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 ANNUAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2019

## ANNUAL CONSOLIDATED RESULTS

The board of directors (the "**Board**") of In Construction Holdings Limited (the "**Company**") is pleased to present the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018 as follows:

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

*For the year ended 31 March 2019*
(Expressed in Hong Kong Dollars)

| | Note | 2019 $'000 | 2018 $'000 (Note) |
|---|---|---|---|
| **Revenue** | 3 | **305,128** | 287,846 |
| Direct costs | | **(274,519)** | (251,418) |
| **Gross profit** | | **30,609** | 36,428 |
| Other revenue | 4 | **6,183** | 10,851 |
| Administrative and other operating expenses | | **(24,282)** | (19,617) |
| **Profit from operations** | | **12,510** | 27,662 |
| Finance costs | 5(a) | **(90)** | (96) |
| **Profit before taxation** | 5 | **12,420** | 27,566 |
| Income tax | 6 | **(1,851)** | (4,548) |
| **Profit and total comprehensive income for the year** | | **10,569** | 23,018 |
| **Earnings per share (Hong Kong cents)** | | | |
| Basic and diluted | 7 | **1.3** | 2.8 |

*Note:* The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 2.

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2019*
(Expressed in Hong Kong Dollars)

| | *Note* | **2019** **$'000** | 2018 *$'000* *(Note)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **403** | 12,986 |
| Finance lease receivables | | **16,857** | – |
| Deferred tax assets | | **42** | – |
| | | **17,302** | 12,986 |
| **Current assets** | | | |
| Contract assets | | **128,742** | – |
| Gross amounts due from customers for contract work | | **–** | 105,892 |
| Inventories | | **1,514** | – |
| Finance lease receivables | | **3,814** | – |
| Trade and other receivables | *8* | **143,617** | 116,184 |
| Tax recoverable | | **3,574** | 16,649 |
| Cash and bank balances | | **45,611** | 68,035 |
| | | **326,872** | 306,760 |
| **Current liabilities** | | | |
| Contract liabilities | | **2,238** | – |
| Gross amounts due to customers for contract work | | **–** | 7,354 |
| Trade and other payables | *9* | **76,353** | 69,280 |
| Obligations under finance leases | | **3,814** | – |
| | | **82,405** | 76,634 |
| **Net current assets** | | **244,467** | 230,126 |
| **Total assets less current liabilities** | | **261,769** | 243,112 |

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| | | | *(Note)* |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **–** | 1,250 |
| Obligations under finance leases | | **16,857** | – |
| | | **16,857** | 1,250 |
| **NET ASSETS** | | **244,912** | 241,862 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **8,300** | 8,300 |
| Reserves | | **236,612** | 233,562 |
| **TOTAL EQUITY** | | **244,912** | 241,862 |

*Note:* The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 2.

*Notes:*

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Group is principally engaged as a contractor in the foundation industry in Hong Kong. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 September 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 April 2015 (the "**Listing**").

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 March 2019 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new 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(i) for HKFRS 9 and note 2(ii) for HKFRS 15.

Under the transition method 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.

**(i) 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, 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" ("**ECL**") model. Under the ECL 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 ECL or a lifetime ECL, depending on the asset and the facts and circumstances. The application of the ECL model results in earlier recognition of credit losses, but with no material financial impact to the Group.

**(ii) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 | 1,487 |
| Net decrease in retained profits at 1 April 2018 | (7,519) |

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

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

*(b) 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 entity 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 an entity 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.

*(c)* *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 receiving the consideration or 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 balances 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:

(i) "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;

(ii) "Gross amounts due to customers for contract work" amounting to $7,354,000 are now included under contract liabilities;

(iii) "Gross amounts due from customers for contract work" amounting to $3,849,000 are now included under "Inventories"; and

(iv) As explained in (ii) above, adjustments to opening balances have been made to decrease contract assets by $9,006,000.

(d) *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in the consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

| | **Amounts reported in accordance with HKFRS 15 (A)** | **Hypothetical amounts under HKASs 18 and 11 (B)** | **Difference: Estimated impact of adoption of HKFRS 15 on 2019 (A)-(B)** |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| **Line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:** | | | |
| Direct costs | (274,519) | (265,900) | (8,619) |
| **Gross profit** | 30,609 | 39,228 | (8,619) |
| **Profit from operations** | 12,510 | 21,129 | (8,619) |
| **Profit before taxation** | 12,420 | 21,039 | (8,619) |
| Income tax | (1,851) | (3,273) | 1,422 |
| **Profit and total comprehensive income for the year** | 10,569 | 17,766 | (7,197) |
| **Earnings per share (Hong Kong cents)** | | | |
| Basic and diluted | 1.3 | 2.1 | (0.8) |

| | Amounts reported in accordance with HKFRS 15 (A) | Hypothetical amounts under HKASs 18 and 11 (B) | Difference: Estimated impact of adoption of HKFRS 15 on 2019 (A)-(B) |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| **Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:** | | | |
| Contract assets | 128,742 | – | 128,742 |
| Gross amounts due from customers for contract work | – | 128,143 | (128,143) |
| Inventories | 1,514 | – | 1,514 |
| Trade and other receivables | 143,617 | 163,355 | (19,738) |
| Tax recoverable | 3,574 | 665 | 2,909 |
| **Total current assets** | 326,872 | 341,588 | (14,716) |
| Contract liabilities | 2,238 | – | 2,238 |
| Gross amounts due to customers for contract work | – | 2,238 | (2,238) |
| **Total current liabilities** | 82,405 | 82,405 | – |
| **Net current assets** | 244,467 | 259,183 | (14,716) |
| **Total assets less current liabilities** | 261,769 | 276,485 | (14,716) |
| **Net assets** | 244,912 | 259,628 | (14,716) |
| Reserves | 236,612 | 251,328 | (14,716) |
| **Total equity** | 244,912 | 259,628 | (14,716) |

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue from construction contracts earned during the year.

### Segment information

The chief operating decision-maker regards the Group's business as a single operating segment and reviews financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

## 4. OTHER REVENUE

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Bank interest income | **708** | 796 |
| Interest income from finance lease receivables | **43** | 14 |
| Sales of scrap materials | **904** | 1,963 |
| Rental income from machinery | **6,000** | 6,000 |
| (Loss)/gain on disposal of property, plant and equipment | **(1,532)** | 225 |
| Others | **60** | 1,853 |
| | **6,183** | 10,851 |

## 5. PROFIT BEFORE TAXATION

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

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(a) Finance costs** | | |
| Interest on bank loan | **–** | 82 |
| Finance charges on obligations under finance leases | **43** | 14 |
| Interest on bank overdrafts | **47** | – |
| | **90** | 96 |
| **(b) Staff costs (including directors' remuneration)** | | |
| Contributions to defined contribution retirement plans | **729** | 708 |
| Salaries, wages and other benefits | **24,298** | 25,323 |
| | **25,027** | 26,031 |
| Less: Amount included in construction contracts in progress | **–** | (708) |
| | **25,027** | 25,323 |
| **(c) Other items** | | |
| Depreciation | **5,101** | 6,119 |
| Operating lease charges: minimum lease payments in respect of leasing of office | **1,192** | 1,128 |
| Auditors' remuneration | | |
| – audit services | **1,165** | 1,050 |
| – other services | **500** | 400 |

## 6. INCOME TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax** | | |
| Provision for Hong Kong Profits Tax for the year | **3,177** | 5,302 |
| Over-provision in respect of prior years | **(34)** | (4) |
| | **3,143** | 5,298 |
| **Deferred tax** | | |
| Origination and reversal of temporary difference | **(1,292)** | (750) |
| | **1,851** | 4,548 |

*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) In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 March 2019 is calculated in accordance with the two-tiered profits tax rate regime (2018: a single tax rate of 16.5% was applied).

The provision for Hong Kong Profits Tax for 2019 has also taking into account a reduction of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of $20,000 granted by the Government of the Hong Kong Special Administrative Region (the "**Government**") for each business (2018: a reduction of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of $30,000).

## 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 $10,569,000 (2018: $23,018,000) and the weighted average of 830,000,000 shares in issue (2018: 830,000,000 shares).

### (b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2019 and 2018.

## 8. TRADE AND OTHER RECEIVABLES

| | **31 March 2019** *$'000* | **1 April 2018** *$'000* | **31 March 2018** *$'000* |
|---|---|---|---|
| Trade debtors | 50,681 | 289 | 289 |
| Deposits, prepayments and other receivables *(Note (i))* | 36,635 | 49,834 | 49,834 |
| Retentions receivable *(Notes (ii) and (iii))* | 56,294 | 58,258 | 66,061 |
| Amounts due from shareholders *(Note (iv))* | 7 | – | – |
| | 143,617 | 108,381 | 116,184 |

*Notes:*

(i) As at 31 March 2019, all balances are expected to be recovered or recognised as expense within one year (2018: except for the amount of $17,372,000 was expected to be recovered or recognised as expense after one year, all of the remaining balances were expected to be recovered or recognised as expense within one year).

(ii) As at 31 March 2019, all the retentions receivable are expected to be recovered within one year (2018: except for an amount of $8,369,000 was expected to be recovered after one year, all of the remaining balances were expected to be recovered within one year).

(iii) Upon the adoption of HKFRS 15, some of the retentions receivable, for which the Group's entitlement to the consideration was conditioned on achieving certain milestones or satisfying completion of the retention period, were reclassified from "Trade and other receivables" to "Contract assets" (see note 2(ii)).

(iv) The amounts due from shareholders at 31 March 2019 are unsecured, interest-free and have no fixed terms of repayment.

### *(a) Ageing analysis*

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

| | **2019** ***$'000*** | 2018 *$'000* |
|---|---|---|
| Within 1 month | **35,595** | – |
| Over 3 months | **15,086** | 289 |
| | **50,681** | 289 |

Trade debtors are normally due within 14-30 days from the date of billing.

## 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:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **29,041** | 21,314 |
| 1 to 2 months | **14,705** | 15,973 |
| 2 to 3 months | **14,271** | 16,118 |
| Over 3 months | **12,561** | 12,059 |
| Trade creditors | **70,578** | 65,464 |
| Other payables and accruals | **5,775** | 3,732 |
| Amounts due to shareholders *(Note)* | **–** | 84 |
| | **76,353** | 69,280 |

*Note:* The amounts due to shareholders at 31 March 2018 were unsecured, interest-free and had no fixed terms of repayment.

## 10. DIVIDENDS

(a) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| No dividend was declared or paid in respect of the previous financial year during the year (2018: 10 cents per ordinary share) | **–** | 83,000 |

(b) Dividend payable to equity shareholders of the Company attributable for the year:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| No interim dividend declared or paid during the year (2018: 3 cents per ordinary share) | **–** | 24,900 |
| No dividend was proposed after the end of the reporting period (2018: Nil) | **–** | – |
| | **–** | 24,900 |

## 11. CONTINGENT LIABILITIES

As at 31 March 2019, 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 subsidiary for projects amounting to $86,692,000 (2018: $84,461,000) 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 engaged as a contractor in the foundation industry in Hong Kong, undertaking foundation works as well as associated works including demolition works, site formation works, ground investigation field works and general building works for local customers.

### Business Review

The Group has been engaged to undertake foundation and associated works in the private sector construction projects in Hong Kong, with an emphasis on design and build projects and 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 year ended 31 March 2019 (the "**Financial Year 2018/19**"), the Group had successfully carried out construction works with alternative design which not only complies with the technical requirements but also be more cost efficient for "design and build" contracts. The cost efficient proposals allow the Group to offer its customers a more competitive pricing and at the same time secure its profit margin for the year.

During the Financial Year 2018/19, three foundation projects with an aggregate contract value of HK$558.1 million were awarded to the Group. Four foundation projects were completed during the year. As at 31 March 2019, six foundation projects with the outstanding contract sum of approximately HK$595.6 million were in progress.

| Year of award/project | Type of contract | Status as at 31 March 2019 |
|---|---|---|
| *Year 2016-2017* | | |
| Cheung Sha, Lantau Island | Design and build | Completed |
| St. Paul's Primary Catholic School, Happy Valley | Build only | Completed |
| *Year 2017-2018* | | |
| 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 | Completed |
| *Year 2018-2019* | | |
| Kok Cheung Street, Tai Kok Tsui | Design and build | Work in progress |
| Tai Po Kau | Design and build | Work in progress |
| Caine Road | Design and build | Not yet commenced |

**Financial Review**

During the Financial Year 2018/19, there were 10 projects contributing revenue and gross profit of approximately HK$305.1 million and HK$30.6 million, respectively, whereas revenue and gross profit for the Financial Year 2017/18 of HK$287.8 million and HK$36.4 million, respectively were contributed by 19 projects. Top five projects contributed revenue amounted to HK$244.9 million (2018: HK$219.1 million), in which the top project contributed 37.1% of the total revenue.

Fierce competition in the market had led to a decrease in gross profit margin to 10.0% for the Financial Year 2018/19 from 12.7% of last year. Such decrease was primarily attributable to, among other factors, a few foundation projects with relatively low gross profit margin compared with the overall gross profit margin of last financial year.

Administrative and other operating expenses increased by approximately HK$4.7 million to approximately HK$24.3 million, compared with approximately HK$19.6 million of the Financial Year 2017/18, which was mainly due to foreign exchange loss arising from bank deposits denominated in Renminbi.

As a result, profit before taxation for the Financial year 2018/19 decreased by HK$15.2 million or 55.1% to HK$12.4 million, from the last financial year of HK$27.6 million.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

| | As at 31 March | |
|---|---|---|
| | **2019** | 2018 |
| Current ratio | **4.0** | 4.0 |
| Gearing ratio[1] | **8.5%** | – |

*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.

As at 31 March 2019, the Group had cash and bank balances of HK$45.6 million (2018: HK$68.0 million), of which HK$36.8 million (2018: HK$47.5 million) were restricted bank balances. Such restricted bank balances were held for purpose of the issuance of surety bonds for our projects and requirement of our general banking facilities. As at 31 March 2019, the Group had no bank overdrafts (2018: Nil).

The capital structure of the Group consisted of equity of HK$244.9 million, with HK$20.7 million debts as at 31 March 2019.

The Group adopts a prudent approach in cash management. Apart from certain obligations under finance lease, the Group did not have any material outstanding debts as at 31 March 2019. 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$109.4 million.

## EMPLOYEES

The Group had 49 full-time employees as at 31 March 2019 (2018: 43). The Group offers competitive remuneration package that is based on the 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 31 March 2019 (2018: Nil).

## CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 31 March 2019.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2018/19. There is no other plan for material investments or capital assets as at 31 March 2019.

## 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 and 28 March 2018. The below table sets out the proposed applications of the net proceeds and usage up to 31 March 2019:

| | **Proposed application** | **Actual usage up to 31 March 2019** |
|---|---|---|
| | *HK$'million* | *HK$'million* |
| 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 | 44.9 |
| General working capital | 10.0 | 10.0 |
| | 99.5 | 87.7 |

## 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.

## FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the Financial Year 2018/19.

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 6 September 2019, the register of members of the Company will be closed from Monday, 2 September 2019 to Friday, 6 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar ("**Branch Share Registrar**") in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 30 August 2019.

## CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

**Level 54, Hopewell Centre**
**183 Queen's Road East**
**Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this announcement.

## CORPORATE GOVERNANCE

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

Since Listing, the Board is of the opinion that the Company had applied and complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 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.

## AUDIT COMMITTEE REVIEW

The Audit Committee consists of three independent non-executive Directors and has reviewed the Group's consolidated financial statements for the year ended 31 March 2019.

## 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 year.

## SCOPE OF WORK OF AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 2019 Annual 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 year.

By order of the Board
**In Construction Holdings Limited**
**LAU Pak Man**
*Chairman*

Hong Kong, 21 June 2019

*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.*