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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 2023

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 2023, together with the comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000
Revenue	3	332,351	462,246
Direct costs		<u>(327,111)</u>	<u>(370,549)</u>
Gross profit		5,240	91,697
Other revenue	4	2,100	1,987
Administrative and other operating expenses		<u>(22,312)</u>	<u>(18,780)</u>
(Loss)/profit from operations		(14,972)	74,904
Finance costs	5(a)	<u>(352)</u>	<u>(558)</u>
(Loss)/profit before taxation	5	(15,324)	74,346
Income tax	6	<u>(5)</u>	<u>(12,154)</u>
(Loss)/profit and total comprehensive income for the year		<u>(15,329)</u>	<u>62,192</u>
(Loss)/earnings per share (Hong Kong cents)			
Basic and diluted	7	<u>(1.8)</u>	<u>7.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

(Expressed in Hong Kong Dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000
Non-current assets			
Property, plant and equipment		134	245
Lease receivables		65	5,321
Deferred tax assets		226	232
		425	5,798
		425	5,798
Current assets			
Contract assets		170,537	176,534
Inventories		2,306	4,872
Lease receivables		5,256	5,026
Trade and other receivables	8	69,491	76,242
Tax recoverable		13,308	20
Cash and bank balances		112,049	147,751
		372,947	410,445
		372,947	410,445
Current liabilities			
Trade and other payables	9	80,626	71,633
Lease liabilities		5,246	5,024
Tax payable		–	6,616
Loan from a shareholder		13,000	13,000
		98,872	96,273
		98,872	96,273
Net current assets		274,075	314,172
		274,075	314,172
Total assets less current liabilities		274,500	319,970
		274,500	319,970

	<i>Note</i>	2023 \$'000	2022 \$'000
Non-current liability			
Lease liabilities		<u>65</u>	<u>5,306</u>
NET ASSETS		<u>274,435</u>	<u>314,664</u>
CAPITAL AND RESERVES			
Share capital		8,300	8,300
Reserves		<u>266,135</u>	<u>306,364</u>
TOTAL EQUITY		<u>274,435</u>	<u>314,664</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 2023 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.

- Amendments to HKFRS 3, *Reference to the Conceptual Framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before Intended Use*
- Amendments to HKAS 37, *Onerous contracts – Cost of Fulfilling a Contract*
- Annual Improvements to HKFRSs 2018–2020 Cycle

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

	2023	2022
	\$'000	\$'000
Bank interest income	509	518
Interest income from lease receivables	353	566
Sales of scrap materials	58	468
Government subsidies (<i>note</i>)	1,066	–
Others	114	435
	<u>2,100</u>	<u>1,987</u>

Note:

During the year ended 31 March 2023, 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 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)/PROFIT BEFORE TAXATION

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

	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	–	4
Interest on lease liabilities	352	551
Interest on bank overdrafts	–	3
	<u>352</u>	<u>558</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	766	740
Salaries, wages and other benefits	32,736	29,990
	<u>33,502</u>	<u>30,730</u>

	2023	2022
	\$'000	\$'000
(c) Other items		
Depreciation	111	152
Lease payments relating to leases of low-value assets	40	40
Lease payments relating to short-term leases	1,192	1,192
Net foreign exchange loss/(gain)	1,995	(1,034)
Reversal of impairment losses on trade and other receivables and contract assets	(81)	(95)
Auditors' remuneration		
– audit services	1,270	1,265
– other services	510	455
	<u>510</u>	<u>455</u>

6. INCOME TAX

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

	2023	2022
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the year	154	12,103
(Over)/under-provision in respect of prior years	(155)	17
	(1)	12,120
Origination and reversal of temporary differences	6	34
	5	12,154
	<u>5</u>	<u>12,154</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 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for the Company (2022: one subsidiary of the Group) which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company (2022: the subsidiary of the Group), the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for 2023 has also taken into account a reduction of 100% of the tax payable for the year of assessment 2022-23 subject to a maximum reduction of \$6,000 granted by the Government for each business (2022: a reduction of 100% of the tax payable for the year of assessment 2021-22 subject to a maximum reduction of \$10,000).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of \$15,329,000 (2022: profit of \$62,192,000) and the weighted average of 830,000,000 shares in issue (2022: 830,000,000 shares).

(b) Diluted (loss)/earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2023 and 2022.

8. TRADE AND OTHER RECEIVABLES

	2023	2022
	\$'000	\$'000
Trade debtors, net of loss allowance	35,596	37,920
Deposits, prepayments and other receivables (Notes (i) and (ii))	8,030	4,444
Retentions receivable, net of loss allowance (Note (iii))	25,863	33,868
Amounts due from shareholders (Note (iv))	2	10
	<hr/> 69,491 <hr/>	<hr/> 76,242 <hr/>

Notes:

- (i) As at 31 March 2023, except for the balance of \$75,000 (2022: \$746,000) 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.
- (ii) As at 31 March 2023, deposits of \$1,330,000 (2022: \$2,417,000) were pledged to secure the issuance of performance bonds.
- (iii) As at 31 March 2023 and 2022, all the retentions receivable were expected to be recovered within one year.
- (iv) The amounts due from shareholders at 31 March 2023 and 2022 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:

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Within 1 month	31,414	15,273
Over 1 month but within 2 months	1,685	12,467
Over 2 months but within 3 months	–	1,040
Over 3 months	2,497	9,140
	<u>35,596</u>	<u>37,920</u>

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

9. TRADE AND OTHER PAYABLES

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Trade creditors	52,236	56,027
Other payables and accruals	28,390	15,606
	<u>80,626</u>	<u>71,633</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:

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Within 1 month	17,754	17,066
Over 1 month but within 2 months	19,827	16,726
Over 2 months but within 3 months	10,841	6,704
Over 3 months	3,814	15,531
	<u>52,236</u>	<u>56,027</u>

10. DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of 3 cents (2022: Nil cent) per share	24,900	–

- (ii) Dividends payable to equity shareholders of the Company attributable for the year:

	2023	2022
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared and paid of Nil cent (2022: 3 cents) per ordinary share	–	24,900
Final dividend proposed after the end of the reporting period of Nil cent (2022: 3 cents) per ordinary share (Note)	–	24,900
	–	49,800

Note: The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

11. CONTINGENT LIABILITIES

As at 31 March 2023, 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 \$60,955,000 (2022: \$96,626,000) 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 2022/23, 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.

During the Financial Year 2022/23, two new projects with an aggregate contract value of HK\$156.1 million were awarded to the Group. Two projects were completed during the year. As at 31 March 2023, seven projects with the outstanding contract sum of HK\$427.1 million were either in progress or had not yet commenced.

Year of award/project	Type of contract	Status as at 31 March 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 Wellington Road Street	Monitoring and maintenance Design and build Build only	Work in progress Work in progress Completed
<i>Year 2021-2022</i> Nam Pin Wai State Theatre China Recreation Club	Design and build Build only Design and build	Completed Work in progress Work in progress
<i>Year 2022-2023</i> Boardcast Drive Robinson Road 27D-F	Design and build Design and build	Not yet commenced Not yet commenced

Financial Review

During the Financial Year 2022/23, there were 13 projects contributing revenue and gross profit of approximately HK\$332.4 million and HK\$5.2 million, respectively, whereas revenue and gross profit for the Financial Year 2021/22 of HK\$462.2 million and HK\$91.7 million, respectively were contributed by 16 projects. Top five projects contributed revenue amounted to HK\$316.2 million (2022: HK\$423.6 million), in which the top project contributed 46.4% of the total revenue.

The Group recorded a decrease in contract revenue for the year ended 31 March 2023 by approximately HK\$129.8 million as compared with that of the corresponding year in 2022. Gross profit decreased by approximately HK\$86.5 million, to approximately HK\$5.2 million for the current year from approximately HK\$91.7 million for the corresponding year in 2022. Gross profit margin decreased to 1.6% for the current year from 19.8% for the corresponding year in 2022. Such decrease was primarily attributable to among other factors, provision of liquidated and ascertained damages of certain foundation projects as a result of unexpected delays in progress during the year.

Administrative and other operating expenses increased by approximately HK\$3.5 million to approximately HK\$22.3 million, compared with approximately HK\$18.8 million for the Financial Year 2021/22, which was mainly due to foreign exchange loss arising from bank deposits denominated in Renminbi.

As a result, loss before taxation for the Financial Year 2022/23 was HK\$15.3 million whereas profit for the last financial year was HK\$74.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2023	2022
Current ratio	3.8	4.3
Gearing ratio ¹	6.7%	7.4%

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 0.7% as at 31 March 2023 as compared to that as at 31 March 2022 was mainly due to repayment of HK\$5.0 million lease liabilities during the year ended 31 March 2023.

As at 31 March 2023, the Group had cash and bank balances of HK\$112.0 million (2022: HK\$147.8 million), of which HK\$43.6 million (2022: HK\$47.8 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 2023, the Group had no bank overdrafts (2022: Nil).

The capital structure of the Group consisted of equity of HK\$274.4 million, with HK\$18.3 million debts as at 31 March 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 31 March 2023. 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\$190.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$132.8 million.

EMPLOYEES

The Group had 53 full-time employees as at 31 March 2023 (2022: 51). 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 2023 (2022: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 11 to this announcement, the Group had no other contingent liabilities as at 31 March 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 Financial Year 2022/23. There is no other plan for material investments or capital assets as at 31 March 2023.

USE OF NET PROCEEDS FROM LISTING

The net proceeds (“**Net Proceeds**”) from the listing of the shares of the Company (the “**Listing**”) had been fully 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.

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 medium 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 will continue 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.

Despite the continued COVID-19 pandemic during the year 2022/23, the recent development of herd immunity is beginning to signal the end of the pandemic whilst the global economy shows signs of recovery, the Group will continue to monitoring further development of the pandemic and its impact on both the operational and financial aspects of the Group and will take every precautionary measures to prevent the infection of its staff and site labours.

DIVIDENDS

The Board has resolved not to declare a final dividend for the Financial Year 2022/23.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 29 August 2023 to Friday, 1 September 2023, 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 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 28 August 2023.

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 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 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 2023.

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 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 2023 as set out in the preliminary announcement have been agreed 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. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

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 2023 Annual Report and 2023 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, 23 June 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.