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## **VICON HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3878)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Vicon Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 (the “Current Period”), together with the comparative figures for the corresponding period in 2017 (the “Last Period”) as follows:

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

*For the six months ended 30 September 2018*

		<b>Six months ended 30 September</b>	
	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>172,493</b>	145,988
Cost of sales		<b>(149,666)</b>	(124,322)
Gross profit		<b>22,827</b>	21,666
Other income and gains		<b>126</b>	70
Professional fees incurred for initial public offering		<b>—</b>	(5,281)
Other administrative expenses		<b>(6,019)</b>	(4,968)
Operating profit		<b>16,934</b>	11,487
Finance income		<b>2</b>	69
Finance costs		<b>(2,201)</b>	(1,779)
Finance costs, net		<b>(2,199)</b>	(1,710)
Profit before taxation		<b>14,735</b>	9,777
Income tax expense	5	<b>(2,395)</b>	(2,648)
Profit for the period		<b>12,340</b>	7,129
Other comprehensive income		<b>—</b>	—
Profit and total comprehensive income attributable to equity holders of the Company		<b>12,340</b>	7,129
Basic and diluted earnings per share (HK cents)	6	<b>3.09</b>	1.78

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

		As at 30 September 2018 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 March 2018 <i>HK\$'000</i> <i>(audited)</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Machinery and equipment		143,929	110,242
Prepayments and deposits		526	2,857
		<u>144,455</u>	<u>113,099</u>
<b>Current assets</b>			
Trade and retention receivables	8	52,380	50,942
Prepayments, deposits and other receivables		18,737	2,845
Amounts due from contract customers	9	210,162	159,877
Income tax recoverable		—	576
Restricted bank balances		1,697	1,697
Cash and cash equivalents		47,696	100,475
		<u>330,672</u>	<u>316,412</u>
<b>Total assets</b>		<u><u>475,127</u></u>	<u><u>429,511</u></u>
<b>EQUITY</b>			
<b>Capital and reserve</b>			
Share capital		4,000	4,000
Reserves		267,992	255,652
<b>Total equity</b>		<u><u>271,992</u></u>	<u><u>259,652</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		34,328	15,365
Deferred income tax liabilities		1,079	1,079
		<u>35,407</u>	<u>16,444</u>
<b>Current liabilities</b>			
Trade and retention payables	10	54,893	66,280
Other payables and accruals		3,790	7,715
Amounts due to contract customers	9	7,781	4,901
Borrowings		99,445	74,519
Income tax payable		1,819	—
		<u>167,728</u>	<u>153,415</u>
<b>Total liabilities</b>		<u><u>203,135</u></u>	<u><u>169,859</u></u>
<b>Total equity and liabilities</b>		<u><u>475,127</u></u>	<u><u>429,511</u></u>

**Notes:**

**1. GENERAL INFORMATION**

Vicon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the foundation works and ancillary services, and general building works in Hong Kong and Macau.

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and its shares (the “Shares”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2017 (the “Listing”). The address of the registered office and the principal place of business of the Company is 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The unaudited condensed consolidated interim financial information of the Company is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The unaudited condensed consolidated interim financial information has not been audited by the Company’s auditors, but has been reviewed by the audit committee of the Company.

**2. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcement made by the Company during the interim reporting period.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2018.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2018, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. Those that are relevant to the Group's condensed consolidated interim financial information are as follows:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's condensed consolidated interim financial information:

#### **(a) HKFRS 9 Financial Instruments**

##### *Classification*

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

#### (i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the condensed consolidated statement of comprehensive income.

#### (ii) Fair value through other comprehensive income (“FVOCI”)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the condensed consolidated statement of comprehensive income.

#### (iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

### *Impairment*

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### *Impact of adoption*

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has assessed the expected credit loss model applied to the trade and retention receivables and contract assets as at 1 April 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

## **(b) *HKFRS 15 Revenue from Contracts with Customers***

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The Group has adopted the modified retrospective approach with the cumulative effect on initial adoption recognised at the date of initial application, which is 1 April 2018, and comparative information has not been restated. The accounting policies are as follows:

### **(i) *Construction services***

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(ii) *Contract assets and contract liabilities*

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the condensed consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

The Group has assessed the impact on the adoption of HKFRS 15 as at 1 April 2018 and has concluded that the adoption has no significant impact to the Group's condensed consolidated interim financial information and the retained earnings is not restated in this respect.

The following adjustments were made to the amounts recognised in the condensed consolidated balance sheet at the date of initial application (1 April 2018):

	<b>31 March 2018</b>		
	<b>as originally</b>		
	<b>presented</b>	<b>Reclassifications</b>	<b>1 April 2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current assets</b>			
Amounts due from customers for contract work	159,877	(159,877)	—
Contract assets			
– Amounts due from contract customers	—	159,877	159,877
<b>Current liabilities</b>			
Amounts due to customers for contract work	4,901	(4,901)	—
Contract liabilities			
– Amounts due to contract customers	—	4,901	4,901

**(c) Impact of standards issued but not yet applied by the Group**

*HKFRS 16 Leases*

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's condensed consolidated interim financial information.

**4. REVENUE AND SEGMENT INFORMATION**

**Revenue**

Revenue represents the revenue from construction contracts from foundation works and general building works on building construction in the ordinary course of business. Revenue recognised is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from construction contracts	<b>172,493</b>	<b>145,988</b>



## Segment information

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regards the Group's business as a single operating segment and review financial information accordingly.

### Geographical information

#### (a) Revenue from external customers

	Six months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Hong Kong	163,871	145,988
Macau	8,622	—
	<u>172,493</u>	<u>145,988</u>

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	At 30 September 2018	At 31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Hong Kong	144,455	113,099
Macau	—	—
	<u>144,455</u>	<u>113,099</u>

The non-current assets information above is based on the locations of the assets.

## 5. INCOME TAX EXPENSE

The amount of income tax charged to profit or loss represents:

	<b>Six months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Hong Kong profits tax		
Current income tax	<b>2,395</b>	2,921
Deferred income tax	<b>—</b>	(273)
	<b>2,395</b>	<b>2,648</b>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits during the six months ended 30 September 2018 and 2017.

## 6. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 15 November 2017 and the Capitalisation Issue (as defined in the prospectus of the Company dated 12 December 2017 (the “Prospectus”)) of ordinary shares which took place on 22 December 2017.

	<b>2018</b>	<b>2017</b>
Profit attributable to equity holders of the Company (HK\$'000)	12,340	7,129
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	400,000	400,000
Basic earnings per share (HK cents)	<b>3.09</b>	<b>1.78</b>

### (b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at period end.

## 7. INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## 8. TRADE AND RETENTION RECEIVABLES

	At 30 September 2018 <i>HK\$'000</i> ( <i>unaudited</i> )	At 31 March 2018 <i>HK\$'000</i> ( <i>audited</i> )
Trade receivables	23,498	28,835
Retention receivables	28,882	22,107
	<u>52,380</u>	<u>50,942</u>

The credit period granted to trade customers other than for retention receivables was within 30 days or due upon presentation of invoices. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The Group does not hold any collateral as security.

At 30 September 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

	At 30 September 2018 <i>HK\$'000</i> ( <i>unaudited</i> )	At 31 March 2018 <i>HK\$'000</i> ( <i>audited</i> )
1 - 30 days	11,869	28,687
91 - 180 days	—	148
181 - 365 days	11,629	—
	<u>23,498</u>	<u>28,835</u>

At 30 September 2018, the ageing analysis of the retention receivables based on invoice date is as follows:

	At 30 September 2018 <i>HK\$'000</i> ( <i>unaudited</i> )	At 31 March 2018 <i>HK\$'000</i> ( <i>audited</i> )
Within 1 year	15,594	10,239
Between 1 to 2 years	7,869	10,727
Between 2 to 5 years	5,419	1,141
	<u>28,882</u>	<u>22,107</u>

## 9. AMOUNTS DUE FROM/ TO CONTRACT CUSTOMERS

	At 30 September 2018 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2018 <i>HK\$'000</i> <i>(audited)</i>
Contract assets		
Amounts due from contract customers	<u>210,162</u>	<u>159,877</u>
Contract liabilities		
Amounts due to contract customers	<u>(7,781)</u>	<u>(4,901)</u>

Amounts due from contract customers mainly represent value of contract works performed but not yet billed. The amounts due from contract customers are transferred to trade receivables when the value of works billable is agreed with customers or when the Group's rights to payment become enforceable and/or unconditional.

Amounts due to contract customers represent the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

## 10. TRADE AND RETENTION PAYABLES

	At 30 September 2018 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2018 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	35,912	48,960
Retention payables	<u>18,981</u>	<u>17,320</u>
	<u>54,893</u>	<u>66,280</u>

The credit period granted by trade creditors was within 30 days.

At 30 September 2018, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 September 2018 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2018 <i>HK\$'000</i> <i>(audited)</i>
1 - 30 days	<u>35,912</u>	<u>48,960</u>

The terms and conditions in relation to the release of retention vary from contract to contract. At 30 September 2018, the ageing analysis of the retention payables based on invoice date is as follows:

	At <b>30 September</b> <b>2018</b> <b>HK\$'000</b> <i>(unaudited)</i>	At 31 March 2018 HK\$'000 <i>(audited)</i>
Within 1 year	<b>14,269</b>	14,035
Between 1 and 3 years	<b>4,712</b>	3,285
	<b>18,981</b>	17,320

## 11. CONTINGENT LIABILITIES

As at 30 September 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1.7 million (31 March 2018: HK\$1.7 million). The performance bonds as at 30 September 2018 were expected to be released in accordance with the terms of the respective construction contracts.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is a specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction in Hong Kong and Macau. The Group also engages in the provision of construction services include general building works and has been awarded its first construction project in this aspect during the six months ended 30 September 2018.

#### **Foundation works and ancillary services**

Foundation works mainly include mini-piling, percussive piling, rock socketed in steel H-pile and bored pile, together with pile cap. Ancillary services mainly include site formation and demolition works, for example, clearance of the site, excavation, demolition of a building or any substantial part of a building.

As at 30 September 2018, there were 13 projects (31 March 2018: 19 projects) contributing revenue to the Group. The revenue contributed from projects which we were acting as main contractor has increased from 21.4% for the six months ended 30 September 2017 to 62.4% for the six months ended 30 September 2018.

#### **General Buildings Works**

General building works mainly include structural alteration and additional works, development of superstructures such as entire dwelling, office buildings, stores, public utility buildings, farm buildings, etc.

During the six months ended 30 September 2018, there was one (six months ended 30 September 2017: Nil) general building works project contributing revenue of HK\$6.3 million (six months ended 30 September 2017: Nil) to this business segment.

### **FINANCIAL REVIEW**

#### **Revenue**

Our revenue increased by approximately HK\$26.5 million, or 18.2%, from approximately HK\$146.0 million contributed by 14 projects for the Last Period to approximately HK\$172.5 million contributed by 13 projects for the Current Period, which was mainly due to the increase in average contract size which contributed revenue during the Current Period, as compared with the Last Period.

#### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$1.1 million, or 5.1% from approximately HK\$21.7 million for the Last Period to approximately HK\$22.8 million for the Current Period. Our gross profit margin decreased by approximately 1.6%, from approximately 14.8% for the Last Period to approximately 13.2% for the Current Period.

The decrease in gross profit margin was mainly attributable to the increase in the revenue contributed by the foundation projects undertaken by us with relatively low gross profit margin as compared with the overall gross profit margin for the Last Period.

**Other administrative expenses**

Our administrative expenses increased by approximately HK\$1.0 million, or approximately 21.2%, from approximately HK\$5.0 million for the Last Period to approximately HK\$6.0 million for the Current Period. The increase was mainly attributable to the increase in audit and other professional fees for purpose of general advisory, compliance, investor relations and corporate communication matters after the Listing.

**Finance costs, net**

Our finance costs, net increased by approximately HK\$0.5 million, or 23.7%, from approximately HK\$1.7 million for the Last Period to approximately HK\$2.2 million for the Current Period. Such increase is mainly due to the increase in bank borrowings to finance the increased scale of business operation and the increase in the finance lease liabilities for leasing of machinery.

**Income tax expense**

The effective tax rate for the Current Period was approximately 16.3%, which was lower compared to that of 20.9% for the Last Period. The decrease in effective tax rate for the Current Period was mainly due to the inclusion of approximately HK\$5.3 million listing expenses in the Last Period which was non-deductible for tax purposes. Excluding these one-off listing expenses from the profit before income tax, our effective tax rate for the Last Period would have been approximately 17.6%.

**Profit for the period**

The profit for the period increased by approximately HK\$5.2 million, or approximately 73.1%, from approximately HK\$7.1 million for the Last Period to approximately HK\$12.3 million for the Current Period.

Excluding the one-off listing expenses of approximately HK\$5.3 million being charged to the profit for the period for the Last Period, the adjusted profit for the Last Period would have been approximately HK\$12.4 million. Thus, the profit for the Current Period remains stable as compared to the Last Period.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities.

As at 30 September 2018, the capital structure of the Group consisted of equity of approximately HK\$272.0 million (31 March 2018: HK\$259.7 million), bank borrowings of approximately HK\$96.1million (31 March 2018: HK\$74.7 million) and finance lease liabilities of approximately HK\$37.7 million (31 March 2018: HK\$15.2 million).

### **Cash position and fund available**

During the Current Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and borrowings.

As at 30 September 2018, our cash and cash equivalents were approximately HK\$47.7 million (31 March 2018: HK\$100.5 million). The Group also had restricted bank balances of approximately HK\$1.7 million (31 March 2018: HK\$1.7 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 30 September 2018, the current ratio of the Group was approximately 2.0 times (31 March 2018: 2.1 times).

### **GEARING RATIO**

As at 30 September 2018, the Group's gearing ratio was approximately 49.2% (31 March 2018: 34.6%), calculated as the borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

### **NET CURRENT ASSETS**

As at 30 September 2018, the Group had net current assets of HK\$163.0 million (31 March 2018: HK\$163.0 million). There is no material change in the net current assets position during the Current Period.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

### **CAPITAL EXPENDITURES**

The Group's capital expenditures for the Current Period amounted to approximately HK\$43.4 million (six months ended 30 September 2017: HK\$0.8 million), which was incurred due to the purchase of machine and equipment.



## FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six months periods ended 30 September 2018 and 2017. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

## USE OF NET PROCEEDS

The net proceeds of the share offer of the Company's shares for Listing in 2017 was approximately HK\$82.7 million, after deducting the listing expenses borne by the Company. Such net proceeds have been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and use of proceeds from the share offer" of the Prospectus.

Up to 30 September 2018, the net proceeds were used as follows:

	<b>Actual usage up to 30 September 2018</b>	<b>Unutilised amount at 30 September 2018</b>
<b>Net proceeds</b>	<b>2018</b>	<b>2018</b>
<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Take out of surety bond	34.0	10.0
Purchase of machinery	17.4	—
Repayment of bank loan	14.0	—
Strengthen of design team	8.5	8.4
Purchase of software	0.5	0.5
General working capital	8.3	4.1
	<u>82.7</u>	<u>23.0</u>

The Group held the unutilised net proceeds mainly in short-term deposits with licensed banks in Hong Kong during the Current Period.

## **CONTINGENT LIABILITIES**

As at 30 September 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1.7 million (31 March 2018: HK\$1.7 million). The performance bonds as at 30 September 2018 were expected to be released in accordance with the terms of the respective construction contracts.

## **PLEDGE OF ASSETS**

As at 30 September 2018, banking facilities granted to the Group in respect of the specific projects, with an aggregate amount of HK\$74.3 million (31 March 2018: HK\$49.3 million) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$11.3 million (31 March 2018: HK\$8.0 million), of which HK\$3.0 million (31 March 2018: HK\$0.8 million) had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

As at 30 September 2018, the finance lease liabilities amounting to HK\$37.7 million (31 March 2018: HK\$15.2 million) from two banks are guaranteed by the Company and pledged by the Group's machinery and equipment with carrying amount of HK\$59.8 million (31 March 2018: HK\$70.2 million).

As at 30 September 2018, machinery and equipment with carrying amount of HK\$18.9 million (31 March 2018: HK\$20.1 million) were pledged for the Group's bank borrowings.

## **CAPITAL COMMITMENTS**

As at 30 September 2018, the Group did not have any capital commitments contracted but not provided for.

## **EMPLOYEES, TRAINING AND REMUNERATION POLICY**

As at 30 September 2018, the Group had a total of 69 employees (31 March 2018: 84). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2018 were approximately HK\$19.9 million (six months ended 30 September 2017: HK\$21.3 million). The remuneration offered to employees generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Group provides training to its employees according to the work requirements.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held during the Current Period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in the Prospectus, the Group did not have other plans for material investments or capital assets as at 30 September 2018.

## **FUTURE PROSPECTS**

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the political environments. The prolonged delay on granting of funds and slow approval process of government projects from the Hong Kong Legislative Council have driven more public sector contractors to tender for works in the private sector. As a result, the private sector market has become highly competitive and under fierce competition.

When facing cut-throat competition among contractors in tendering for new projects, the Group will strive to maintain a balance between risks and returns and make investment decisions based on our shareholders' interest and market situation. We remain confident and are well-positioned in the market as our operation model of contracting works gives us the flexibility to remain resilient to adverse impact.

Looking ahead, taking into account the land policy of the Hong Kong Government in increasing land supply and commitment to infrastructure investment, the Group expects a steady growth in Hong Kong's construction industry in the long run and the Board is confident with the Group's future development due to its well established reputation and proven ability. The Group intends to expand our business capacity and scale to strengthen the market position in Hong Kong and to capture more sizeable and profitable projects.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules from the Listing Date and up to the date of this interim results announcement.

## **CORPORATE GOVERNANCE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code during the Current Period.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Current Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Current Period.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this interim results announcement.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. Law Wang Chak Waltery (chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 September 2018. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By order of the Board  
**Vicon Holdings Limited**  
**CHOW Kwok Chun**  
*Chairman*

Hong Kong, 20 November 2018

*As at the date of this announcement, the executive Directors are Mr. Chow Kwok Chun, Mr. Tsang Hing Kuen, Mr. Leung Kim Lim and Mr. Liu Jin Fai and the independent non-executive Directors are Mr. Ip Ka Ki, Professor Kuang Jun Shang and Mr. Law Wang Chak Waltery.*