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InCon

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 2015

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 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	**2015**	2014
		$'000	*$'000*
		(Unaudited)	(Audited)
Revenue	*3*	**262,617**	185,200
Direct costs		**(179,604)**	(151,127)
Gross profit		**83,013**	34,073
Other revenue	*4*	**2,935**	1,140
Administrative and other operating expenses		**(15,046)**	(7,957)
Profit from operations		**70,902**	27,256
Finance costs	*5(a)*	**(121)**	(243)
Profit before taxation	*5*	**70,781**	27,013
Income tax	*6*	**(12,435)**	(4,908)
Profit and total comprehensive income for the period		**58,346**	22,105
Earnings per share (Hong Kong cents)			
Basic and diluted	*7*	**7.2**	3.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2015** ***$'000*** **(Unaudited)**	At 31 March 2015 *$'000* (Audited)
Non-current assets			
Property, plant and equipment		**30,423**	438
Finance lease receivables		**2,678**	4,130
Deposits paid for acquisition of property, plant and equipment		**–**	2,351
		33,101	6,919
Current assets			
Gross amounts due from customers for contract work		**127,978**	100,128
Finance lease receivables		**2,877**	2,826
Trade and other receivables	*8*	**147,899**	109,600
Cash and bank balances		**139,836**	70,158
		418,590	282,712
Current liabilities			
Gross amounts due to customers for contract work		**16,802**	175
Trade and other payables	*9*	**89,657**	98,983
Bank overdrafts – secured		**–**	5,032
Obligations under finance leases		**2,877**	2,826
Tax payable		**31,755**	20,704
		141,091	127,720
Net current assets		**277,499**	154,992
Total assets less current liabilities		**310,600**	161,911

	Note	At 30 September 2015 $'000 (Unaudited)	At 31 March 2015 $'000 (Audited)
Non-current liabilities			
Loans from shareholders		**9,000**	9,000
Obligations under finance leases		**2,678**	4,130
Deferred tax		**1,384**	–
		13,062	13,130
NET ASSETS		**297,538**	148,781
CAPITAL AND RESERVES			
Share capital		**8,300**	6,400
Reserves		**289,238**	142,381
TOTAL EQUITY		**297,538**	148,781

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 2015 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2010-2012 cycle*

– *Annual improvements to HKFRSs 2011-2013 cycle*

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

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Bank interest income	**320**	335
Interest income from finance lease receivables	**114**	162
Sales of scrap materials	**809**	601
Rental income from machinery	**1,500**	–
Others	**192**	42
	2,935	1,140

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
(a) Finance costs		
Interest on bank overdrafts	**7**	59
Finance charges on obligations under finance leases	**114**	184
	121	243
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**348**	339
Salaries, wages and other benefits	**11,753**	8,250
	12,101	8,589
Less: Amount included in construction contracts in progress	**(7,897)**	(6,525)
	4,204	2,064
(c) Other items		
Depreciation	**1,775**	241
Operating lease charges: minimum lease payments in respect of leasing of office	**402**	402
Listing expenses	**4,450**	2,312

6 INCOME TAX

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

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax for the period	**11,051**	4,908
Deferred tax		
Origination and reversal of temporary difference	**1,384**	–
	12,435	4,908

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% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015.

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 $58,346,000 (2014: $22,105,000) and weighted average of 812,131,148 shares in issue after adjusting for the issuance of new shares during the period (2014: weighted average of 639,000,000 shares in issue after adjusting for the capitalisation issue in 2015).

(b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 September 2015 and 2014.

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 2015	At 31 March 2015
	$'000	*$'000*
Within 1 month	**42,275**	38,449
1 to 2 months	**21,825**	–
2 to 3 months	**5,599**	–
Over 3 months	**100**	100
Trade debtors *(note (i))*	**69,799**	38,549
Deposits, prepayments and other receivables *(note (ii))*	**11,551**	5,563
Retentions receivable *(note (iii))*	**66,549**	65,488
	147,899	109,600

notes:

(i) Trade debtors are normally due within 14 – 30 days from the date of billing. Trade debtors of $42,275,000 and $38,449,000 as at 30 September 2015 and 31 March 2015 respectively were not yet past due and $27,524,000 and $100,000 as at 30 September 2015 and 31 March 2015 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 $7,930,000 as at 30 September 2015 (31 March 2015: $1,644,000), 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 $36,470,000 as at 30 September 2015 (31 March 2015: $24,593,000), 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 2015	At 31 March 2015
	$'000	*$'000*
Within 1 month	**28,410**	20,839
1 to 2 months	**13,741**	17,422
2 to 3 months	**17,539**	7,796
Over 3 months	**24,721**	46,742
Trade creditors	**84,411**	92,799
Other payables and accruals	**5,246**	6,184
	89,657	98,983

10 DIVIDENDS

(i) During the six months ended 30 September 2014, a dividend of $186,000,000 was declared to the then shareholders by In Construction Limited prior to the Listing on 16 April 2015.

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 September	
	2015	2014
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period 3 cents (2014: Nil) per ordinary share	**24,900**	–

11 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 September 2015	At 31 March 2015
	$'000	*$'000*
Contracted for	**–**	28,240

12 CONTINGENT LIABILITIES

(a) As at 30 September 2015, 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 $77,545,000 (31 March 2015: $82,226,000).

(b) Foundation works carried out for a project at Hing Hon Road (the "**Site**") commenced in March 2014 and was originally expected to be completed in November 2014 according to the project's letter of award. On 4 September 2014, a building adjacent to the Site (the "**Building**") tilted towards the Site. Foundation works at the Site had been suspended since 5 September 2014. The directors of the Company (the "**Directors**"), leveraging on their experience in the industry, are of the view that the project will be delayed by not more than 16 months, and in the event that the customer does not grant an extension to the completion of the contract in accordance with its terms, the Group may face claims for liquidated damages of up to $9,800,000.

As at 30 September 2015 and up to the date of issue of this announcement, the Group had not received any claim for damages from any third party arising from or in connection with this project nor any claim for liquidated damages from the customer in the project.

The Directors are of the view that the prospect of a successful claim from the owners or occupiers of the Building or the customer against the Group is limited based on an advice provided by the legal counsel of the Company. Accordingly, no provision for potential liquidated damages from the customer or potential claims from the owners or occupiers of the Building has been made in the interim financial report.

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

During the six months ended 30 September 2015, 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.

During the period, most of the projects awarded previously have commenced work. Two of them were completed, and the rest of them will be completed in the forthcoming months, except the project in A Kung Ngam Road, Shau Kei Wan, which is expected to be completed by end of 2016. Two foundation projects having an aggregate contract value of HK$151.3 million have been awarded to the Group during the period and which are expected to be completed in the year of 2016.

As at 30 September 2015, there were nine foundation projects on hand with the outstanding contract sum amounting to HK$659.1 million. Apart from five projects which are expected to be completed in the year ending 31 March 2017, the remainder is expected to be completed within this financial year. Below set out a list of projects completed during the period and those which are still in progress as at 30 September 2015:

Year of award/project	Role	Type of contract	Status
Year 2013-2014			
Queen's Road Central and Stanley Street, Central	Main contractor	Build only	Completed
Heung Yip Road, Aberdeen	Main contractor	Design and build	Completed
Peel Street/Graham Street, Central	Main contractor	Design and build	Work in progress
Hing Hon Road, Pok Fu Lam	Main contractor	Build only	Work in progress
Year 2014-2015			
Aberdeen Street, Central	Main contractor	Design and build	Work in progress
Perkins Road, Happy Valley	Main contractor	Design and build	Work in progress
A Kung Ngam Road, Shau Kei Wan	Main contractor	Design and build	Work in progress
Queen's Road East, Wan Chai	Main contractor	Design and build	Work in progress
Fuk Chak Street and Ka Shin Street, Tai Kok Tsui	Main contractor	Design and build	Work in progress
Six months ended 30 September 2015			
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

The shares of the Company were listed on the Stock Exchange on 16 April 2015 (the "**Listing**"). The Listing not only provided additional capital funding but also reinforced the Group's bargaining power for further banking facilities, allowing the Group to undertake sizeable projects in the future.

Financial Review

During the six months ended 30 September 2015, there were 12 projects contributing revenue of approximately HK$262.6 million, whereas revenue for the corresponding period in last year of HK$185.2 million was contributed by 14 projects. Two projects together having a contract value of approximately HK$379.3 million contributed one half of revenue for the period, resulting in an increase of revenue by 41.8% compared with that of the corresponding period in last year.

The Group recorded an increase in gross profit margin of 31.6% for the six months ended 30 September 2015 from 18.4% for the corresponding period in last year. Gross profit increased by approximately HK$48.9 million or 143.4% to approximately HK$83.0 million for the period from approximately HK$34.1 million for the corresponding period in 2014. Such increase was primarily attributable to, among other factors, recognition of additional profits due to recovery of costs in relation to a few foundation projects completed in the previous years in which the final contract sum of the projects (i.e. final accounts of the projects) were only agreed and certified by the relevant clients in September 2015, and additional turnover contributed by a few foundation projects with relatively high gross profit margin compared with the overall gross profit margin of the corresponding period in 2014.

Administrative and other operating expenses increased by approximately HK$7.0 million to approximately HK$15.0 million, compared with approximately HK$8.0 million of the corresponding period in last year, which was mainly due to the listing expenses of approximately HK$4.5 million incurred and increase in director fees in the period.

As a result, profit for the period has increased to approximately HK$58.3 million, representing an increase of approximately 163.8% over the corresponding period of approximately HK$22.1 million in last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2015	As at 31 March 2015
Current ratio	**3.0**	2.2
Gearing ratio[1]	**4.9%**	14.1%

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 2.2 as at 31 March 2015 to 3.0 as at 30 September 2015, as a result of improvement in cash position due to fund raising upon the Listing on 16 April 2015. Gearing ratio decreased from 14.1% as at 31 March 2015 to 4.9% as at 30 September 2015, mainly due to increase in equity after including net profit for the period and increase in share premium in relation to the Listing.

As at 30 September 2015, the Group had cash and bank balances of approximately HK$139.8 million (31 March 2015: HK$70.2 million), of which approximately HK$41.6 million (31 March 2015: HK$70.0 million) were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects. As at 30 September 2015, the Group had no bank overdrafts (31 March 2015: HK$5.0 million).

The capital structure of the Group consisted of equity of HK$297.5 million and debts (including payables incurred not in the ordinary course of business) of HK$14.6 million as at 30 September 2015.

The Group adopts a prudent approach in cash management. Apart from certain debts including obligations under finance leases and loans from shareholders, the Group did not have any material outstanding debts as at 30 September 2015. Payment to settle trade payable represented the significant part of the cash outflow of the Group. Taking into account the light debt leverage and the net proceeds from the Listing, 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$109.5 million.

EMPLOYEES

The Group had 51 full-time employees as at 30 September 2015. 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 2015.

CONTINGENT LIABILITIES

Save as disclosed in note 12 to this announcement, the Group had no other contingent liabilities as at 30 September 2015.

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 2015. Save for the business plan as disclosed in the prospectus of the Company dated 31 March 2015 (the "**Prospectus**"), there is no other plan for material investments or capital assets as at 30 September 2015.

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 "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 the date of this announcement:

	Proposed application *HK$'million*	**Actual usage up to the date of announcement** *HK$'million*
Hiring of additional staff	14.9	0.1
Acquisition of additional machinery and equipment	29.9	29.9
Financing for the issue of surety bonds for future projects	44.7	7.4
General working capital	10.0	10.0
	99.5	47.4

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.

The Listing marked an important milestone in the history of the Group and opened up brand-new opportunities for the Group's development in the future. Looking forward, the Group will continue its expansion by securing more sizeable projects and recruiting middle and top level staffs. The Group also welcomes any proposals if they meet the Group's strategic position and development.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the date of Listing.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2015 and up to the date of this announcement.

CORPORATE GOVERNANCE

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 during the six months ended 30 September 2015 except for the deviation from provision A.2.1 of the Code.

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 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.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 September 2015 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 of the Board 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 2015.

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 as set out 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 since the Listing.

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 2015

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.