,000 as at 31 March 2018 is expected to be recovered after one year, all of the balances as at 30 September and 31 March 2018 are expected to be recovered within one year.
- (iv) Upon the adoption of HKFRS 15, some of the retention receivables are included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional in the Group's work satisfactorily passing inspection (see note 2(c)).

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 2018 \$'000	At 31 March 2018 \$'000
Within 1 month	44,354	21,314
1 to 2 months	10,611	15,973
2 to 3 months	17,475	16,118
Over 3 months	31,729	12,059
	<hr/>	<hr/>
Trade creditors	104,169	65,464
Other payables and accruals	3,622	3,732
Amounts due to shareholders (<i>note</i>)	497	84
	<hr/>	<hr/>
	108,288	69,280
	<hr/> <hr/>	<hr/> <hr/>

Note: The amounts due to shareholders at 30 September 2018 and 31 March 2018 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	
	2018	2017
	<i>\$'000</i>	<i>\$'000</i>
No dividend was proposed after the end of the interim period (2017: 3 cents per ordinary share)	—	24,900
	<u> </u>	<u> </u>

The 2017 interim dividend declared after the end of six months ended 30 September 2017 had not been recognised as a liability at the end of that interim period.

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

	Six months ended 30 September	
	2018	2017
	<i>\$'000</i>	<i>\$'000</i>
No dividend was declared or paid in respect of the previous financial year, during the interim period (six months ended 30 September 2017: 10 cents per ordinary share)	—	83,000
	<u> </u>	<u> </u>

11. CONTINGENT LIABILITIES

As at 30 September 2018, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries for projects amounting to \$55,661,000 (31 March 2018: \$84,461,000). The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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

Business Review

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

The Group places emphasis on design and build projects because of the flexibility and capability in coming up with foundation design plan that suits its customers' requirements and the site conditions. During the six months ended 30 September 2018, 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 2018, one foundation project with contract sum of HK\$118.2 million was awarded to the Group. Two foundation projects were completed. As at 30 September 2018, six foundation projects with the outstanding contract sum of HK\$277.9 million were either in progress or had not yet commenced.

<u>Year/Period of award/project</u>	<u>Type of contract</u>	<u>Status as at 30 September 2018</u>
<i>Year 2016-2017</i>		
Cheung Sha, Lantau Island	Design and build	Completed
St. Paul's School, Happy Valley	Design and build	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	Completed
Seymour Road, Hong Kong	Design and build	Work in progress
Robinson Road, Mid-Levels	Design and build	Work in progress
Waterloo Road, Kowloon	Build only	Work in progress
<i>Year 2018-2019</i>		
Kok Cheung Street, Tai Kok Tsui	Design and build	Not yet commenced

Recent Development

Subsequent to the end of the reporting period, the Group has been awarded a new foundation project with a contract sum of HK\$405.9 million, which is expected to be completed in the year ending 31 March 2020.

Financial Review

During the six months ended 30 September 2018, there were 7 projects contributing revenue of approximately HK\$152.0 million, whereas revenue for the corresponding period in the prior period of approximately HK\$137.5 million was contributed by 10 projects. The top five projects contributed revenue amounted to approximately HK\$131.4 million (2017: approximately HK\$127.6 million), in which the top project contributed 35.3% of the total revenue.

The Group recorded an increase in contract revenue for the six months ended 30 September 2018 by approximately HK\$14.5 million as compared with that of the corresponding period in 2017. However, gross profit decreased by approximately HK\$29.1 million, to approximately HK\$12.4 million for the current period from approximately HK\$41.5 million for the corresponding period in 2017. Gross profit margin also decreased to 8.1% for the current period from 30.2% for the corresponding period in 2017. Such decrease was primarily attributable to, among other factors, one foundation project which contributed 51.5% of the total revenue for the six months ended 30 September 2017, with relatively high gross profit margin when compared with overall gross profit margin of the current period.

Administrative and other operating expenses increased by approximately HK\$2.2 million to approximately HK\$13.6 million, compared with approximately HK\$11.4 million of the corresponding period in the prior year, which was mainly due to foreign exchange loss arising from bank deposits denominated in Renminbi.

As a result, profit before taxation for the period has decreased by approximately HK\$32.0 million or 93.1% to approximately HK\$2.4 million, from approximately HK\$34.4 million for the corresponding period in the prior year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2018	As at 31 March 2018
Current ratio	2.9	4.0
Gearing ratio ¹	2.4%	–

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.

Gearing ratio increased to 2.4% as at 30 September 2018 due to the bank overdraft of HK\$5.7 million as at 30 September 2018.

As at 30 September 2018, the Group had cash and bank balances of approximately HK\$44.6 million (31 March 2018: HK\$68.0 million), of which approximately HK\$41.1 million (31 March 2018: HK\$47.5 million) were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects, bank overdrafts facilities and requirement of our general banking facilities. As at 30 September 2018, the Group had bank overdrafts of approximately HK\$5.7 million (31 March 2018: Nil).

The capital structure of the Group consisted of equity of HK\$236.2 million and debts of HK\$5.7 million as at 30 September 2018.

The Group adopts a prudent approach in cash management. Apart from the said bank overdraft, the Group did not have any material outstanding debts as at 30 September 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\$150.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$144.3 million.

EMPLOYEES

The Group had 44 full-time employees as at 30 September 2018 (2017:43). The Group offers a competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. The remuneration package is comprised of salary, a performance-based bonus, and other benefits including training and provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2018 (2017: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 30 September 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 six months ended 30 September 2018. There is no other plan for material investments or capital assets as at 30 September 2018.

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 2018:

	Proposed application <i>HK\$'million</i>	Actual usage up to 30 September 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2018 (2017:HK\$0.03 per share).

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 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 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 2018.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 September 2018 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 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 2018.

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, 30 November 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.