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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2023	2022
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Revenue	3	141,308	166,110
Direct costs		<u>(162,797)</u>	<u>(167,331)</u>
Gross loss		(21,489)	(1,221)
Other revenue	4	530	1,274
Administrative and other operating expenses		<u>(11,277)</u>	<u>(13,349)</u>
Loss from operations		(32,236)	(13,296)
Finance costs	5(a)	<u>(106)</u>	<u>(199)</u>
Loss before taxation	5	(32,342)	(13,495)
Income tax	6	<u>(51)</u>	42
Loss and total comprehensive income for the period		<u>(32,393)</u>	<u>(13,453)</u>
Loss per share (Hong Kong cents)			
Basic and diluted	7	<u>(3.90)</u>	<u>(1.62)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

(Expressed in Hong Kong dollars)

		At 30 September 2023 \$'000 (Unaudited)	At 31 March 2023 \$'000 (Audited)
Non-current assets			
Property, plant and equipment		83	134
Lease receivables		–	65
Deferred tax assets		234	226
		317	425
Current assets			
Contract assets		203,110	170,537
Inventories and other contract costs		21,220	2,306
Lease receivables		2,725	5,256
Trade and other receivables	8	46,946	69,491
Tax recoverable		13,249	13,308
Cash and bank balances		76,738	112,049
		363,988	372,947
Current liabilities			
Contract liabilities		2,224	–
Trade and other payables	9	104,318	80,626
Lease liabilities		2,721	5,246
Loan from a shareholder		13,000	13,000
		122,263	98,872
Net current assets		241,725	274,075
Total assets less current liabilities		242,042	274,500

	At 30 September 2023 \$'000 (Unaudited)	At 31 March 2023 \$'000 (Audited)
Non-current liability		
Lease liabilities	—	65
NET ASSETS	242,042	274,435
CAPITAL AND RESERVES		
Share capital	8,300	8,300
Reserves	233,742	266,135
TOTAL EQUITY	242,042	274,435

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 2023 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 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 MPF-LSP 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 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	
	2023	2022
	\$'000	\$'000
Bank interest income	285	282
Interest income from lease receivables	94	205
Sales of scrap materials	151	58
Government subsidies (<i>note</i>)	–	728
Others	–	1
	<u>530</u>	<u>1,274</u>

Note: During the six months ended 30 September 2022, 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 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:

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
a) Finance costs		
Interest on lease liabilities	<u>106</u>	<u>199</u>
	<u>106</u>	<u>199</u>
b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	394	378
Salaries, wages and other benefits	<u>16,039</u>	<u>16,963</u>
	<u>16,433</u>	<u>17,341</u>
c) Other items		
Depreciation	51	55
Lease payments relating to short-term leases	596	596
Impairment losses on trade and other receivables and contract assets	<u>33</u>	<u>59</u>

6. INCOME TAX

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

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	59	126
Over-provision in respect of prior years	<u>–</u>	<u>(155)</u>
	59	(29)
Deferred tax		
Origination and reversal of temporary differences	<u>(8)</u>	<u>(13)</u>
	<u>51</u>	<u>(42)</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% (six months ended 30 September 2022: 16.5%) of the estimated assessable profits for the period, 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%.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 September 2023 is based on the loss attributable to equity shareholders of the Company of \$32,393,000 (six months ended 30 September 2022: loss of \$13,453,000) and weighted average of 830,000,000 shares (six months ended 30 September 2022: 830,000,000 shares) in issue during the period.

(b) Diluted loss per share

There were no diluted potential shares in existence during the six months ended 30 September 2023 and 2022.

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 2023 \$'000	At 31 March 2023 \$'000
Within 1 month	12,211	31,414
Over 1 month but within 2 months	1,489	1,685
Over 2 months but within 3 months	446	–
Over 3 months	–	2,497
Trade debtors, net of loss allowance (<i>note (i)</i>)	14,146	35,596
Deposits, prepayments and other receivables (<i>notes (ii) and (iii)</i>)	8,465	8,030
Retentions receivable, net of loss allowance (<i>note (iv)</i>)	24,335	25,863
Amounts due from shareholders (<i>note (v)</i>)	–	2
	<u>46,946</u>	<u>69,491</u>

Notes:

- (i) Trade debtors are normally due within 30 days from the date of billing.
- (ii) As at 30 September 2023, except for the amount of \$112,500 (31 March 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.
- (iii) As at 30 September 2023, deposits of \$5,158,000 (31 March 2023: \$1,330,000) were pledged to secure the issuance of performance bonds.
- (iv) All of the retentions receivable as at 30 September 2023 and 31 March 2023 were expected to be recovered within one year.
- (v) The amounts due from shareholders as at 31 March 2023 were unsecured, interest-free and recovered during the period.

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 2023 \$'000	At 31 March 2023 \$'000
Within 1 month	39,883	17,754
Over 1 month but within 2 months	12,628	19,827
Over 2 months but within 3 months	6,428	10,841
Over 3 months	<u>6,671</u>	<u>3,814</u>
Trade creditors	65,610	52,236
Other payables and accruals	15,229	17,892
Provision for construction works	23,188	10,498
Amount due to a director (<i>note</i>)	<u>291</u>	<u>–</u>
	<u><u>104,318</u></u>	<u><u>80,626</u></u>

Note: The amount due to a director as at 30 September 2023 was unsecured, interest-free and repayable on demand.

10. DIVIDENDS

The board of directors has resolved not to declare any interim dividend for the six months ended 30 September 2023 and 2022.

11. CONTINGENT LIABILITIES

As at 30 September 2023, the Group had contingent liabilities in respect of performance bonds to guarantee due and proper performance of the obligations undertaken by the Group's subsidiary for projects amounting to \$112,229,000 (31 March 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 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 2023, 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.

During the six months ended 30 September 2023, two new projects with an aggregate contract value of HK\$642 million were awarded to the Group. As at 30 September 2023, nine projects with the outstanding contract sum of HK\$900.8 million were all in progress.

Year/Period of award/ project	Type of contract	Status as at 30 September 2023
<i>Year 2019-2020</i> Hok Yuen Street	Design and build	Work in progress
<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	Work in progress Work in progress
<i>Year 2022-2023</i> Broadcast Drive Robinson Road 27D-F	Design and build Design and build	Work in progress Work in progress
<i>Year 2023-2024</i> Robinson Road 105 Tai Po Kau 234	Design and build Design and build	Work in progress Work in progress

Financial Review

During the six months ended 30 September 2023, there were 9 projects contributing revenue of approximately HK\$141.3 million, whereas revenue for the corresponding period in 2022 of approximately HK\$166.1 million was contributed by 10 projects. The top five projects contributed revenue amounted to approximately HK\$125.7 million (2022: approximately HK\$157.2 million), in which the top project contributed 36.3% of the total revenue.

The Group recorded a decrease in contract revenue for the six months ended 30 September 2023 by approximately HK\$24.8 million as compared with that of the corresponding period in 2022. Gross loss increased by approximately HK\$20.3 million to approximately HK\$21.5 million for the current period, from approximately HK\$1.2 million for the corresponding period in 2022. Gross loss margin increased from 0.7% for the corresponding period in 2022 to 15.2% for the current period. Such increase in gross loss was primarily attributable to, among other factors, provision for liquidated and ascertained damages of certain foundation projects as a result of unexpected delays in progress during the period.

Administrative and other operating expenses decreased by approximately HK\$2.0 million to approximately HK\$11.3 million, compared with approximately HK\$13.3 million for the corresponding period in the prior year, 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 period increased by HK\$18.9 million or 140% to HK\$32.4 million, from the corresponding period in the prior year of HK\$13.5 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2023	As at 31 March 2023
Current ratio	3.0	3.8
Gearing ratio ¹	6.5%	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 0.2 percentage point to 6.5% as at 30 September 2023 as compared to that as at 31 March 2023 was mainly due to repayment of HK\$2.6 million lease liabilities during the six months ended 30 September 2023.

As at 30 September 2023, the Group had cash and bank balances of approximately HK\$76.7 million (31 March 2023: HK\$112.0 million), of which approximately HK\$43.5 million (31 March 2023: HK\$43.6 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 2023 and 31 March 2023, the Group had no bank overdraft.

The capital structure of the Group consisted of equity of HK\$242.0 million, with HK\$15.7 million debts as at 30 September 2023.

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 30 September 2023. Payment to settle trade payable represented a 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 at 30 September 2023.

EMPLOYEES

The Group had 55 full-time employees as at 30 September 2023 (31 March 2023: 53). 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 comprised of salary, performance-based bonus, and other benefits including training and mandatory provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2023.

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 30 September 2023.

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 2023. There is no other plan for material investments or capital assets as at 30 September 2023.

FUTURE PROSPECTS

Taking into account the recent 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 coming years. Despite vigorous competition in the construction industry in Hong Kong, the Board is confident with the Group's future development in its scale of operations and profitability due to its long established reputation, the listing platform and its healthy financial position. To maintain its competitive edge, the Group will continue 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 pay any interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$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 2023 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 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 had complied with the required standards set out in the Model Code during the six months ended 30 September 2023.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 September 2023 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.

The Audit Committee 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 2023.

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, 27 November 2023

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.