VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2019)

– Revenue was approximately HK$370.4 million (2018: HK$381.3 million)
– Gross profit was approximately HK$50.1 million (2018: HK$50.2 million)
– Profit for the year attributable to equity holders of the Company was approximately HK$29.2 million (2018: HK$18.2 million)
– Basic and diluted earnings per share was approximately HK7.29 cents per share (2018: HK5.57 cents per share)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vicon Holdings Limited (the "**Company**") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 ("**FY2019**"), together with the comparative figures for the year ended 31 March 2018 ("**FY2018**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**370,433**	381,301
Cost of sales		**(320,375)**	(331,109)
Gross profit		**50,058**	50,192
Other income and gains		**6,683**	513
Professional fees incurred for initial public offering		**—**	(12,348)
Impairment losses on contract assets		**(4,942)**	—
Other administrative expenses		**(10,489)**	(10,137)
Operating profit		**41,310**	28,220
Finance income		**10**	96
Finance costs		**(6,726)**	(4,255)
Finance costs, net		**(6,716)**	(4,159)
Profit before taxation		**34,594**	24,061
Income tax expense	4	**(5,439)**	(5,840)
Profit for the year		**29,155**	18,221
Other comprehensive income		**—**	—
Profit and total comprehensive income attributable to equity holders of the Company		**29,155**	18,221
Basic and diluted earnings per share (HK cents)	5	**7.29**	5.57

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Machinery and equipment		**140,883**	110,242
Prepayments and deposits		**155**	2,857
		141,038	113,099
Current assets			
Trade and retention receivables	7	**47,819**	50,942
Prepayments, deposits and other receivables		**3,429**	2,845
Contract assets	8	**286,650**	—
Amounts due from customers for contract work		**—**	159,877
Income tax recoverable		**3,354**	576
Restricted bank balances		**4,877**	1,697
Cash and cash equivalents		**16,516**	100,475
		362,645	316,412
Total assets		**503,683**	429,511
EQUITY			
Capital and reserves			
Share capital	10	**4,000**	4,000
Reserves		**284,807**	255,652
Total equity		**288,807**	259,652
LIABILITIES			
Non-current liabilities			
Borrowings		**38,913**	15,365
Deferred income tax liabilities		**5,343**	1,079
		44,256	16,444
Current liabilities			
Trade and retention payables	9	**63,650**	66,280
Other payables and accruals		**6,983**	7,715
Contract liabilities	8	**721**	—
Amounts due to customers for contract work		**—**	4,901
Income tax payable		**121**	—
Borrowings		**99,145**	74,519
		170,620	153,415
Total liabilities		**214,876**	169,859
Total equity and liabilities		**503,683**	429,511

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services and general building works in Hong Kong and Macau. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars "HK$", unless otherwise stated and were approved for issue on 25 June 2019.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

2.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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 consolidated financial statements.

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. As allowed by the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement of financial instruments

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.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

– Trade and retention receivables

– Contract assets relating to construction services

– Other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

(i) Trade and retention receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been assessed based on the days past due and the timing of billing to customers; respectively. Future cash flows for trade and retention receivables and contract assets are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

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 did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. The adoption of expected loss approach under HKFRS 9 has not resulted in any material additional impairment loss for trade and retention receivables and contract assets as at 1 April 2018.

(ii) Other financial asset at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Adoption of HKFRS 15

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 consolidated financial statements. 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:

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.

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. In the 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 following tables summarise the impacts of adopting HKFRS 15 on the Group's consolidated financial statements as at 1 April 2018.

	As at 1 April 2018		
	As previously stated	**Reclassification under HKFRS 15**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated Balance Sheet (Extract)			
Current assets:			
Contract assets	—	159,877	159,877
Amounts due from customers for contract work	159,877	(159,877)	—
	159,877	—	159,877
Current liabilities:			
Contract liabilities	—	1,976	1,976
Amounts due to customers for contract work	4,901	(4,901)	—
Other payables and accruals	7,715	2,925	10,640
	12,616	—	12,616

(b) *New standards issued but are not yet applied by the Group*

HKFRS 16 Leases

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
No later than 1 year	3,410	519
Later than 1 year and no later than 5 years	837	—
	4,247	519

HKFRS 16 provides new provisions for the accounting treatment of leases. When the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated statement of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard will be adopted in the financial year ending 31 March 2020.

The Group does not expect that the adoption of HKFRS 16 will have significant impact on the Group's net profit in the future.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE AND 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 regard the Group's business as a single operating segment and review financial information accordingly.

Geographical information

(a) Revenue from external customers and recognised over time

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**360,973**	355,905
Macau	**9,460**	25,396
	370,433	381,301

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**141,038**	113,099

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

Information about major customers

For the year ended 31 March 2019, there were 2 customers which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A (Note)	**194,906**	N/A
Customer B	**76,992**	73,282

Note: Revenue from Customer A did not exceed 10% of the total revenue for the year ended 31 March 2018.

4. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**1,110**	4,625
Deferred income tax	**4,264**	1,264
Under/(over) provision in prior year	**65**	(49)
	5,439	5,840

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

5. 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 years. The weighted average number of ordinary shares used for calculating earnings per share for the year ended 31 March 2018 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 ordinary shares which took place on 22 December 2017.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**29,155**	18,221
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	**400,000**	327,397
Basic earnings per share (HK cents)	**7.29**	5.57

(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 year end.

6. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

7. TRADE AND RETENTION RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**19,539**	28,835
Retention receivables	**28,280**	22,107
	47,819	50,942

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 31 March 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	2019	2018
	HK$'000	*HK$'000*
1 - 30 days	**11,808**	28,687
91 - 180 days	**—**	148
181 - 365 days	**7,731**	—
	19,539	28,835

At 31 March 2019, the ageing analysis of the retention receivables based on invoice date were as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**16,601**	10,239
Between 1 to 2 years	**7,206**	10,727
Between 2 to 5 years	**4,473**	1,141
	28,280	22,107

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Contract assets			
Provision of construction services	**291,592**	159,877	—
Less: Provision for impairment of contract assets	**(4,942)**	—	—
	286,650	159,877	—
Contract liabilities			
Provision of construction services	**721**	1,976	—

9. TRADE AND RETENTION PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**41,386**	48,960
Retention payables	**22,264**	17,320
	63,650	66,280

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

At 31 March 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	2019	2018
	HK$'000	*HK$'000*
1 - 30 days	**41,386**	48,960

10. SHARE CAPITAL

On 13 January 2016, the Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. On the same day, the Company allotted and issued one fully-paid subscriber share which was transferred to Vic Group Holdings Limited ("VGH"), a company incorporated in British Virgin Islands at nil consideration. A further allotment and issuance of 69 Shares and 30 Shares were made on the same day to VGH and On Group Holdings Limited ("OGH") respectively both credited as fully-paid.

On 15 November 2017, the Company and Vicon Enterprises Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Mr. Chow Kwok Chun ("Mr. Chow") and Mr. Tsang Hing Kuen ("Mr. Tsang") to acquire 70% interest in Vicon Construction Company Limited ("Vicon Construction") from Mr. Chow and 30% interest in Vicon Construction from Mr. Tsang. The Company allotted and issued 140 Shares and 60 Shares, both credited as fully-paid to VGH (as directed by Mr. Chow) and OGH (as directed by Mr. Tsang) respectively.

On 30 November 2017, the authorised share capital of the Company was increased from HK$380,000 comprising 38,000,000 shares of HK$0.01 each to HK$10,000,000 comprising 1,000,000,000 shares of HK$0.01 each by the creation of an additional 962,000,000 shares of HK$0.01 each.

On 22 December 2017, pursuant to the capitalisation issue, the Company issued a total number of additional 299,999,700 shares, credited as fully-paid, to VGH and OGH, respectively, based on their respective number of shares.

Pursuant to the Share Offer (as defined in the Prospectus), the Company issued a total of 100,000,000 shares at a price of HK$1.20 per share.

	Number of shares	**Share capital**
		HK$'000
Ordinary shares, authorised:		
At 1 April 2017	38,000,000	380
Increase in authorised share capital	962,000,000	9,620
At 31 March 2018 and 2019	1,000,000,000	10,000

	Number of shares	**Share capital**
		HK$'000
Ordinary shares, issued and fully paid:		
At 1 April 2017	100	—
Shares issued pursuant to the reorganisation	200	—
Shares issued pursuant to the capitalisation issue	299,999,700	3,000
Shares issued under the Share Offer	100,000,000	1,000
At 31 March 2018 and 2019	400,000,000	4,000

MANAGEMENT DISCUSSION AND ANALYSIS

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 including general building works and has been awarded its first construction project in this aspect during FY2019.

BUSINESS REVIEW

For FY2019, the Group recorded revenue of approximately HK$370.4 million as compared to revenue of HK$381.3 million for FY2018.

Revenue contributed from projects which we were acting as main contractor has increased from approximately 32% of our total revenue in FY2018 to approximately 72% of our total revenue in FY2019.

The amount of backlog revenue at 31 March 2019 was approximately HK$374.0 million (31 March 2018: HK$66.7 million).

Foundation Works and Anciliary 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 which covers clearance of the site, excavation, demolition of a building or any substantial part of a building.

During FY2019, there were 20 projects (FY2018: 19 projects) contributing revenue of approximately HK$343.4 million (FY2018: HK$381.3 million) to the Group. Despite the number of projects contributing revenue to the Group in FY2019 was larger than that in FY2018, since there were a number of projects in the early stages of construction, the majority of the contract values of these projects had not been recognised as revenue in FY2019.

General Buildings Works

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

For FY2019, there was one (FY2018: Nil) general building works project contributing revenue of approximately HK$27.0 million (FY2018: Nil) to this business segment.

Outlook and prospects

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 December 2017 (the "**Listing**"). The Listing improved our reputation and provided additional capital to the Group to explore business opportunities.

The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in FY2019 with the reduced number of foundation contracts from both the public and private sector. Our business has been primarily focusing in the Hong Kong private sector but the reduction of foundation contracts reduced the award prices of the projects.

Looking ahead, we remain positive about the prospects of the Hong Kong construction market, with the Government's continued commitment to infrastructure investments and housing policy by various short, medium and long term land supply initiatives. We will continue to focus on "design and build" projects and maintaining a strong financial position to meet the requirements of future potential projects. Our management team is convinced that we will continue to build value over the medium to long term for our shareholders.

The Group is in the process of multiple tender submissions for foundation projects. The Group will continue to submit tender for targeted and profitable projects in order to maintain a stable revenue growth.

FINANCIAL REVIEW

Revenue

Our revenue remained relatively stable, decreasing by approximately HK$10.9 million, or 2.9%, from approximately HK$381.3 million for FY2018 to approximately HK$370.4 million for FY2019.

Gross profit and gross profit margin

Our gross profit for FY2019 was approximately HK$50.1 million, while our gross profit for FY2018 was approximately HK$50.2 million. Our gross profit margin remained stable at approximately 13.2% and 13.5% for FY2018 and FY2019, respectively.

Other income and gains

Our other income and gains increased by approximately HK$6.2 million from approximately HK$0.5 million for FY2018 to approximately HK$6.7 million for FY2019, which was mainly attributable to consultancy income of approximately HK$3.1 million (FY2018: Nil) and gains on disposal of machinery and equipment of approximately HK$2.9 million (FY2018: HK$0.4 million).

Impairment losses on contract assets

Our impairment losses on contract assets represents a provision for impairment loss allowance amounting to approximately HK$4.9 million made based on the management's latest assessment of risk of default in the Group's financial assets during the year.

Other administrative expenses

Our administrative expenses increased by approximately HK$0.4 million, or approximately 4.0%, from approximately HK$10.1 million for FY2018 to approximately HK$10.5 million for FY2019. The other administrative expenses remained stable as compared to FY2018.

Finance costs, net

Our finance costs, net increased by approximately HK$2.5 million, or 59.5%, from approximately HK$4.2 million for FY2018 to approximately HK$6.7 million for FY2019. Such increase was mainly due to the increase in the balance of borrowings to finance the increased scale of business operation, as the proportion of revenue contributed from projects which we were acting as main contractors increased from approximately 32% of our total revenue in FY2018 to approximately 72% of our total revenue in FY2019.

Income tax expense

Our income tax expense decreased by approximately HK$0.4 million, from approximately HK$5.8 million for FY2018 to approximately HK$5.4 million for FY2019 due to the combined effect of the above factors. The effective tax rate for FY2019 was approximately 15.7%, which was lower compared to that of approximately 24.3% for FY2018. Excluding the one-off listing expenses of approximately HK12.3 million incurred in FY2018 from the profit before income tax, our effective tax rate for FY2018 would have been approximately 16.0%.

Profit and total comprehensive income attributable to equity holders of the Company

Based on the above factors, profit and total comprehensive income attributable to equity holders of the Company increased by approximately HK$11.0 million, or approximately 60.4%, from approximately HK$18.2 million for FY2018 to approximately HK$29.2 million for FY2019.

For FY2018 excluding the one-off listing expenses of approximately HK$12.3 million being charged to the consolidated statement of comprehensive income for FY2018, profit and total comprehensive income attributable to equity holders of the Company for FY2018 would have been approximately HK$30.5 million, which represented a decrease of approximately HK$1.3 million for FY2019 as compared to FY2018.

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 31 March 2019, the capital structure of the Group consisted of equity of approximately HK$288.8 million (2018: HK$259.7 million), bank borrowings of approximately HK$94.5 million (2018: HK$74.7 million) and finance lease liabilities of approximately HK$43.6 million (2018: HK$15.2 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Cash position and fund available

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

As at 31 March 2019, our cash and cash equivalents were approximately HK$16.5 million (2018: HK$100.5 million). The Group also had restricted bank balances of approximately HK$4.9 million (2018: HK$1.7 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 31 March 2019, the current ratio of the Group was approximately 2.1 times (2018: 2.1 times).

Bank borrowings

The Group generally meets its working capital requirement by cash flows generated from its operation and borrowings. The maturity and interest rate profile of the Group's borrowings are set out below.

(a) The maturity of borrowings is as follows:

	2019	*2018*
	HK$'000	*HK$'000*
Within 1 year	88,593	66,191
Between 1 and 2 years	2,844	2,656
Between 2 and 5 years	3,033	5,877
	94,470	74,724

(b) The present value of finance lease liabilities is as follows:

	2019	*2018*
	HK$'000	*HK$'000*
No later than 1 year	10,552	8,328
Later than 1 year and no later than 5 years	33,036	6,832
	43,588	15,160

(c) The weighted average interest rates were as follows:

	2019	*2018*
Long-term bank loans	3.50%	4.67%
Short-term bank loans	3.88%	1.12%
Finance lease liabilities	3.57%	4.55%

GEARING RATIO

As at 31 March 2019, the Group's gearing ratio was approximately 47.8% (2018: 34.6%), calculated as the total borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

NET CURRENT ASSETS

As at 31 March 2019, the Group had net current assets of approximately HK$192.0 million (2018: HK$163.0 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group's operations during the year.

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 year amounted to approximately HK$61.0 million (2018: HK$2.2 million), which was incurred due to the purchase of machinery and equipment with the increased proportion of revenue contributed from projects we were acting as main contractors.

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 year ended 31 March 2019. 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 FROM LISTING

Based on the Offer Price of HK$1.20 per share, the net proceeds of the Share Offer received by the Company was approximately HK$82.7 million, after deducting the listing expenses borne by the Company. The proposed application of net proceeds as stated in the Prospectus has been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the share offer" in the Prospectus.

During the year ended 31 March 2019, the net proceeds were used as follows:

	Net proceeds from Share Offer	Actual usage up to 31 March 2019	Unutilised amount
	HK$'million	HK$'million	HK$'million
Take out of surety bond	34.0	34.0	—
Purchase of machinery	17.4	17.4	—
Repayment of bank loan	14.0	14.0	—
Strengthen of design team (Note 1)	8.5	0.2	8.3
Purchase of software (Note 2)	0.5	0.1	0.4
General working capital	8.3	6.2	2.1
	82.7	71.9	10.8

Note 1:

As at 31 March 2019, the Group hired an assistant quantity surveyor to strengthen our in-house design team. The Group was in the process of identifying further suitable candidates for our in-house design team.

Note 2:

As at 31 March 2019, the Group purchased several licenses for engineering software programs and the Group expected to purchase additional licenses upon the recruitment of new members of our in-house design team.

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

CONTINGENT LIABILITIES

As at 31 March 2019, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK$40.0 million (2018: HK$1.7 million). The performance bonds as at 31 March 2019 were expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2019, banking facilities were granted to the Group in respect of the specific projects, with an aggregate amount of approximately HK$74.3 million (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$11.4 million (2018: HK$8.0 million), of which approximately HK$3.4 million (2018: HK$0.8 million) of the banking facilities had not yet been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 31 March 2019, the finance lease liabilities amounting to approximately HK$43.6 million (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 approximately HK$70.2 million (2018: HK$67.2 million).

As at 31 March 2019, machinery and equipment with carrying amount of approximately HK$17.8 million (2018: HK$20.1 million) were pledged for the Group's bank borrowings.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any capital commitments contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 74 employees (2018: 84). Total staff costs (including Directors emoluments) for the year were approximately HK$42.5 million (2018: HK$45.2 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. 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 FY2019.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 31 March 2019.

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 applicable code provisions set out in the CG Code during the year ended 31 March 2019.

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 year ended 31 March 2019.

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 year ended 31 March 2019.

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.

REVIEW OF ANNUAL RESULT BY AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") on 30 November 2017 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors. The Audit Committee had reviewed the Group's consolidated financial statements of the FY2019, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2019 as well as the final results announcement of the Group for the year ended 31 March 2019. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position for the year ended 31 March 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an 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 PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 10 September 2019, the register of members of the Company will be closed from Wednesday, 4 September 2019 to Tuesday, 10 September, 2019, both days inclusive, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 September 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at **www.vicon.com.hk** and the Stock Exchange's website at **www.hkexnews.hk**. The 2019 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 25 June 2019

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. Tse Ka Ching Justin.