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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 2.9% to HK\$1,045.3 million for the year ended 31 March 2020 from HK\$1,077.0 million for the year ended 31 March 2019.
- Gross profit increased by approximately 3.3% to HK\$46.9 million for the year ended 31 March 2020 from HK\$45.4 million for the year ended 31 March 2019.
- Net profit decreased by approximately 11.0% to HK\$16.0 million for the year ended 31 March 2020 from HK\$18.0 million for the year ended 31 March 2019.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK\$0.01 per ordinary share).

ANNUAL RESULTS

The board of directors (the “**Board**”) of Vico International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 (the “**Current Period**”) together with the comparative audited figures for the year ended 31 March 2019 (the “**Corresponding Period**”). The consolidated annual 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 YEAR ENDED 31 MARCH 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,045,348	1,076,998
Cost of sales		<u>(998,411)</u>	<u>(1,031,560)</u>
Gross profit		46,937	45,438
Other income	5	1,562	268
Selling and distribution expenses		(5,571)	(4,582)
Administrative and operating expenses		(21,160)	(17,494)
Finance costs	6	<u>(831)</u>	<u>(383)</u>
Profit before tax		20,937	23,247
Income tax expense	7	<u>(4,925)</u>	<u>(5,259)</u>
Profit and total comprehensive income for the year	8	<u>16,012</u>	<u>17,988</u>
Earnings per share (<i>HK cents</i>)			
Basic and diluted	10	<u>1.6</u>	<u>1.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		79,639	76,499
Deposit paid for acquisition of property, plant and equipment		5,550	–
Right-of-use assets		2,453	–
		87,642	76,499
Current assets			
Inventories		6,018	5,940
Trade and other receivables	<i>11</i>	56,811	54,959
Amount due from ultimate holding company		20	8
Income tax recoverable		311	1,070
Time deposit		1,017	1,015
Bank balances and cash		66,101	55,053
		130,278	118,045
Current liabilities			
Trade and other payables	<i>12</i>	4,240	9,022
Lease liabilities		1,754	–
Bank borrowings		30,109	13,623
Income tax payable		3,259	479
		39,362	23,124
Net current assets		90,916	94,921
Total assets less current liabilities		178,558	171,420
Non-current liabilities			
Lease liabilities		754	–
Deferred tax liabilities		1,019	647
		1,773	647
Net assets		176,785	170,773
Capital and reserves			
Share capital	<i>13</i>	10,000	10,000
Reserves		166,785	160,773
Total equity		176,785	170,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

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 on 5 March 2018. The Company's immediate and ultimate holding company is Max Fortune Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling parties are Mr. Hui Pui Sing ("**Mr. Hui**"), Ms. 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 Group is principally engaged in sales of diesel, lubricant oil and others and provision of fleet cards service.

The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

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 HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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. The Group has applied HKFRS 16 modified 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 2019 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 account for 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 Determining whether an Arrangement contains a Lease 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 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 (except for lease of low value assets and lease with remaining lease term of 12 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, adjusted by the amount of any prepaid or accrued lease payments.

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 HK\$'000	Impact on adoption of HKFRS 16 HK\$'000	As at 1 April 2019 HK\$'000
	<i>Note</i>			
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 liability 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 with remaining lease term ending on or before 31 March 2020	<u>(29)</u>
	4,465
Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 April 2019	<u><u>4,185</u></u>
Current portion	1,677
Non-current portion	<u>2,508</u>
	<u><u>4,185</u></u>

Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on assessments on whether leases are onerous by applying HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* immediately before the date of initial application 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 use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 16	Covid-19 Related Rent Concession ⁵
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
 within the scope of HKFRS 15		
<i>Disaggregated by major products</i>		
Sales of goods		
Sales of diesel	958,958	1,006,740
Provision of fleet cards service	26,238	21,453
Sales of lubricant oil	55,509	43,669
Sales of others	4,643	5,136
	<u>1,045,348</u>	<u>1,076,998</u>
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Disaggregation of revenue by timing of recognition		
<i>Timing of revenue recognition</i>		
At a point in time	<u>1,045,348</u>	<u>1,076,998</u>

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “**CODM**”), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group’s reportable and operating segments under HKFRS 8 *Operating Segments* are as follow:

- (i) Sales of diesel
- (ii) Provision of fleet cards service
- (iii) Sales of lubricant oil
- (iv) Sales of others

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

An analysis of the Group’s revenue from external customers is presented based on the location of customers as below:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Hong Kong	1,032,743	1,076,678
Macau	1,397	309
Vietnam	8,934	11
Dubai	1,004	–
Malaysia	537	–
Singapore	733	–
	<u>1,045,348</u>	<u>1,076,998</u>

The Group’s non-current assets are solely located in Hong Kong.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	327,224	407,219
Customer B ¹	160,035	N/A ²
Customer C ¹	116,356	130,064
Customer D ¹	<u>109,564</u>	<u>N/A²</u>

¹ Revenue from sales of diesel and lubricant oil.

² The corresponding revenue does not contribute over 10% of total revenue of the Group.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income of bank deposits	185	8
Gain on disposal of property, plant and equipment	679	130
Government subsidies (<i>Note</i>)	657	125
Others	<u>41</u>	<u>5</u>
	<u>1,562</u>	<u>268</u>

Note:

The income represents government subsidies received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” in 2020 and 2019 upon retirement of certain motor vehicles.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on:		
– Bank borrowings	684	378
– Lease liabilities	147	–
– Obligations under finance leases	<u>–</u>	<u>5</u>
	<u>831</u>	<u>383</u>

7. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current income tax		
Hong Kong Profits Tax		
– Current year	4,328	4,849
– Under-provision in prior year	<u>225</u>	<u>–</u>
	4,553	4,849
Deferred taxation	<u>372</u>	<u>410</u>
	<u>4,925</u>	<u>5,259</u>

8. PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments	2,901	1,498
Other staff costs:		
Salaries and allowances	6,869	5,761
Contributions to retirement benefit scheme	<u>303</u>	<u>255</u>
Total staff costs	<u>10,073</u>	<u>7,514</u>
Auditor's remuneration	800	800
Cost of inventories recognised as expenses (included in cost of sales)	987,890	1,024,471
Allowance for inventories (included in cost of sales) (<i>Note</i>)	62	–
Depreciation of property, plant and equipment	5,483	3,314
Depreciation of right-of-use assets	1,732	–
Minimum operating lease rental in respect of carparks, office premises and warehouse	<u>N/A</u>	<u>1,769</u>

Note: During the year ended 31 March 2020, an allowance for inventories of approximately HK\$62,000 was made for write-down of obsolete inventories that are no longer suitable for sales in the market.

9. DIVIDEND

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

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<u>16,012</u>	<u>17,988</u>
	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	38,909	48,802
Trade deposits paid	15,868	3,949
Deposits and prepayments	257	236
Receivables due from suppliers	<u>1,777</u>	<u>1,972</u>
	<u>56,811</u>	<u>54,959</u>

The Group allows an average credit period of 15 to 30 days (2019: 15 to 30 days) to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 to 30 days	31,309	45,083
31 to 60 days	4,830	1,642
61 to 90 days	1,280	1,372
Over 90 days	1,490	705
	<u>38,909</u>	<u>48,802</u>

12. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade payables	386	5,330
Trade deposits received	586	1,069
Accrued directors' emoluments	536	683
Other payables and accruals	2,732	1,940
	<u>4,240</u>	<u>9,022</u>

The aging analysis of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 to 30 days	<u>386</u>	<u>5,330</u>

The average credit period on purchase of goods is from 30 days to 60 days.

13. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company are as follows:

	Number of share	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>1,000,000,000</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 31 March 2020, the Group operated a total number of 38,380 fleet card accounts (2019: 35,434 fleet card accounts).

Leveraging on the Group's experience and competitive strengths, for the Current Period, the Group's revenue, gross profit and profit for the year was approximately HK\$1,045.3 million, HK\$46.9 million and HK\$16.0 million, respectively, representing a decrease of 2.9%, an increase of 3.3% and a decrease of 11.0%, respectively as compared with the Corresponding Period. The decrease in profit for the Current Period was due to the overall increase in the administrative and operating expenses.

The outbreak of Novel Coronavirus (“**COVID-19**”) has damaged the domestic and global business environment since January 2020. During the first three months in 2020, the Group experienced a decrease in sales of lubricant oil, diesel and fuel card. The Directors believe that such decrease was mainly attributable to the contraction in the domestic business activities and the government's Stay-Home policy as to prevent the spread of COVID-19.

Since the global outbreak of COVID-19 continues, the Directors expect that the business development of the Group for the second half of 2020 might be adversely affected to a certain extent. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

BUSINESS PROSPECTS

The multi-functional site in Tsuen Wan which we acquired was held for our own use as a warehouse. Last year, we actively improved our production capacity. In the practice of successful operation in the past year, we have formed a mature operation monitoring system, which enabled us to manage equipment and tools more efficiently, thereby significantly improving production efficiency and quality. Therefore, in face of the changeable market environment last year, we have always been able to conduct normal business activities. At the same time, we continued to strive to expand overseas markets. Last year, we expanded our business into the Asian market, and expanded the business scope of sales of petroleum products such as sales of lubricant oil to Malaysia, Singapore, Dubai and other countries. The Asian market still maintains a strong demand for petroleum products, and the significant increase in sales makes us optimistic about the growing trend of the market share of Asian market. Meanwhile, this successful practice in overseas markets has also continuously inspired us to continue to explore emerging markets and continue to build out our business blueprint.

FINANCIAL REVIEW

Revenue

During the Current Period, the Group's revenue amounted to HK\$1,045.3 million, which decreased by 2.9% as compared to that of HK\$1,077.0 million during the Corresponding Period. The decrease in revenue was mainly due to the relatively decrease in the sales of diesel during the unprecedented COVID-19 outbreak.

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\$959.0 million and HK\$1,006.7 million respectively, representing 91.7% and 93.5% of the total revenue respectively.

The sales quantity of diesel oil increased by approximately 6.9% from 219.6 million litres for the Corresponding Period to 234.8 million litres for the Current Period, primarily due to the increase in demand from customers mainly in the second and third quarter of 2019.

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\$55.5 million and HK\$43.7 million respectively, representing 5.3% and 4.1% of the total revenue respectively.

Our sales quantity of lubricant oil amounted to approximately 3.9 million litres and 2.7 million litres for the Current Period and the Corresponding Period respectively, representing an increase of approximately 44.4%.

Provision of fleet cards service

Our income from provision of fleet cards service is recognised on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders; and (b) gross amounts paid and payable to oil companies. The gross proceeds received and receivables from fleet card holders represent the pump price less the fleet card discount offered by our Group to fleet card holders. Our fleet card customers used our fleet cards primarily for the purchase of diesel and petrol at network gas stations.

For the Current Period and the Corresponding Period, our revenue generated from the fleet cards service amounted to approximately HK\$26.2 million and HK\$21.5 million respectively, representing 2.5% and 2.0% of the total revenue respectively.

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\$4.6 million and HK\$5.1 million respectively, representing 0.4% 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\$998.4 million and HK\$1,031.6 million respectively, representing a decrease of approximately 3.2%. 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\$1.5 million or approximately 3.3% from approximately HK\$45.4 million for the Corresponding Period to approximately HK\$46.9 million for the Current Period. The Group's gross profit margin increased slightly from 4.2% for the Corresponding Period to 4.5% for the Current Period. The Group's selling price is broadly in line with the movement of oil price. However, the gross profit margin does not fluctuate at the same level of the time lags and customers' moderate price sensitivity regarding oil products. During the Current Period, Brent spot crude oil price decreased from US\$68.6 per barrel in December 2019 to US\$34.1 per barrel in March 2020. As a result, the Group's gross profit margin increased slightly compared with that of the Corresponding Period.

Selling and distribution expenses

Our selling and distribution expenses mainly consist of truck drivers' costs and benefits and depreciation. Selling and distribution expenses increased by approximately HK\$1.0 million or 21.6% to HK\$5.6 million for the Current Period from HK\$4.6 million for the Corresponding Period. The slight increase was mainly due to increases in truck driver wages and the direct cost of transportation charges.

Administrative and operating expenses

Administrative expenses increased by approximately HK\$3.7 million or 21.0%, from approximately HK\$17.5 million for the Corresponding Period to approximately HK\$21.2 million for the Current Period, primarily due to an increase in depreciation of property, plant and equipment and staff cost.

Finance costs

Our finance costs mainly consist of the interest on our interest-bearing bank borrowings and lease liabilities. Finance costs increased by approximately HK\$448,000 or 117.0% to HK\$831,000 for the Current Period from HK\$383,000 for the Corresponding Period, primarily due to the new bank borrowing for financing the acquisition of property.

Income tax expense

Income tax expense decreased by approximately HK\$334,000 or 6.4%, from approximately HK\$5.3 million for the Corresponding Period to approximately HK\$4.9 million for the Current Period. The decrease was mainly attributed to the drop in profit subject to income tax for the year.

Profit for the Current Period

Profit for the Current Period decreased by approximately HK\$2.0 million or 11.0% from approximately HK\$18.0 million for the Corresponding Period to approximately HK\$16.0 million for the Current Period, and the Group's net profit margin decreased from approximately 1.7% for the Corresponding Period to 1.5% for the Current Period. The decrease in the Group's net profit was mainly due to the increase in administrative and operating expenses.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 34 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK\$0.01 per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting

The 2020 Annual General Meeting (the "AGM") is scheduled to be held on Wednesday, 2 September 2020. For the purpose of determining the entitlement to attend the AGM, the register of members of the Company will be closed during the period from Friday, 28 August 2020 to Wednesday, 2 September 2020, both days inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for attending and voting at the AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 27 August 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no significant investment, material acquisition or disposal of subsidiaries 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 borrowings. The Group recorded net current assets of approximately HK\$90.9 million as at 31 March 2020, compared to approximately HK\$94.9 million as at 31 March 2019.

As at 31 March 2020, the Group's current assets amounted to approximately HK\$130.3 million (2019: HK\$118.0 million) of which approximately HK\$66.1 million (2019: HK\$55.1 million) was bank balances and cash, approximately HK\$56.8 million (2019: HK\$55.0 million) was trade and other receivables. The Group's current liabilities amounted to approximately HK\$39.4 million (2019: HK\$23.1million), including trade and other payables in the amount of approximately HK\$4.2 million (2019: HK\$9.0 million), bank borrowings in the amount of approximately HK\$30.1 million (2019: HK\$13.6 million) and income tax payable in the amount of approximately HK\$3.3 million (2019: HK\$0.5 million). The current ratio (which was calculated by dividing current assets by current liabilities) was 3.3 as at 31 March 2020 (2019: 5.1). The gearing ratio (which was calculated based on the total debt and lease liabilities divided by total equity multiplied by 100%) was 18.5% as at 31 March 2020 (2019: 8.0%).

Capital structure

For the Current Period, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$176.8 million. There has been no change in the capital structure of the Group during the Current Period.

CONTINGENT LIABILITIES

As at 31 March 2019 and 2020, the Group had issued a letter of guarantee through the banking facilities granted, to a supplier amounting to HK\$4,000,000. The facilities are secured by corporate guarantee of the Company.

PLEDGE OF ASSETS

As at 31 March 2020, the Group pledged its leasehold land and building of HK\$66,308,000 (2019: HK\$16,306,000) to secure its bank borrowings.

CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>27,000</u>	<u>–</u>

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 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 throughout the period 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. Tse Yung Hoi and Mr. Chan Ching Sum. 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 annual 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 above in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary results announcement have been agreed with the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. 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 preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's corporate website at www.vicointernational.hk and the HKEXnews at www.hkexnews.hk. The 2019/2020 Annual Report of the Company will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

2020 ANNUAL GENERAL MEETING

The 2020 AGM of the Company is scheduled to be held on Wednesday, 2 September 2020. Notice of the 2020 AGM will be published on the websites of both the Stock Exchange and the Company and dispatched to the Company's shareholders 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 year.

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

Hong Kong, 24 June 2020

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. Leung Ho Chi, Mr. Chan Ching Sum and Mr. Tse Yung Hoi.