

INTERIM REPORT 2020

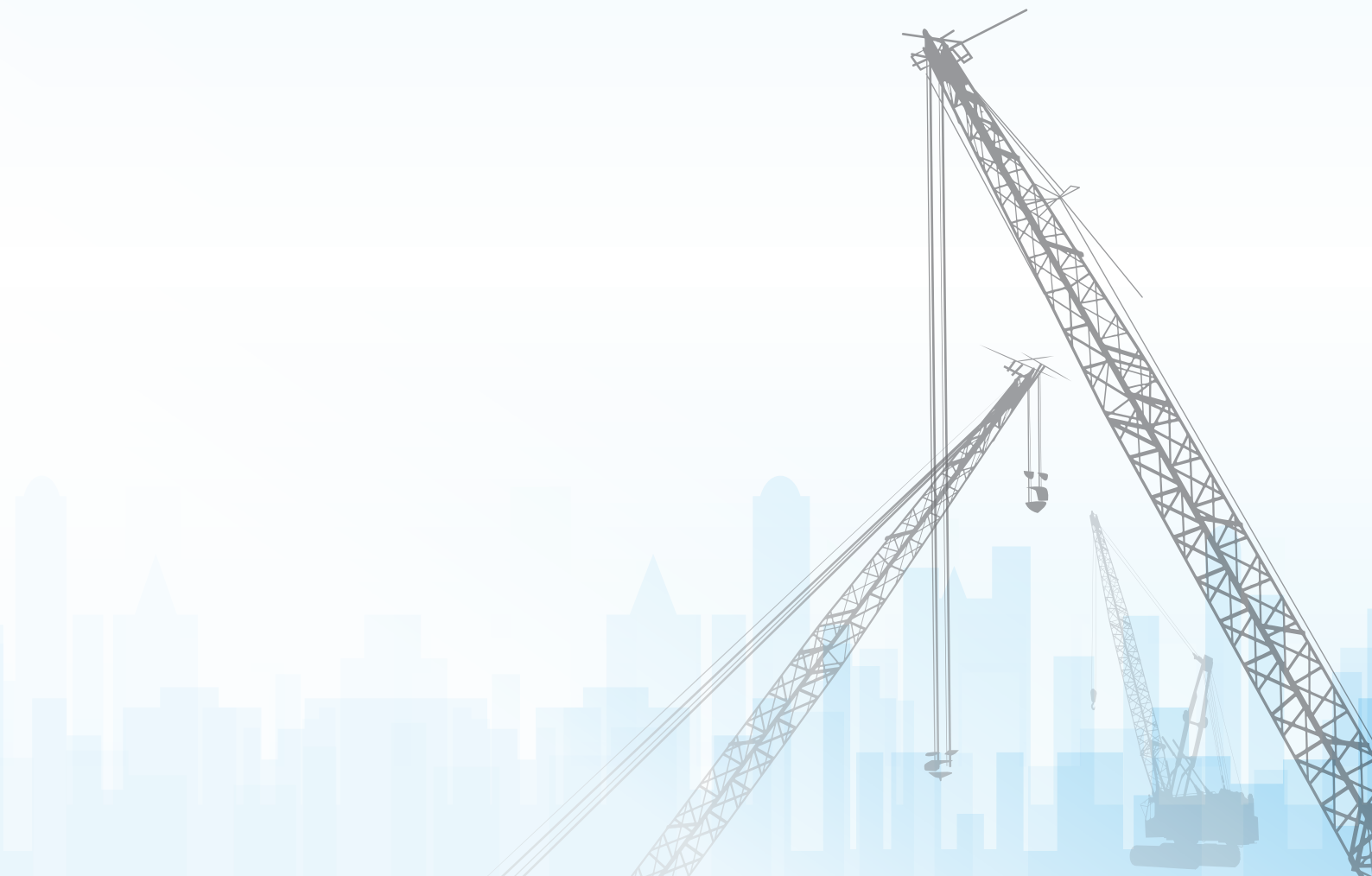


VICON

VICON HOLDINGS LIMITED

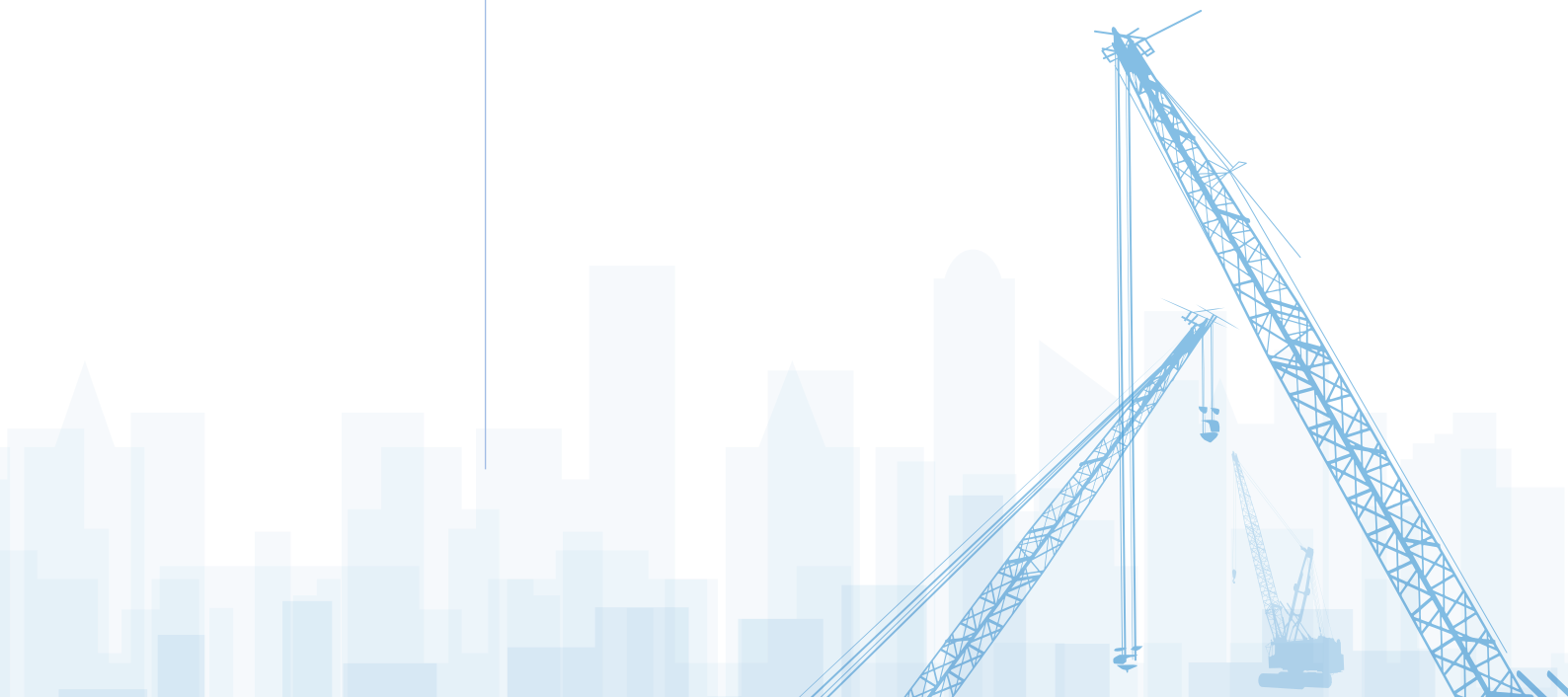
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3878



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chow Kwok Chun (*Chairman*)
Mr. Tsang Hing Kuen (*Chief Executive Officer*)
Mr. Leung Kim Lim
Mr. Liu Jin Fai

Independent Non-executive Directors

Mr. Ip Ka Ki
Professor Kuang Jun Shang
Mr. Tse Ka Ching Justin

BOARD COMMITTEES

Audit Committee

Mr. Tse Ka Ching Justin (*Chairman*)
Mr. Ip Ka Ki
Professor Kuang Jun Shang

Nomination Committee

Mr. Chow Kwok Chun (*Chairman*)
Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin

Remuneration Committee

Mr. Ip Ka Ki (*Chairman*)
Mr. Chow Kwok Chun
Professor Kuang Jun Shang

COMPANY SECRETARY

Mr. Leung Cheuk Hei (*HKICPA*)

AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun
Mr. Leung Cheuk Hei

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

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PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
CMB Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

www.vicon.com.hk

STOCK CODE

3878

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	210,389	175,882
Cost of sales		(192,304)	(154,223)
Gross profit		18,085	21,659
Other income and gains	5	4,275	2,894
Other administrative expenses		(5,567)	(5,438)
Operating profit		16,793	19,115
Finance income	7	2	2
Finance costs	7	(4,233)	(3,892)
Finance costs, net	7	(4,231)	(3,890)
Profit before taxation	6	12,562	15,225
Income tax expense	8	(2,073)	(2,893)
Profit for the period		10,489	12,332
Other comprehensive income		–	–
Profit and total comprehensive income attributable to equity holders of the Company		10,489	12,332
Basic and diluted earnings per share (HK cents)	10	2.62	3.08

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	Note	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	154,078	160,716
Prepayments and deposits		7,168	7,030
		161,246	167,746
Current assets			
Trade and retention receivables	13	55,369	46,522
Prepayments, deposits and other receivables		5,912	11,103
Contract assets	14	298,632	324,494
Income tax recoverable		4,136	4,136
Restricted bank balances		–	3,180
Cash and cash equivalents		15,396	19,386
		379,445	408,821
Total assets		540,691	576,567
EQUITY			
Capital and reserve			
Share capital		4,000	4,000
Reserves		319,027	308,538
Total equity		323,027	312,538
LIABILITIES			
Non-current liabilities			
Borrowings		1,540	3,033
Lease liabilities	12	33,949	41,715
Deferred income tax liabilities		9,125	9,125
		44,614	53,873
Current liabilities			
Trade and retention payables	15	60,715	77,136
Other payables and accruals	15	3,816	5,288
Contract liabilities	14	5,507	3,351
Income tax payables		5,502	3,429
Lease liabilities	12	19,707	15,968
Borrowings		77,803	104,984
		173,050	210,156
Total liabilities		217,664	264,029
Total equity and liabilities		540,691	576,567

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	4,000	104,742	30,000	173,796	312,538
Profit and total comprehensive income for the period (unaudited)	–	–	–	10,489	10,489
At 30 September 2020 (unaudited)	4,000	104,742	30,000	184,285	323,027
At 1 April 2019 (audited)	4,000	104,742	30,000	150,065	288,807
Profit and total comprehensive income for the period (unaudited)	–	–	–	12,332	12,332
At 30 September 2019 (unaudited)	4,000	104,742	30,000	162,397	301,139

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before taxation	12,562	15,225
Adjustments for:		
– Depreciation of property, plant and equipment and right-of-use assets	12,188	10,610
– Gain on disposal of machinery and equipment	(149)	(1,146)
– Changes in cash surrender value of key management life insurance contract	(137)	–
– Interest expenses	4,233	3,892
– Interest income	(2)	(2)
	28,695	28,579
Changes in working capital		
Increase in trade and retention receivables	(8,847)	(29,254)
Decrease/(increase) in prepayments, deposits and other receivables	5,191	(5,091)
Decrease/(Increase) in contract assets	25,862	(7,180)
Decrease in restricted bank balances	3,180	1,680
Increase in contract liabilities	2,156	–
(Decrease)/increase in trade and retention payables	(16,421)	12,193
Decrease in other payables and accruals	(1,472)	(1,258)
Net cash generated from/(used in) operations	38,344	(331)
Income tax paid	–	(121)
Net cash generated from/(used in) operating activities	38,344	(452)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,042)	(13,275)
Proceeds from disposal of property, plant and equipment	517	9,850
Interest received	2	2
Net cash used in investing activities	(523)	(3,423)
Cash flows from financing activities		
Drawdown of short-term borrowings	116,165	188,482
Repayment of short-term borrowings	(144,839)	(165,441)
Payments for lease liabilities (including interest element)	(8,904)	(8,300)
Interest paid	(4,233)	(3,892)
Net cash (used in)/generated from financing activities	(41,811)	10,849
Net (decrease)/increase in cash and cash equivalents	(3,990)	6,974
Cash and cash equivalents at 1 April	19,386	16,516
Cash and cash equivalents at 30 September	15,396	23,490

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

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

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and its shares (the “Shares”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2017 (the “Listing”). The address of the registered office and the principal place of business of the Company is detailed in the Corporate Information of this report.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcement made by the Company during the interim reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2020.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(a) New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. REVENUE AND SEGMENT INFORMATION**(a) Revenue**

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from construction contracts	198,710	175,882
Revenue from leasing of construction machinery	11,679	–
	210,389	175,882

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regards the Group's business as a single operating segment and review financial information accordingly. In view of the growth of the Group's leasing of construction machinery business, a new reportable segment, on leasing of construction machinery has been included during the six months ended 30 September 2020.

Specifically, the Group's reportable segments are as follows:

- Construction works; and
- Leasing of construction machinery

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)**(b) Segment information (Continued)**

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 September 2020 (unaudited)

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	198,710	11,679	210,389
Segment results	11,346	6,739	18,085
Unallocated other income and gains			4,275
Unallocated expenses			(4,453)
Unallocated depreciation			(1,114)
Finance costs, net			(4,231)
Profit before taxation			12,562
Income tax expense			(2,073)
Profit for the period			10,489
Included in segment results are:			
Depreciation	(6,134)	(4,940)	(11,074)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)**(b) Segment information (Continued)****For the six months ended 30 September 2019 (unaudited)**

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	175,882	–	175,882
Segment results	21,659	–	21,659
Other income and gains	–	1,718	1,718
Depreciation of plant and equipment	–	(624)	(624)
Unallocated other income and gains			1,176
Unallocated expenses			(3,781)
Unallocated depreciation			(1,033)
Finance costs, net			(3,890)
Profit before taxation			15,225
Income tax expense			(2,893)
Profit for the period			12,332
Included in segment results are:			
Depreciation	(8,953)	–	(8,953)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)**(c) Geographical information**

(a) Revenue from external customers

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Hong Kong	210,389	175,882

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

(b) Non-current assets

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
	Hong Kong	161,246

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)**(d) Information about major customers**

For the six months ended 30 September 2020, there were 2 customers (2019: 3 customers) which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Customer A	176,313	85,385
Customer B	24,454	24,251
Customer C	N/A	37,566

Note: 1. Revenue from Customer C did not exceed 10% of total revenue for the six months ended 30 September 2020.

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited) (restated)
Government grant under the Employment Support Scheme	1,711	–
Machinery rental income	–	1,718
Gain on disposal of property, plant and equipment	149	1,146
Others	2,415	30
	4,275	2,894

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

6. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	12,188	10,610
Lease expenses relating to short-term lease of machineries and equipment	1,497	–
Staff costs:		
– Directors' emoluments	5,223	5,218
– Other staff costs:		
Salaries and other benefits	9,119	14,114
Retirement benefit scheme contributions	360	516
Total staff costs	14,702	19,848

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Finance income:		
– Interest income on bank deposits	2	2
Finance costs:		
– Interest expenses on bank borrowings	(2,696)	(2,183)
– Interest expenses on lease liabilities	(1,537)	(1,709)
Finance costs, net	(4,231)	(3,890)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Hong Kong profits tax		
– Current income tax	2,073	2,893

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits during the six months ended 30 September 2020 and 2019.

9. INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Profit attributable to equity holders of the Company (HK\$' 000)	10,489	12,332
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	400,000	400,000
Basic earnings per share (HK cents)	2.62	3.08

(b) Diluted

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$' 000	Leasehold improvements HK\$' 000	Furniture and fixtures HK\$' 000	Machinery HK\$' 000	Motor vehicles HK\$' 000	Office equipment HK\$' 000	Computer HK\$' 000	Total HK\$' 000
As at 1 April 2020 (audited)								
Cost	117,990	1,903	1,497	99,922	3,120	315	120	224,867
Accumulated depreciation	(23,579)	(1,903)	(1,496)	(34,098)	(2,640)	(315)	(120)	(64,151)
Net book amount	94,411	-	1	65,824	480	-	-	160,716
Six months ended 30 September 2020 (unaudited)								
Opening net book amount	94,411	-	1	65,824	480	-	-	160,716
Additions	4,876	-	-	335	707	-	-	5,918
Depreciation	(1,543)	-	(1)	(10,387)	(257)	-	-	(12,188)
Disposals	-	-	-	(368)	-	-	-	(368)
Closing net book amount	97,744	-	-	55,404	930	-	-	154,078
As at 30 September 2020 (unaudited)								
Cost	122,866	1,903	1,497	99,858	2,999	315	120	229,558
Accumulated depreciation	(25,122)	(1,903)	(1,497)	(44,454)	(2,069)	(315)	(120)	(75,480)
Net book amount	97,744	-	-	55,404	930	-	-	154,078
As at 1 April 2019 (audited)								
Cost	-	1,903	1,497	180,912	3,120	315	120	187,867
Accumulated depreciation	-	(1,903)	(1,474)	(41,006)	(2,181)	(300)	(120)	(46,984)
Net book amount (as previously presented)	-	-	23	139,906	939	15	-	140,883
Change in accounting policy								
Cost	84,861	-	-	(80,711)	-	-	-	4,150
Accumulated depreciation	(10,527)	-	-	10,527	-	-	-	-
	74,334	-	-	(70,184)	-	-	-	4,150
Restated as at 1 April 2019								
Cost	84,861	1,903	1,497	100,201	3,120	315	120	192,017
Accumulated depreciation	(10,527)	(1,903)	(1,474)	(30,479)	(2,181)	(300)	(120)	(46,984)
Net book amount (restated)	74,334	-	23	69,722	939	15	-	145,033
Six months ended 30 September 2019 (unaudited)								
Opening net book amount	74,334	-	23	69,722	939	15	-	145,033
Additions	21,998	-	-	3,050	-	-	-	25,048
Depreciation	(5,957)	-	(3)	(4,406)	(229)	(15)	-	(10,610)
Disposals	-	-	-	(8,704)	-	-	-	(8,704)
Closing net book amount	90,375	-	20	59,662	710	-	-	150,767
As at 30 September 2019 (unaudited)								
Cost	106,859	1,903	1,497	89,143	3,120	315	120	202,957
Accumulated depreciation	(16,484)	(1,903)	(1,477)	(29,481)	(2,410)	(315)	(120)	(52,190)
Net book amount	90,375	-	20	59,662	710	-	-	150,767

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. LEASE**(i) Amounts recognised in the consolidated balance sheet**

The consolidated balance sheet shows the following amounts relating to the leases:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Right-of-use assets		
Office premises and warehouse	3,333	731
Plant and machinery	94,411	93,680
	97,744	94,411
Lease liabilities		
Non-current		
– Office premises and warehouse	–	–
– Plant and machinery	33,949	41,715
	33,949	41,715
Current		
– Office premises and warehouse	4,097	798
– Plant and machinery	15,610	15,170
	19,707	15,968
Total lease liabilities	53,656	57,683

Additions to right-of-use assets during the six months ended 30 September 2020 was approximately HK\$4.9 million (31 March 2020: HK\$33.3 million).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. LEASE (Continued)**(ii) Amounts recognised in the consolidated statement of comprehensive income**

The consolidated statement of comprehensive income shows the following amounts relating to the leases:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets	1,543	5,957
Interest expense on lease liabilities (Note 7)	(1,537)	(1,709)
Lease expenses relating to short-term lease of machineries and equipment (Note 6)	1,497	–

The cash outflow for lease liabilities and lease expenses relating to short-term lease of machineries and equipment during the six months ended 30 September 2020 were approximately HK\$8.9 million (six months ended 30 September 2019: HK\$8.3 million) and HK\$1.5 million (six months ended 30 September 2019: nil), respectively.

13. TRADE AND RETENTION RECEIVABLES

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Trade receivables	12,086	234
Retention receivables	43,283	46,288
	55,369	46,522

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. TRADE AND RETENTION RECEIVABLES (Continued)

At 30 September 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited) (restated)
1 to 30 days	11,852	–
31 to 90 days	–	–
91 to 180 days	–	–
181 to 365 days	–	20
1 to 2 years	234	214
	12,086	234

At 30 September 2019, the ageing analysis of the retention receivables based on invoice date is as follows:

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Within 1 year	23,292	25,609
Between 1 to 2 years	8,186	11,730
Between 2 to 5 years	11,805	8,949
	43,283	46,288

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Contract assets		
Provision of Construction Services	311,540	337,402
Less: Provision for impairment of contract assets	(12,908)	(12,908)
	298,632	324,494
Contract liabilities		
Provision of Construction Services	5,507	3,351

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)**(a) Significant changes in contract assets and liabilities**

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets.

(b) Revenue recognition in relation to contract liabilities

The following table shows how much of the revenue recognised during the year ended 30 September 2020 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	3,351	721

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 30 September	104,731	280,119

Management expects that the transaction prices regarding the unsatisfied contracts as of 30 September 2020 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
Trade payables	24,622	54,569
Retention payables	36,093	22,567
Trade and retention payables	60,715	77,136
Other payables and accruals	3,816	5,288
	64,531	82,424

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

At 30 September 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 September 2020 HK\$' 000 (unaudited)	At 31 March 2020 HK\$' 000 (audited)
1 to 30 days	24,622	54,569

The terms and conditions in relation to the release of retention vary from contract to contract. In the unaudited condensed consolidated balance sheet, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date is as follows:

	30 September 2020 HK\$' 000 (unaudited)	31 March 2020 HK\$' 000 (audited)
Within 1 year	14,881	10,557
Between 1 to 3 years	17,929	12,010
Between 3 to 5 years	3,283	–
	36,093	22,567

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Key management personnel compensation

The remuneration of directors of the Company and other members of key management personnel during the period was as follows:

	Six months ended 30 September	
	2020 HK\$' 000 (unaudited)	2019 HK\$' 000 (unaudited)
Short-term benefits	4,947	4,947
Post-employment benefits	36	36
	4,983	4,983

17. CONTINGENT LIABILITIES

As at 30 September 2020, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$36.4 million (31 March 2020: HK\$60.4 million). The performance bonds as at 30 September 2020 were expected to be released in accordance with the terms of the respective construction contracts.

18. ULTIMATE HOLDING COMPANY

Management considers Vic Group Holdings Limited as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and wholly owned by Mr. Chow.

19. EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2020 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a specialist foundation contractor and focuses on design-and-build foundation projects in the Hong Kong private sector. Our projects involve different types of construction works, such as piling construction, ELS works, pile cap construction and general building works in Hong Kong and Macau, and leasing of construction machinery.

For the six months ended 30 September 2020 (the “Current Period”), the Group recorded revenue of approximately HK\$210.4 million as compared to revenue of approximately HK\$175.9 million for the six months ended 30 September 2019 (the “Last Period”).

Revenue contributed from construction works projects which we were acting as main contractor has increased from approximately 96.4% in the Last Period to approximately 99.9% in the Current Period.

The amount of backlog revenue at 30 September 2020 was approximately HK\$104.7 million (31 March 2020: HK\$280.1 million).

Foundation Works and Ancillary Services

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

During the six months ended 30 September 2020, there were 10 projects (six months ended 30 September 2019: 11 projects) contributing revenue of approximately HK\$198.7 million (six months ended 30 September 2019: HK\$175.9 million) to the Group. Despite the number of projects contributing revenue to the Group in the Current Period was lower than that in the Last Period, revenue was higher due to a number of sizable projects which were in the mature stages of construction, which contributed a large portion of their contract values to the revenue in the current period accordingly.

Leasing of construction machinery

Leasing of construction machinery business mainly include the rental of our construction machinery according to the requirements of the customers.

During the six months ended 30 September 2020, the revenue derived from our construction machinery rental amounted to approximately HK\$11.7 million (six months ended 30 September 2019: HK\$1.7 million), accounting for approximately 5.6% of our total revenue. The increase in revenue in construction machinery rental income of the Group was mainly due to the expansion of the leasing of construction machinery business during the Current Period.

Revenue

Our revenue increased by approximately HK\$34.5 million, or 19.6%, from approximately HK\$175.9 million for the Last Period to approximately HK\$210.4 million for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$3.6 million, or 16.5% from approximately HK\$21.7 million for the Last Period to approximately HK\$18.1 million for the Current Period. Our gross profit margin decreased by approximately 3.7%, from approximately 12.3% for the Last Period to approximately 8.6% for the Current Period.

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

Other income and gains

Our other income and gains increased by approximately HK\$1.4 million from approximately HK\$2.9 million for the Last Period to approximately HK\$4.3 million for the Current Period, which was mainly attributable to the receipt and recognition of a Government grant under the Employment Support Scheme launched by the HKSAR Government of approximately HK\$1.7 million for the Current Period; increase of approximately HK\$1.6 million from the maintenance income from machinery and equipment and labour provision services from HK\$nil for the Last Period to approximately HK\$1.6 million for the Current Period; and partially offset by the decrease in machinery rental income of approximately HK\$1.7 million from the Last Period, in which the machinery rental income for the Current Period is presented as revenue.

Other Administrative Expenses

Our administrative expenses increased by approximately HK\$0.2 million, or approximately 2.4% from approximately HK\$5.4 million for the Last Period to approximately HK\$5.6 million for the Current Period.

Finance Costs, net

Our finance costs, net increased by HK\$0.3 million, or 8.7%, from approximately HK\$3.9 million for the Last Period to approximately HK\$4.2 million for the Current Period.

Profit For the Period

Based on the above factors, profit and total comprehensive income attributable to equity holders of the Company decreased by approximately HK\$1.8 million, or approximately 14.9%, from approximately HK\$12.3 million for the Last Period to approximately HK\$10.5 million for the Current Period.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through retained profits and borrowings.

As at 30 September 2020, the capital structure of the Group consisted of equity of approximately HK\$323.0 million (31 March 2020: HK\$312.5 million) and borrowings of approximately HK\$79.3 million (31 March 2020: HK\$108.0 million). For details, please refer to the paragraph headed "Bank borrowings" below.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Position and Fund Available

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

As at 30 September 2020, our cash and cash equivalents were approximately HK\$15.4 million (31 March 2020: HK\$19.4 million). The Group also had nil restricted bank balances (31 March 2020: HK\$3.2 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 30 September 2020, the current ratio of the Group was approximately 2.2 times (31 March 2020: 1.9 times).

Bank borrowings

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

(a) The maturity of borrowings is as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Within 1 year	77,803	104,984
Between 1 and 2 years	1,540	3,033
	79,343	108,017

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

	At 30 September 2020 (unaudited)	At 31 March 2020 (audited)
Long-term bank loans	3.91%	3.50%
Short-term bank loans	3.75%	3.86%

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 30 September 2020, the Group's gearing ratio was approximately 24.6% (31 March 2020: 34.6%), calculated as the bank borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

Net Current Assets

As at 30 September 2020, the Group had net current assets of approximately HK\$206.4 million (31 March 2020: HK\$198.7 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group's operations during the period.

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

Capital Expenditures

The Group's capital expenditures for the Current Period amounted to approximately HK\$1.0 million (six months ended 30 September 2019: HK\$25.0 million), which was incurred due to the purchase of machinery and equipment.

Interim Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six month periods ended 30 September 2020 and 2019. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

As at 30 September 2020, the Group had a total of 69 employees (31 March 2020: 51). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2020 were approximately HK\$14.4 million (six months ended 30 September 2019: HK\$19.8 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

During the six months ended 30 September 2020, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

As at 30 September 2020, the Group did not have any capital commitments contracted but not provided for.

Contingent Liabilities

As at 30 September 2020, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$36.4 million (31 March 2020: HK\$60.4 million). The performance bonds as at 30 September 2020 were expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 30 September 2020, machinery and equipment with carrying amount of approximately HK\$14.4 million (31 March 2020: HK\$15.5 million) were pledged for the Group's bank borrowings.

As at 30 September 2020, banking facilities were granted to the Group in respect of the specific projects, with an aggregate amount of approximately HK\$89.0 million (31 March 2020: HK\$119.9 million) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$10.5 million (31 March 2020: Nil), of which approximately HK\$37.2 million (31 March 2020: HK\$40.6 million) of the banking facilities had not yet been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 30 September 2020, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK\$7.8 million (31 March 2020: HK\$7.8 million) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK\$7.2 million (31 March 2020: HK\$7.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Significant Investments

The Group has no significant investment held as at 30 September 2020.

Future Plans for Material Investments or Capital Assets

The Group did not have other plans for material investments and capital assets as at 30 September 2020.

Use of Net Proceeds

The net proceeds of the share offer of the Company's shares for Listing in 2017 was approximately HK\$82.7 million, after deducting the listing expenses borne by the Company. Such net proceeds have been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the Share Offer" of the prospectus of the Company dated 12 December 2017 and the announcement of the Company dated 9 September 2020.

Up to 30 September 2020, the net proceeds were used as follows:

	Net proceeds HK\$'million	Actual usage up to 30 September 2020 HK\$'million	Unutilised amount at 30 September 2020 HK\$'million
Take out of surety bond	34.0	34.0	–
Purchase of machinery	17.4	17.4	–
Repayment of bank loan	20.3	20.3	–
Strengthen of design team	2.6	2.6	–
Purchase of software	0.1	0.1	–
General working capital	8.3	8.3	–
	82.7	82.7	–

Events after the Reporting Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2019 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in 2020 with a reduction in the number of foundation contracts in both the public and private sectors. Our business has been primarily focused in the Hong Kong private sector but the reduction of foundation contracts has led to enhanced competition in the industry, affecting our tender prices and therefore reduced the award prices of the projects.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the uncertain economic environment. As a result, the construction market has become highly competitive with the decrease in number of development projects, which has resulted in shrinking profit margin.

With the outbreak of COVID-19 (the “Epidemic”), the spread of the disease has created a challenging operating environment worldwide. In view of the uncertainty brought by the Epidemic to the macroeconomic environment, the Group will continue to monitor the evolving situation, including Government guidance and measures initiated, in order to enable the Group to position itself well in the market. We will continue to focus on “design and build” projects and maintaining a strong financial position to meet the requirements of future potential projects.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
Mr. Chow Kwok Chun	Interest in a controlled corporation	Long position	210,000,000	52.5	1
Mr. Tsang Hing Kuen	Interest in a controlled corporation	Long position	90,000,000	22.5	2

Note:

- The 210,000,000 shares are held through Vic Group Holdings Limited ("VGH"), which is wholly-owned by Mr. Chow Kwok Chun.
- The 90,000,000 shares are held through On Group Holdings Limited ("OGH"), which is wholly-owned by Mr. Tsang Hing Kuen.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Long position/ short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Chow Kwok Chun	VGH	Beneficial owner	Long position	1 share	100%
Mr. Tsang Hing Kuen	OGH	Beneficial owner	Long position	1 share	100%

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
VGH	Beneficial owner	Long position	210,000,000	52.5	1
OGH	Beneficial owner	Long position	90,000,000	22.5	2
Ms. Hon Yuk Hung	Interest of spouse	Long position	210,000,000	52.5	3
Ms. Lee Siu Fong	Interest of spouse	Long position	90,000,000	22.5	4

Note:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.
2. OGH is wholly-owned by Mr. Tsang Hing Kuen.
3. Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.
4. Ms. Lee Siu Fong is the spouse of Mr. Tsang Hing Kuen. Ms. Lee Siu Fong is deemed to be interested in all the Shares which are interested by Mr. Tsang Hing Kuen by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 September 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 September 2020.

COMPLIANCE WITH MODEL CODE

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the six months ended 30 September 2020 and up to the date of this interim report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 November 2017. The principal terms of the Share Option Scheme is summarised in Directors' report to the annual report 2020. The main purpose of the Share Option Scheme is to recognise and acknowledge the contributions eligible participants (including, among others, any employees, directors, advisers and related entities of the Group) have or may have made to the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 30 November 2017.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float under the Listing Rules during the six months ended 30 September 2020 and up to the date of this interim report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. Tse Ka Ching Justin (chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang.

The Group's unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 have not been audited by the Company's independent auditor, but have been reviewed by the Audit Committee. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By Order of the Board
Vicon Holdings Limited
Chow Kwok Chun
Chairman

Hong Kong, 30 November 2020