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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 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 34.4% to approximately HK\$387.9 million for the six months ended 30 September 2020 from approximately HK\$591.2 million for the six months ended 30 September 2019.
- Gross profit decreased by approximately 8.6% to approximately HK\$26.9 million for the six months ended 30 September 2020 from approximately HK\$29.4 million for the six months ended 30 September 2019.
- Net profit increased by approximately 0.2% to approximately HK\$12.9 million for the six months ended 30 September 2020 from approximately HK\$12.8 million for the six months ended 30 September 2019.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: 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 2020 (the “**Current Period**”) together with the comparative unaudited figures for the six months ended 30 September 2019 (the “**Corresponding Period**”). The consolidated interim results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

*For the six months ended 30 September 2020*

	NOTES	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	387,920	591,209
Cost of sales		<u>(361,059)</u>	<u>(561,806)</u>
Gross profit		26,861	29,403
Other income	5	2,385	442
Selling and distribution expenses		(2,046)	(2,074)
Administrative expenses		(11,470)	(11,466)
Other operating expenses		(267)	(508)
Finance costs	6	<u>(434)</u>	<u>(381)</u>
<b>Profit before taxation</b>	7	15,029	15,416
Income tax expense	8	<u>(2,159)</u>	<u>(2,569)</u>
<b>Profit and total comprehensive income for the period</b>		<u>12,870</u>	<u>12,847</u>
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cents</i> )	10	<u>1.29</u>	<u>1.28</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 September 2020*

		<b>30 September 2020</b>	31 March 2020
	<i>NOTES</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>Non-current assets</b>			
Investment property		<b>32,675</b>	–
Property, plant and equipment		<b>76,997</b>	79,639
Deposit paid for acquisition of non-current assets		–	5,550
Right-of-use assets		<b>1,587</b>	2,453
		<b>111,259</b>	87,642
<b>Current assets</b>			
Inventories		<b>6,200</b>	6,018
Trade and other receivables	<i>11</i>	<b>59,984</b>	56,811
Amount due from ultimate holding company		<b>30</b>	20
Income tax recoverable		<b>14</b>	311
Time deposit		<b>1,021</b>	1,017
Bank balances and cash		<b>62,632</b>	66,101
		<b>129,881</b>	130,278
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>5,378</b>	4,240
Bank borrowings		<b>37,430</b>	30,109
Lease liabilities		<b>2,196</b>	1,754
Income tax payable		<b>5,519</b>	3,259
		<b>50,523</b>	39,362
<b>Net current assets</b>		<b>79,358</b>	90,916
<b>Total assets less current liabilities</b>		<b>190,617</b>	178,558
<b>Non-current liabilities</b>			
Lease liabilities		–	754
Deferred tax liabilities		<b>962</b>	1,019
		<b>962</b>	1,773
<b>Net assets</b>		<b>189,655</b>	176,785
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>10,000</b>	10,000
Reserves		<b>179,655</b>	166,785
<b>Total equity</b>		<b>189,655</b>	176,785

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
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 9)	–	–	–	(10,000)	(10,000)
At 30 September 2019 (unaudited)	<u>10,000</u>	<u>62,978</u>	<u>28,272</u>	<u>72,370</u>	<u>173,620</u>
At 1 April 2020 (audited)	<b>10,000</b>	<b>62,978</b>	<b>28,272</b>	<b>75,535</b>	<b>176,785</b>
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,870</u>	<u>12,870</u>
At 30 September 2020 (unaudited)	<u><b>10,000</b></u>	<u><b>62,978</b></u>	<u><b>28,272</b></u>	<u><b>88,405</b></u>	<u><b>189,655</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2020*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>15,029</b>	15,416
Adjustments for:		
Depreciation of investment property	<b>204</b>	–
Depreciation of property, plant and equipment	<b>3,217</b>	2,709
Depreciation of right-of-use assets	<b>866</b>	866
Finance costs	<b>434</b>	381
Gain on disposal of property, plant and equipment	<b>(549)</b>	–
Government subsidies	<b>(1,421)</b>	(413)
Bank interest income	<b>(112)</b>	(29)
	<hr/>	<hr/>
Operating cash flows before movement in working capital	<b>17,668</b>	18,930
(Increase)/decrease in inventories	<b>(182)</b>	704
Increase in trade and other receivables	<b>(3,173)</b>	(3,806)
Increase/(decrease) in trade and other payables	<b>1,138</b>	(651)
	<hr/>	<hr/>
Cash generated from operation	<b>15,451</b>	15,177
Income tax paid	<b>341</b>	–
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>15,792</b>	15,177
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment property	<b>(27,329)</b>	–
Purchase of property, plant and equipment	<b>(1,708)</b>	(8,141)
Advance to ultimate holding company	<b>(10)</b>	(7)
Placement of time deposit	<b>(4)</b>	(2)
Proceeds from disposal of property, plant and equipment	<b>1,682</b>	73
Interest received	<b>112</b>	29
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(27,257)</b>	(8,048)
	<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>		
New bank borrowing raised	<b>9,000</b>	19,500
Government subsidies received	<b>1,421</b>	413
Repayment of bank borrowings	<b>(1,679)</b>	(1,407)
Interest paid	<b>(434)</b>	(381)
Repayment of lease liabilities	<b>(312)</b>	(829)
Dividend paid	<b>–</b>	(2,500)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>7,996</b>	14,796
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<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,469)</b>	21,925
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>66,101</b>	55,053
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER,</b> represented by bank balances and cash	<b>62,632</b>	76,978
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THE SIX MONTHS ENDED 30 SEPTEMBER 2020

### 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**”), 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 in the Cayman Islands and the principal place of business in Hong Kong are at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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 other products and provision of fleet cards service.

The condensed consolidated financial statements for the six months ended 30 September 2020 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 (“**HK\$**”), 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 2020 except as described below.

#### **Investment properties**

Investment properties are property held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an investment property becomes an owner-occupied property when there is a change in use, as evidenced by commencement of owner-occupation, the carrying amount of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

## **Leasing**

### ***The Group as lessor***

The Group enters into lease agreements as a lessor with respect to some of its investment properties and leased retail areas. Leases for which the Group is a lessor is classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Coronavirus (“COVID-19”) Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the 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.

### 3. REVENUE

Revenue represents the net amounts received and receivable for sale of diesel, lubricant oil and other products 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of diesel	350,947	542,574
Provision of fleet cards service	11,733	15,336
Sales of lubricant oil	23,512	30,562
Sales of other products	1,728	2,737
	<u>387,920</u>	<u>591,209</u>
<b>Disaggregation of revenue by timing of recognition</b>		
Timing of revenue recognition		
At a point in time	<u>387,920</u>	<u>591,209</u>

### 4. 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Hong Kong	384,382	590,726
Vietnam	3,260	–
Macau	278	483
	<u>387,920</u>	<u>591,209</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:

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A <sup>1</sup>	<b>90,190</b>	199,587
Customer B <sup>1</sup>	<b>54,587</b>	N/A <sup>2</sup>
Customer C <sup>1</sup>	<b>47,390</b>	95,312
Customer D <sup>1</sup>	<b>41,047</b>	N/A <sup>2</sup>
Customer E <sup>1</sup>	<b>40,526</b>	62,953

<sup>1</sup> Revenue was derived from sales of diesel and lubricant oil.

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

**5. OTHER INCOME**

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income of bank deposits	<b>112</b>	29
Gain on disposal of property, plant and equipment	<b>549</b>	–
Government subsidies ( <i>Note i</i> )	<b>1,421</b>	413
Rental income ( <i>Note ii</i> )	<b>244</b>	–
Others	<b>59</b>	–
	<b>2,385</b>	442

*Note i:*

The government subsidies included HK\$1,241,000 (2019: nil) in respect of Coronavirus Disease 2019 under the Employment Support Scheme of Anti-Epidemic Fund. There are no unfulfilled conditions or other contingencies attached to these grants. For the remaining of HK\$180,000 (2019: HK\$413,000), it represents government subsidies received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon retirement of certain motor vehicles.

*Note ii:*

Rental income represents income from the investment property of the Group for the six months ended 30 September 2020, in which direct operating expenses of HK\$40,000 were incurred during the period.

## 6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings	384	298
Lease liabilities	50	83
	<u>434</u>	<u>381</u>

## 7. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs, including directors' emoluments		
– Salaries, allowances and other benefits	5,265	4,596
– Contributions to retirement benefits scheme	170	150
Cost of inventories recognised as an expense	354,225	555,402
Depreciation of property, plant and equipment	3,217	2,709
Depreciation of investment property	204	–
Depreciation of right-of-use assets	866	866

## 8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	2,216	2,569
Deferred taxation	(57)	–
	<u>2,159</u>	<u>2,569</u>

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

## 9. DIVIDENDS

No dividend was paid or proposed for the current and interim periods, nor has any dividend been proposed since the end of the reporting period (For the six months ended 30 June 2019: Nil).

## 10. 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	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>12,870</u>	<u>12,847</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>1.29</u>	<u>1.28</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.

## 11. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	38,505	38,909
Trade deposits paid	17,184	15,868
Deposits and prepayments	677	257
Receivables due from suppliers	<u>3,618</u>	<u>1,777</u>
	<u>59,984</u>	<u>56,811</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:

	<b>30 September 2020 <i>HK\$'000</i> (Unaudited)</b>	31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	31,484	31,309
31–60 days	3,967	4,830
61–90 days	850	1,280
Over 90 days	<u>2,204</u>	<u>1,490</u>
	<u><b>38,505</b></u>	<u><b>38,909</b></u>

## 12. TRADE AND OTHER PAYABLES

	<b>30 September 2020 <i>HK\$'000</i> (Unaudited)</b>	31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	1,433	386
Trade deposits received	789	586
Accrued directors' emolument	298	536
Rental deposits received	179	–
Other payables and accruals	<u>2,679</u>	<u>2,732</u>
	<u><b>5,378</b></u>	<u><b>4,240</b></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:

	<b>30 September 2020 <i>HK\$'000</i> (Unaudited)</b>	31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	<u><b>1,433</b></u>	<u><b>386</b></u>

### 13. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2020	31 March 2020	30 September 2020	31 March 2020
	(Unaudited)	(Audited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Ordinary shares of HK\$0.01 each				
<b>Authorised</b>				
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>
<b>Issued and fully paid</b>				
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 2020, the Group operated a total number of 45,345 fleet card accounts (2019: 36,973 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\$387.9 million, HK\$26.9 million and HK\$12.9 million, respectively, representing a decrease of 34.4%, a decrease of 8.6% and an increase of 0.2%, respectively as compared with the Corresponding Period. The decrease in gross profit for the Current Period was primarily due to the reduction in purchase orders from customers as a result of the adverse impact caused by COVID-19.

### **BUSINESS PROSPECTS**

The pandemic of COVID-19 has seriously hit Hong Kong's economy since early 2020, with continuous restrictions on global travel and social distancing measures, which substantially slowed down transportation, logistics and retail related economic activities. The consumption of petrochemical products has been therefore directly affected. The global ongoing pandemic combined with the fluctuation in the global oil market is expected to adversely influenced the business development of the Group to a certain extent in the second half of the year.

However, as the progress of the global development of vaccines for COVID-19 has been going smooth, the resumption of international and domestic trade and travel is very likely to be speeded up. Combining with the opportunities arising with the governmental development projects, including Lantau Tomorrow Vision and Third Runway Concourses, it is expected that the logistic, retail, transportation and construction industries related domestic economic activities will improve steadily, which will stimulate the demand for diesel and petrochemical products of the domestic market. The Group shall remain optimistic about the prospects for petrochemicals market.

The Group will continue to review the operation and financial performance as to effectively facilitate our resources and networks to capture the opportunities to broaden the product portfolio. In April 2020, we entered into a contractual arrangement with an oil company for the sales and distribution of their branded lubricant oil. The transaction relating to the warehouse located in Tsuen Wan we acquired in January 2020 was completed in May 2020. As a lease was acquired together with the warehouse, the warehouse is held for rental purpose for the time being. We managed our facilities and tools in a flexible manner during the COVID-19 pandemic and upgraded production capacity for our self-branded diesel exhaust fluid in the large multi-functional site located in Tsuen Wan acquired in 2018, aiming to further improve operating efficiency to tide over the crisis of the pandemic. In light of the intense competition in the petrochemicals market in Hong Kong, the Company is committed to focusing on seeking potential business opportunities. The Vietnam market presented outstanding performance and we are also constantly exploring potential markets with the purpose of expanding sales to other countries in Asia. The directors of the Company (the “**Directors**”) closely monitor and manage the relevant risks. The Group believes that, although the recovery of economy will take a period of time, the Group is perfectly capable of withstanding the tough challenges from the COVID-19 pandemic, grasping economic opportunities and forging ahead amid the fierce competition in the oil industry.

## **FINANCIAL REVIEW**

### **Revenue**

During the Current Period, the Group’s revenue amounted to approximately HK\$387.9 million, which decreased by 34.4% as compared to that of approximately HK\$591.2 million during the Corresponding Period. The decrease in revenue was due to the decrease in demand of diesel within the logistic and transportation industries during the pandemic.

### **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\$350.9 million and HK\$542.5 million respectively, representing 90.5% and 91.8% of the total revenue respectively.

The decrease was mainly due to the decrease in sales quantity. The sales quantity of diesel also decreased by approximately 55.4 million litres or 42.5% to approximately 74.8 million litres for the Current Period compared with approximately 130.2 million litres for the Corresponding Period.

### **Sales of lubricant oil**

Our revenue from sales of lubricant oil 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\$23.5 million and HK\$30.6 million respectively, representing 6.1% and 5.2% of the total revenue respectively.

The decrease was primarily due to the slight decrease in the sales quantity of lubricant oil by approximately 0.1 million litres or 7.1% to approximately 1.3 million litres for the Current Period compared with approximately 1.4 million litres for the Corresponding Period.

### **Provision of fleet cards service**

Our income from our provision of fleet cards service decreased by approximately HK\$3.6 million or 23.5% from approximately HK\$15.3 million for the Corresponding Period to approximately HK\$11.7 million for the Current Period.

The decrease was mainly a result of the reduced domestic economic activities due to the partial economic lockdown and the restrictions on global travel bans and social distancing measures. Subsequently, the market demand for fuel during the pandemic was negatively impacted.

### **Sales of other products**

Our revenue from sales of other products mainly represents the sales of bitumen and kerosene. For the Current Period and the Corresponding Period, our revenue from the sales of other products amounted to approximately HK\$1.7 million and HK\$2.7 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\$361.1 million and HK\$561.8 million respectively, decreased by 35.7%. 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 a decrease in gross profit by approximately HK\$2.5 million or approximately 8.6% from approximately HK\$29.4 million for the Corresponding Period to approximately HK\$26.9 million for the Current Period.



## **Selling and distribution expenses**

Our selling and distribution expenses mainly consist of truck drivers' costs. Selling and distribution expenses slightly decreased by HK\$28,000 or 1.4% to HK\$2.0 million for the Current Period from HK\$2.1 million for the Corresponding Period.

## **Administrative and other operating expenses**

Administrative and other operating expenses decreased by approximately HK\$0.2 million or 2.0%, from approximately HK\$12.0 million for the Corresponding Period to approximately HK\$11.7 million for the Current Period.

## **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\$53,000 or 13.9% to HK\$434,000 for the Current Period from HK\$381,000 for the Corresponding Period, primarily due to the addition of revolving bank borrowings.

## **Income tax expenses**

Income tax expenses decreased by approximately HK\$410,000 or 16.0%, from approximately HK\$2.6 million for the Corresponding Period to approximately HK\$2.2 million for the Current Period, primarily due to a decrease in profit before taxation.

## **Profit for the Current Period**

Profit for the Current Period increased by approximately HK\$0.1 million or 0.2% from approximately HK\$12.8 million for the Corresponding Period to approximately HK\$12.9 million for the Current Period, and the Group's net profit margin was approximately 3.3% and 2.2% for the Current Period and the Corresponding Period respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group employed a total of 35 full-time employees (as at 31 March 2020: 34 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 2020 (for the six months ended 30 September 2019: 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 borrowings. The Group recorded net current assets of approximately HK\$79.4 million as at 30 September 2020, compared to approximately HK\$90.9 million as at 31 March 2020.

As at 30 September 2020, the Group's current assets amounted to approximately HK\$129.9 million (as at 31 March 2020: HK\$130.3 million) of which approximately HK\$62.6 million (as at 31 March 2020: HK\$66.1 million) was bank balances and cash, approximately HK\$60.0 million (as at 31 March 2020: HK\$56.8 million) was trade and other receivables. The Group's current liabilities amounted to approximately HK\$50.5 million (as at 31 March 2020: HK\$39.4 million), including trade and other payables in the amount of approximately HK\$5.4 million (as at 31 March 2020: HK\$4.2 million), bank borrowings in the amount of approximately HK\$37.4 million (as at 31 March 2020: HK\$30.1 million) and income tax payable in the amount of approximately HK\$5.5 million (as at 31 March 2020: HK\$3.3 million). The current ratio (which was calculated by dividing current assets by current liabilities) was 2.57 as at 30 September 2020 (as at 31 March 2020: 3.31). The gearing ratio (which was calculated based on the total debt (including bank borrowings and lease liabilities) divided by total equity multiplied by 100%) was 20.9% as at 30 September 2020 (as at 31 March 2020: 18.5%).

### **Capital structure**

For the Current Period, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$189.7 million. There has been no change in the capital structure of the Group during the Current Period.

## **CAPITAL COMMITMENTS**

As at 30 September 2020, the Group had no material off-balance sheet capital commitments.

## **PLEDGE OF ASSETS**

As at 30 September 2020, the Group pledged its leasehold land and building of HK\$97.9 million (2019: HK\$66.3 million) to secure its bank borrowings.

## **MATERIAL CHANGES SINCE 31 MARCH 2020**

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the 2019/20 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 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.

## **PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the Company's corporate website at [www.vicointernational.hk](http://www.vicointernational.hk) and the HKEXnews at [www.hkexnews.hk](http://www.hkexnews.hk). The 2020 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, 25 November 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.*