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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 ANNUAL CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 MARCH 2021

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 2021, together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Revenue	3	378,783	393,892
Direct costs		<u>(322,197)</u>	<u>(367,701)</u>
Gross profit		56,586	26,191
Other revenue	4	5,784	1,968
Administrative and other operating expenses		<u>(27,747)</u>	<u>(22,586)</u>
Profit from operations		34,623	5,573
Finance costs	5(a)	<u>(907)</u>	<u>(1,236)</u>
Profit before taxation	5	33,716	4,337
Income tax	6	<u>(5,013)</u>	<u>(580)</u>
Profit and total comprehensive income for the year		<u>28,703</u>	<u>3,757</u>
Earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>3.5</u>	<u>0.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment		91	184
Lease receivables		10,347	15,159
Deferred tax assets		266	69
		<u>10,704</u>	<u>15,412</u>
Current assets			
Contract assets		180,768	189,499
Inventories		1,098	868
Lease receivables		4,812	4,606
Trade and other receivables	8	109,139	129,182
Tax recoverable		–	4,187
Cash and bank balances		55,995	46,125
		<u>351,812</u>	<u>374,467</u>
Current liabilities			
Contract liabilities		1,241	4,027
Trade and other payables	9	55,037	94,330
Lease liabilities		4,815	4,615
Tax payable		721	93
Bank loan – secured		–	10,000
Loan from a shareholder		13,000	13,000
		<u>74,814</u>	<u>126,065</u>
Net current assets		<u>276,998</u>	<u>248,402</u>
Total assets less current liabilities		<u>287,702</u>	<u>263,814</u>

	<i>Note</i>	2021 \$'000	2020 \$'000
Non-current liability			
Lease liabilities		<u>10,330</u>	<u>15,145</u>
NET ASSETS		<u>277,372</u>	<u>248,669</u>
CAPITAL AND RESERVES			
Share capital		8,300	8,300
Reserves		<u>269,072</u>	<u>240,369</u>
TOTAL EQUITY		<u>277,372</u>	<u>248,669</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 "**Listing**").

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 March 2021 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 (the "**Listing Rules**").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. 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 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

	2021	2020
	\$'000	\$'000
Bank interest income	683	570
Interest income from lease receivables	775	917
Sales of scrap materials	1,747	296
Government subsidies (<i>note</i>)	2,468	–
Others	111	185
	<u>5,784</u>	<u>1,968</u>

Note:

During the year ended 31 March 2021, 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 “Government”). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. PROFIT BEFORE TAXATION

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

	2021	2020
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	136	285
Interest on lease liabilities	751	908
Interest on bank overdrafts	20	43
	<u>907</u>	<u>1,236</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	728	780
Salaries, wages and other benefits	27,806	28,727
	<u>28,534</u>	<u>29,507</u>
(c) Other items		
Depreciation	104	255
Lease payments relating to leases of low-value assets	40	33
Lease payments relating to short-term leases	1,192	1,192
Net foreign exchange (gain)/loss	(1,979)	1,579
Write-off of trade and other receivables	6,115	220
Impairment losses on trade and other receivables and contract assets	1,150	–
Auditors' remuneration		
– audit services	1,215	1,180
– other services	435	420
	<u>435</u>	<u>420</u>

6. INCOME TAX

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

	2021	2020
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the year	5,210	576
Under-provision in respect of prior years	<u>–</u>	<u>31</u>
	5,210	607
Deferred tax		
Origination and reversal of temporary differences	<u>(197)</u>	<u>(27)</u>
	<u>5,013</u>	<u>580</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 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the subsidiary of the Group, the first \$2 million are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax was calculated on the same basis in 2020.

The provision for Hong Kong Profits Tax for 2021 has also taken into account a reduction of 100% of the tax payable for the year of assessment 2020-21 subject to a maximum reduction of \$10,000 granted by the Government for each business (2020: a reduction of 100% of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of \$20,000).

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 \$28,703,000 (2020: \$3,757,000) and the weighted average of 830,000,000 shares in issue (2020: 830,000,000 shares).

(b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2021 and 2020.

8. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$'000	\$'000
Trade debtors, net of loss allowance	56,920	57,569
Deposits, prepayments and other receivables (<i>Notes (i) and (ii)</i>)	24,722	38,101
Retentions receivable, net of loss allowance (<i>Note (iii)</i>)	27,487	33,502
Amounts due from shareholders (<i>Note (iv)</i>)	10	10
	<u>109,139</u>	<u>129,182</u>

Notes:

- (i) As at 31 March 2021, except for the amount of \$545,000 (2020: \$37,500) 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.
- (ii) As at 31 March 2021, deposits of \$22,411,000 (2020: \$30,312,000) were pledged to secure the issuance of performance bonds.
- (iii) As at 31 March 2021 and 2020, all the retentions receivable were expected to be recovered within one year.
- (iv) The amounts due from shareholders at 31 March 2021 and 2020 were unsecured, interest-free and expected to be recovered within one year.

(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:

	2021	2020
	\$'000	\$'000
Within 1 month	34,024	12,965
Over 1 month but within 2 months	20,689	38,288
Over 2 months but within 3 months	–	5,076
Over 3 months	2,207	1,240
	<u>56,920</u>	<u>57,569</u>

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

9. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
Trade creditors	43,870	86,039
Other payables and accruals	<u>11,167</u>	<u>8,291</u>
	<u><u>55,037</u></u>	<u><u>94,330</u></u>

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis at the end of the reporting period:

	2021 \$'000	2020 \$'000
Within 1 month	3,255	38,166
Over 1 month but within 2 months	8,533	13,377
Over 2 months but within 3 months	13,093	4,498
Over 3 months	<u>18,989</u>	<u>29,998</u>
	<u><u>43,870</u></u>	<u><u>86,039</u></u>

10. DIVIDENDS

The board of directors has resolved not to declare any final dividend for the year ended 31 March 2021 (2020: Nil).

11. CONTINGENT LIABILITIES

As at 31 March 2021, 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 subsidiary for projects amounting to \$83,844,000 (2020: \$87,587,000) 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 the 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 Financial Year 2020/21, the Group has 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 2020/21, four new projects with an aggregate contract value of HK\$468.2 million were awarded to the Group. Seven existing projects were completed during the year. As at 31 March 2021, three projects with the outstanding contract sum of HK\$260.7 million were all in progress.

Year of award/project	Type of contract	Status as at 31 March 2021
<i>Year 2018-2019</i>		
Kok Cheung Street, Tai Kok Tsui	Design and build	Completed
Tai Po Kau	Design and build	Completed
Caine Road	Design and build	Completed
<i>Year 2019-2020</i>		
Hok Yuen Street	Design and build	Work in progress
Tung Street	Design and build	Completed
Kwun Chui Road	Build only	Completed
Liberty Avenue	Design and build	Completed
Hang On Street	Design and build	Completed
<i>Year 2020-2021</i>		
Wo Shang Wai	Monitoring and maintenance	Work in progress
Des Voeux Road Central	Design and build	Not yet commenced
Wellington Road Street	Build only	Work in progress
Fuk Wang Street	Design and build	Not yet commenced

Financial Review

During the Financial Year 2020/21, there were 19 projects contributing revenue and gross profit of approximately HK\$378.8 million and HK\$56.6 million, respectively, whereas revenue and gross profit for the Financial Year 2019/20 of HK\$393.9 million and HK\$26.2 million, respectively were contributed by 18 projects. Top five projects contributed revenue amounted to HK\$273.2 million (2020: HK\$341.3 million), in which the top project contributed 32.2% of the total revenue.

The Group recorded a decrease in contract revenue for the year ended 31 March 2021 by approximately HK\$15.1 million as compared with that of the corresponding period in 2020. Gross profit increased by approximately HK\$30.4 million, to approximately HK\$56.6 million for the current year from approximately HK\$26.2 million for the corresponding year in 2020. Gross profit margin increased to 14.9% for the current year from 6.6% for the corresponding year in 2020. Such increase was primarily attributable to recovery of extension of time and amount of variation orders certified for completed projects.

Administrative and other operating expenses increased by approximately HK\$5.1 million to approximately HK\$27.7 million, compared with approximately HK\$22.6 million of the Financial Year 2019/20, which was mainly due to increase of write-off of trade and other receivables by HK\$5.9 million.

As a result, profit before taxation for the Financial Year 2020/21 increased by HK\$29.4 million or 683.7% to HK\$33.7 million, from the last financial year of HK\$4.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2021	2020
Current ratio	4.7	3.0
Gearing ratio ¹	10.1%	17.2%

Note:

1. Gearing ratio is calculated based on debts including lease liabilities, bank loan and shareholder's loan divided by the total equity as at the reporting dates.

Gearing ratio decreased by 7.1% as at 31 March 2021 as compared to that as at 31 March 2020 was mainly due to repayment of HK\$10 million bank loan during the year ended 31 March 2021.

As at 31 March 2021, the Group had cash and bank balances of HK\$56.0 million (2020: HK\$46.1 million), of which HK\$41.8 million (2020: HK\$35.6 million) were restricted bank balances. Such restricted bank balances were held for the purpose of the issuance of surety bonds for our projects and requirement of our general banking facilities. As at 31 March 2021, the Group had no bank overdrafts (2020: Nil).

The capital structure of the Group consisted of equity of HK\$277.4 million, with HK\$28.1 million debts as at 31 March 2021.

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, bank loan and shareholder's loan, the Group did not have any material outstanding debts as at 31 March 2021. 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\$170.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$129.4 million.

EMPLOYEES

The Group had 41 full-time employees as at 31 March 2021 (2020: 50). The Group offers a competitive remuneration package that is based on the overall market rates and employee performance, as well as the performance of the Group. The remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 March 2021 (2020: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 31 March 2021.

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 2020/21. There is no other plan for material investments or capital assets as at 31 March 2021.

USE OF NET PROCEEDS FROM LISTING

The net proceeds (“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, the announcements of the Company dated 7 August 2015, 28 March 2018 and the supplemental announcement dated 21 August 2020. The below table sets out the proposed applications of the Net Proceeds and actual usage up to 31 March 2021 and the expected timeline of application of unutilised Net Proceeds:

	Proposed application <i>HK\$’ million</i>	Actual usage up to 31 March 2021 <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	51.7
General working capital	10.0	10.0
	<u>99.5</u>	<u>94.5</u>

Expected timeline of application of unutilised Net Proceeds

By 31 March 2022

REASONS FOR DELAY IN THE USE OF NET PROCEEDS

The original expected timeline of unutilised Net Proceeds in respect of the financing for the issue of surety bonds for future projects was 31 March 2020. The delay in the use of Net Proceeds arose mainly:

- (i) Some projects do not require the issue of surety bonds;
- (ii) Projects tendered with a relatively low contract sum require surety bonds with smaller amount.

FUTURE PROSPECTS

Taking into account the Government of the Hong Kong Special Administrative Region's policy in increasing land supply and commitment to infrastructure investments, the Group expects a rebound in the foundation industry in the long run. Despite the vigorous competition in the Hong Kong construction industry, 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 healthy financial position. To maintain its competitive edge, the Group continues to adhere to its business strategy, by expanding our capacity to capture more business opportunities, reinforcing its capability in foundation design and project management skills, and offering qualitative and flexible solution to its customers.

The outbreak of the COVID-19 pandemic affect the whole world and all business sectors. Fortunately, the impact on the foundation industry in Hong Kong is relatively low. However, the Group will continue to assess the development of the COVID-19 pandemic and its impact on both the operational and financial aspects. The Group will take every precautionary measures to minimise the impact of the COVID-19 pandemic to the Group.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the Financial Year 2020/21.

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, 3 September 2021, the register of members of the Company will be closed from Tuesday, 31 August 2021 to Friday, 3 September 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 August 2021.

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 2021 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 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 2021.

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 2021 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, ANNUAL REPORT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE 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 2021 Annual Report and 2021 Environmental, Social and Governance 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, 25 June 2021

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.