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Vico International Holdings Limited

域高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1621)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 9.0% to HK\$591.2 million for the six months ended 30 September 2019 from HK\$542.5 million for the six months ended 30 September 2018.
- Gross profit increased by approximately 31.4% to HK\$29.4 million for the six months ended 30 September 2019 from HK\$22.4 million for the six months ended 30 September 2018.
- Net profit increased by approximately 19.7% to HK\$12.8 million for the six months ended 30 September 2019 from HK\$10.7 million for the six months ended 30 September 2018.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019 (For the six months ended 30 September 2018: Nil).

INTERIM RESULTS

The board of directors (the “**Board**”) of Vico International 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 2019 (the “**Current Period**”) together with the comparative unaudited figures for the six months ended 30 September 2018 (the “**Corresponding Period**”). The consolidated interim results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

For the six months ended 30 September 2019

	<i>NOTES</i>	Six months ended	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	591,209	542,510
Cost of sales		(561,806)	<u>(520,128)</u>
Gross profit		29,403	22,382
Other income	6	442	8
Selling and distribution expenses		(2,074)	(1,928)
Administrative expenses		(9,328)	(6,973)
Other operating expenses		(2,646)	(681)
Finance costs	7	(381)	<u>(200)</u>
Profit before taxation	8	15,416	12,608
Income tax expense	9	(2,569)	<u>(1,874)</u>
Profit and total comprehensive income for the period		<u>12,847</u>	<u>10,734</u>
Earnings per share	11		
Basic and diluted (<i>HK cents</i>)		<u>1.28</u>	<u>1.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		81,858	76,499
Right-of-use assets		<u>3,319</u>	<u>—</u>
		<u>85,177</u>	<u>76,499</u>
Current assets			
Inventories		5,236	5,940
Trade and other receivables	12	58,765	54,959
Amount due from ultimate holding company		15	8
Income tax recoverable		211	1,070
Time deposit		1,017	1,015
Bank balances and cash		<u>76,978</u>	<u>55,053</u>
		<u>142,222</u>	<u>118,045</u>
Current liabilities			
Trade and other payables	13	15,871	9,022
Bank borrowings		31,716	13,623
Lease liabilities		1,715	—
Income tax payable		<u>2,189</u>	<u>479</u>
		<u>51,491</u>	<u>23,124</u>
Net current assets		<u>90,731</u>	<u>94,921</u>
Total assets less current liabilities		<u>175,908</u>	<u>171,420</u>
Non-current liabilities			
Lease liabilities		1,641	—
Deferred tax liabilities		<u>647</u>	<u>647</u>
		<u>2,288</u>	<u>647</u>
Net assets		<u>173,620</u>	<u>170,773</u>
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		<u>163,620</u>	<u>160,773</u>
Total equity		<u>173,620</u>	<u>170,773</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (audited)	10,000	62,978	28,272	51,535	152,785
Profit and total comprehensive income for the period	—	—	—	10,734	10,734
At 30 September 2018 (unaudited)	10,000	62,978	28,272	62,269	163,519
At 1 April 2019 (audited)	10,000	62,978	28,272	69,523	170,773
Profit and total comprehensive income for the period	—	—	—	12,847	12,847
Final dividend declared (note 10)	—	—	—	(10,000)	(10,000)
At 30 September 2019 (unaudited)	10,000	62,978	28,272	72,370	173,620

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	15,416	12,608
Adjustments for:		
Depreciation of property, plant and equipment	2,709	993
Depreciation of right-of-use assets	866	—
Finance costs	381	200
Government subsidies	(413)	—
Interest income	(29)	(8)
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Operating cash flows before movement in working capital	18,930	13,793
Decrease (increase) in inventories	704	(993)
Increase in trade and other receivables	(3,806)	(7,704)
Decrease in lease liabilities	(829)	—
Decrease in trade and other payables	(651)	(3,118)
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NET CASH FROM OPERATING ACTIVITIES	14,348	1,978
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,141)	(56,397)
Advance to ultimate holding company	(7)	—
Placement of time deposit	(2)	(8)
Proceeds from disposal of property, plant and equipment	73	—
Interest received	29	8
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NET CASH USED IN INVESTING ACTIVITIES	(8,048)	(56,397)
FINANCING ACTIVITIES		
Dividend paid	(2,500)	—
Repayment of bank borrowings	(1,407)	(11,508)
Interest paid	(381)	(200)
New bank borrowing raised	19,500	10,000
Government subsidies received	413	—
Repayment of obligations under finance leases	—	(213)
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	15,625	(1,921)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,925	(56,340)
CASH AND CASH EQUIVALENTS AT 1 APRIL	55,053	94,091
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by bank balances and cash	76,978	37,751
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Vico International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 24 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 March 2018. The Company’s immediate and ultimate holding Company is Max Fortune Holdings Limited (“**Max Fortune**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability. The ultimate controlling parties are Mr. Hui Pui Sing (“**Mr. Hui**”), Mr. Tong Man Wah (“**Ms. Tong**”), spouse of Mr. Hui and Mr. Hui Yip Ho, Eric, son of Mr. Hui and Ms. Tong. The addresses of the Company’s registered office and the principal place of business are at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands and Unit D, 11/F, Billion Plaza II, No.10 Cheung Yue Street, Cheung Sha Wan, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in sales of diesel, lubricant oil and others and provision of fleet cards service.

The condensed consolidated financial statements for the six months ended 30 September 2019 have 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 applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HKS**”), which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 3 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.5%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		As at 31 March 2019	Impact on adoption of HKFRS 16	As at 1 April 2019
	<i>Note</i>	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Right-of-use assets	(a)	—	4,185	4,185
Lease liabilities	(a)	—	4,185	4,185

Note:

- (a) As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately HK\$4,185,000.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	4,494
Less: Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	<u>(29)</u>
	4,465
Discounted using the incremental borrowing rate	<u>(280)</u>
Lease liabilities recognised as at 1 April 2019	<u>4,185</u>
Current portion	1,677
Non-current portion	<u>2,508</u>
	<u>4,185</u>

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an arrangement contains a lease;
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

3. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 March 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. REVENUE

Revenue represents the net amounts received and receivable for sale of diesel, lubricant oil and others and provision of fleet card service, net of sales discounts and other similar allowances, recognised at a point in time.

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of diesel	542,574	507,332
Provision of fleet cards service	15,336	10,974
Sales of lubricant oil	30,562	21,721
Sales of others	2,737	2,483
	<u>591,209</u>	<u>542,510</u>

5. SEGMENT INFORMATION

(a) Geographical information

The following table sets out information about the Group's revenue from external customers by the location of customers.

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	590,726	542,054
Macau	483	456
	<u>591,209</u>	<u>542,510</u>

The Group's property, plant and equipment are solely located in Hong Kong.

(b) Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A ¹	199,587	222,808
Customer B ¹	62,953	71,309
Customer C ¹	95,312	N/A ²
Customer D ¹	N/A ²	55,725

¹ Revenue was derived from sales of diesel and lubricant oil.

² Revenue from the customer did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	Six months ended	
	30 September	2018
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income of bank deposit	29	8
Government subsidies (<i>Note</i>)	413	—
	<u>442</u>	<u>8</u>

Note: The income represent government subsidies received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” in 2019 upon retirement of certain motor vehicles.

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings	298	194
Lease liabilities	83	—
Obligations under finance leases	—	6
	<u>381</u>	<u>200</u>

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following items:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff costs, including directors' emoluments		
— Salaries, allowances and other benefits	2,911	2,958
— Contributions to retirement benefits scheme	150	120
Cost of inventories recognised as an expense	555,402	516,375
Depreciation of property, plant and equipment	2,709	993
Depreciation of right-of-use assets	866	—
	<u>559,138</u>	<u>518,446</u>

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— current period	2,569	1,874
Deferred taxation	—	—
	<u>2,569</u>	<u>1,874</u>

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No income tax charge is arisen from the export of goods to Macau as the sales contracts are signed and effective in Hong Kong.

10. DIVIDENDS

During the current period, a final dividend in respect of the year ended 31 March 2019 of HK\$0.01 per ordinary share was declared to the shareholders of the Company. The aggregate amount of final dividend declared during the year amounted to HK\$10,000,000.

11. EARNINGS PER SHARE

The calculation on basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company <i>(HK\$'000)</i>	<u>12,847</u>	<u>10,734</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share <i>(in thousands)</i>	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share <i>(HK cents)</i>	<u>1.28</u>	<u>1.07</u>

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the periods.

12. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	45,785	48,802
Trade deposits paid	4,640	3,949
Deposits and prepayments	303	236
Receivables due from suppliers	<u>8,037</u>	<u>1,972</u>
	<u>58,765</u>	<u>54,959</u>

The Group allows average credit period ranging from 15 to 30 days to its trade customers.

The following is an aged analysis of trade receivables presented based on invoice date, which approximates the respective revenue recognition dates at the end of the reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	39,682	45,083
31–60 days	3,731	1,642
61–90 days	680	1,372
Over 90 days	1,692	705
	<u>45,785</u>	<u>48,802</u>

13. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	5,671	5,330
Trade deposits received	833	1,069
Dividend payable	7,500	—
Other payables and accruals	1,867	2,623
	<u>15,871</u>	<u>9,022</u>

The credit period on trade payables ranged from 30 to 60 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	5,545	5,330
31–60 days	—	—
61–90 days	126	—
	<u>5,671</u>	<u>5,330</u>

14. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2019 (Unaudited)	31 March 2019 (Audited)	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Ordinary shares of HK\$0.01 each				
Authorised				
At the beginning and end of period/ year	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid				
At the beginning and end of period/ year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000</u>	<u>10,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the distribution of third-party branded petrochemicals, the sales of the self-branded lubricant oil and provides fleet card services in Hong Kong. The petrochemical products of the Group include (i) diesel; (ii) lubricant oil (including self-branded lubricant oil and third-party branded lubricant oil); and (iii) other petrochemicals such as bitumen.

The Group sourced semi-finished lubricant oil in bulk volume and finished lubricant oil from overseas suppliers for the in-house blending and repackaging into wholesale and retail packs for sales in Hong Kong.

The Group is also an authorized reseller of fleet cards. As at 30 September 2019, the Group operated a total number of 36,973 fleet card accounts (2018: 29,554 fleet card accounts).

Leveraging on the Group's experience and competitive strengths, for the Current Period, the Group's revenue, gross profit and net profit was approximately HK\$591.2 million, HK\$29.4 million and HK\$12.8 million, respectively, representing an increase of 9.0%, an increase of 31.4% and an increase of 19.7%, respectively as compared with the Corresponding Period. The decrease in gross profit for the Current Period was primarily due to relatively increasing cost of sales.

BUSINESS PROSPECTS

We have confidence in the uptrend of petrochemical industry, particularly in our core business, which is diesel and lubricant oil. As the world economy is showing signs of deceleration, our revenue can remain stable because of the infrastructure projects and considerable demand for lubricant oil in Hong Kong. Major constructions such as the Third Runway of Hong Kong International Airport, Island Eastern Corridor Link and the Railway network are expected to stimulate the demand of diesel and lubricant oil. The restoration of the logistics and the increasing importance of transportation are also significant factors to support our business development.

In August 2018, we acquired a large multi-functional site located in Tsuen Wan to improve our production capacity. With the new site, we possess more flexibility to manage our facilities and tools, thereby increasing efficiency in operation. To expand our scale of business, we proactively searched for potential selling destinations. Considering Vietnam's outstanding economic performance in the past few years, we are optimistic about its possible growth. Therefore, we began selling our lubricant oil products this year and expected to bring higher positive revenue in the future. Given enlarged storage, limber operational control and the amount of public investment in infrastructure, the directors of the Company (the "**Directors**") have the confidence that the Company has strong capability to keep moving forward in fast-paced and competitive oil industry.

FINANCIAL REVIEW

Revenue

During the Current Period, the Group's revenue amounted to HK\$591.2 million, which increased by 9% as compared to that of HK\$542.5 million during the Corresponding Period. The increase in revenue was mainly contributed by the increase in the sales of diesel.

Sales of diesel

Our revenue from sales of diesel represents the sales of our diesel products, which mainly include automotive diesel and industrial diesel. For the Current Period and the Corresponding Period, our revenue generated from the sales of diesel amounted to approximately HK\$542.5 million and HK\$507.3 million respectively, representing 91.8% and 93.5% of the total revenue respectively.

The increase was mainly due to the increase in sales quantity. The sales quantity of diesel also increased by approximately 23.7 million litres or 22.2% to approximately 130.2 million litres in the Current Period compared with approximately 106.5 million litres for the Corresponding Period.

Sales of lubricant oil

Our revenue from lubricant oil mainly represents the sales of lubricant oil, which mainly include (i) the sales of our self-branded lubricant oil, namely "AMERICO", "Dr. Lubricant" and "U-LUBRICANT"; and (ii) the sales of third-party branded lubricant oil.

For the Current Period and the Corresponding Period, our revenue from the sales of lubricant oil amounted to approximately HK\$30.6 million and HK\$21.7 million respectively, representing 5.2% and 4.0% of the total revenue respectively.

The increase was primarily due to the slight increase in the sales quantity of lubricant oil by approximately 0.1 million litres or 7.7% to approximately 1.4 million litres in the Current Period compared with approximately 1.3 million litres in the Corresponding Period.

Provision of fleet cards service

Our income from our provision of fleet cards service increased by approximately HK\$4.4 million or 39.7% from approximately HK\$11.0 million for the Corresponding Period to approximately HK\$15.3 million for the Current Period.

The increase was mainly a result of some promotion campaign was carried out during the period to attract more customers. Our fleet card customers used our fleet cards primarily for the purchase of diesel and petrol at network gas stations.

Sales of others

Our revenue from other products mainly represents the sales of bitumen and kerosene. For the Current Period and the Corresponding Period, our revenue from the sales of others amounted to approximately HK\$2.7 million and HK\$2.5 million respectively, representing 0.5% and 0.5% of the total revenue respectively.

Cost of sales

Our cost of sales primarily consists of diesel costs, lubricant oil costs, other petrochemicals costs and sales commissions. Our purchase cost for diesel and third-party lubricant oil depends on the domestic purchase price offered by our oil suppliers, with reference to the price index such as Europe Brent spot crude price.

For the Current Period and the Corresponding Period, our cost of sales amounted to approximately HK\$561.8 million and HK\$520.1 million respectively, increased by 8%. The trend of movement of our cost of sales for the Current Period was generally in line with the revenue.

Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group recorded an increase in gross profit by approximately HK\$7.0 million or approximately 31.4% from approximately HK\$22.4 million for the Corresponding Period to approximately HK\$29.4 million for the Current Period.

Selling and distribution expenses

Our selling and distribution expenses mainly consist of truck drivers' costs and benefits and depreciation. Selling and distribution expenses slightly increased by approximately HK\$146,000 or 7.6% to HK\$2.0 million for the Current Period from HK\$1.9 million for the Corresponding Period.

Administrative and operating expenses

Administrative expenses increased by approximately HK\$2.4 million or 33.7%, from approximately HK\$7.0 million for the Corresponding Period to approximately HK\$9.3 million for the Current Period, primarily due to increase in legal and professional fees and consultancy fees.

Finance costs

Our finance costs mainly consist of the interest on our interest-bearing bank borrowings and finance lease. Finance costs increased by approximately HK\$181,000 or 90.5% to HK\$381,000 for the Current Period from HK\$200,000 for the Corresponding Period, primarily due to the addition of revolving bank borrowings.

Income tax expenses

Income tax expenses increased by approximately HK\$695,000 or 37.1%, from approximately HK\$1.9 million for the Corresponding Period to approximately HK\$2.6 million for the Current Period, primarily due to an increase in profit before income tax.

Profit for the Current Period

Profit for the Current Period increased by approximately HK\$2.1 million or 19.7% from approximately HK\$10.8 million for the Corresponding Period to approximately HK\$12.8 million for the Current Period, and the Group's net profit margin was approximately 2.2% and 2.0% for the Current Period and the Corresponding Period respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 33 full time employees (As at 31 March 2019: 35 full time employees). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration packages are subject to review on a regular basis.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The board does not recommend the payment of interim dividend for the six months ended 30 September 2019 (For the six months ended 30 September 2018: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Current Period.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources and liquidity

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing. The Group recorded net current assets of approximately HK\$90.7 million as at 30 September 2019, compared to approximately HK\$94.9 million as at 31 March 2019.

As at 30 September 2019, the Group's current assets amounted to approximately HK\$142.2 million (as at 31 March 2019: HK\$118.0 million) of which approximately HK\$77.0 million (as at 31 March 2019: HK\$55.1 million) was bank balances and cash, approximately HK\$58.8 million (as at 31 March 2019: HK\$55.0 million) was trade and other receivables. The Group's current liabilities amounted to approximately HK\$51.5 million (as at 31 March 2019: HK\$23.1 million), including trade and other payables in the amount of approximately HK\$15.9 million (as at 31 March 2019: HK\$9.0 million), bank borrowings in the amount of approximately HK\$31.7 million (as at 31 March 2019: HK\$13.6 million) and tax payable in the amount of approximately HK\$2.2 million (as at 31 March 2019: HK\$0.5 million). The current ratio (which was calculated by dividing current assets by current liabilities) was 2.76 as at 30 September 2019 (as at 31 March 2019: 5.1). The gearing ratio (which was calculated based on the total debt divided by total equity multiplied by 100%) was 31.0% as at 30 September 2019 (as at 31 March 2019: 13.9%).

Capital structure

For the Current Period, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$173.6 million. There has been no change in the capital structure of the Group during the Current Period.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had no material off-balance sheet capital commitments.

MATERIAL CHANGES SINCE 31 MARCH 2019

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the 2018/19 annual report of the Company.

CORPORATE GOVERNANCE

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

The Board is of the view that during the Current Period, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules (the “**Securities Dealing Code**”).

The Company has made specific enquiry of all the Directors and all the Directors have confirmed that they complied with the required standard set out in the Securities Dealing Code during the Current Period and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Leung Ho Chi, Mr. Chan Ching Sum and Mr. Tse Yung Hoi. Mr. Leung Ho Chi is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The consolidated interim results of the Group for the Current Period have been reviewed by the Audit Committee.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the six months ended 30 September 2019 as set out in this announcement have been agreed with the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's unaudited consolidated financial statements for the six months ended 30 September 2019. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited on this interim results announcement.

PUBLICATION OF 2019 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's corporate website at www.vicointernational.hk and the HKEXnews at www.hkexnews.hk. The 2019 Interim Report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

The Board would like to extend its sincere thanks to the Group's shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the Current Period.

By order of the Board
Vico International Holdings Limited
Hui Pui Sing
Chairman and Executive Director

Hong Kong, 18 November 2019

As at the date of this announcement, the executive directors are Mr. Hui Pui Sing, Ms. Tong Man Wah, Mr. Hui Yip Ho Eric, Ms. Hui Wing Man Rebecca and Mr. Kong Man Ho, the non-executive director is Mr. Wong Chun Man and the independent non-executive directors are Mr. Chan Ching Sum, Mr. Tse Yung Hoi and Mr. Leung Ho Chi.