

INTERIM REPORT 2021

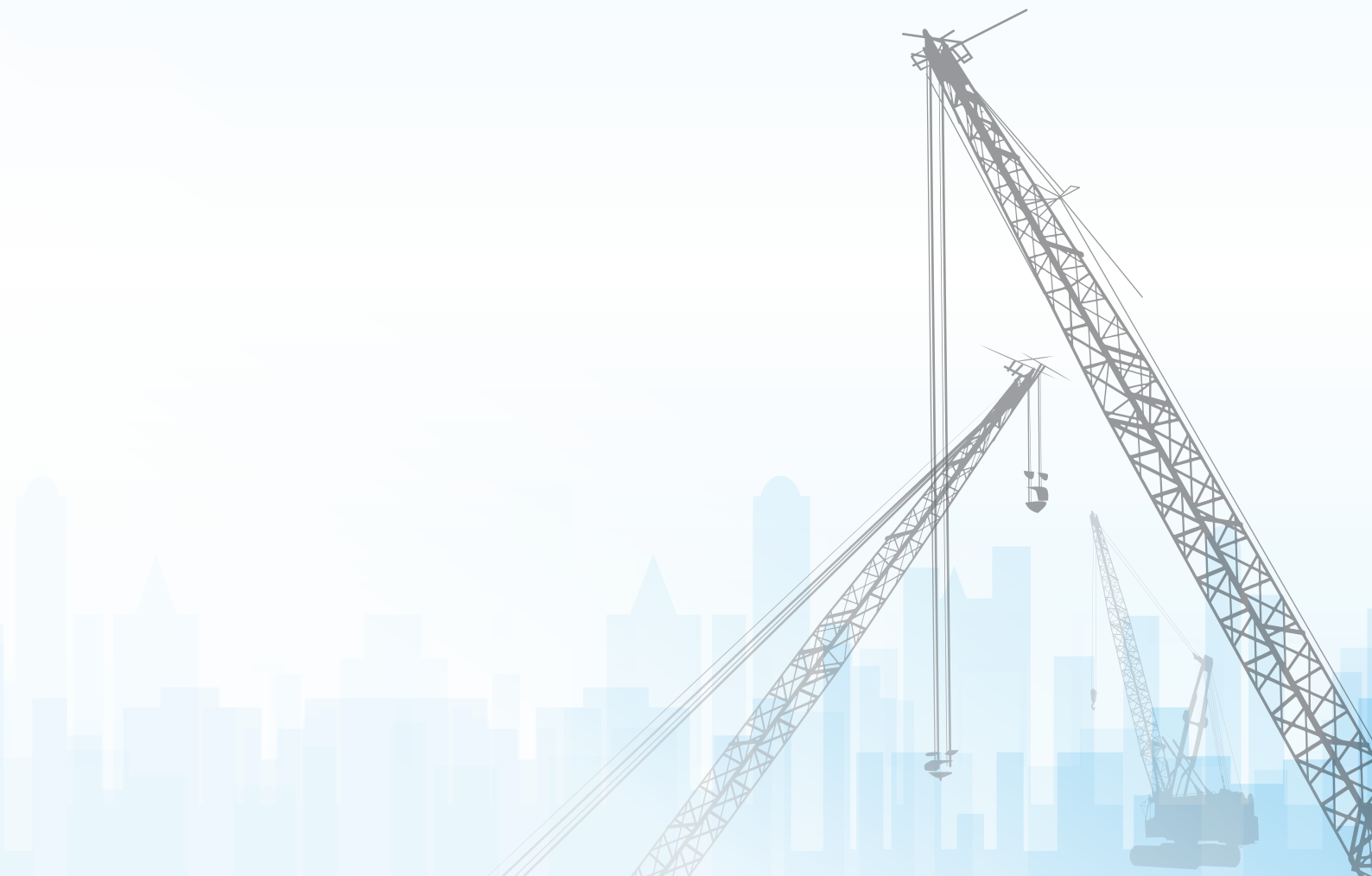


VICON

VICON HOLDINGS LIMITED

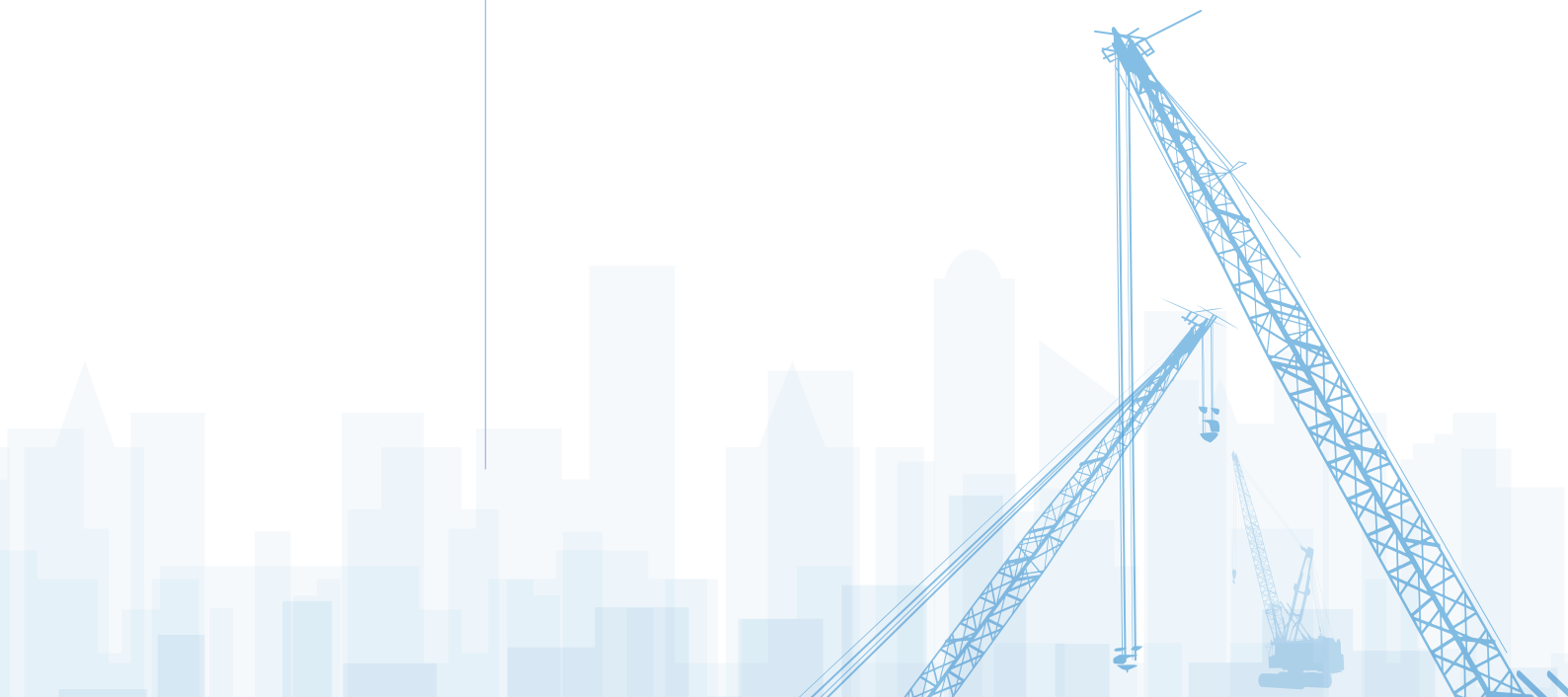
(Incorporated in the Cayman Islands with limited liability)

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. Liu Jin Fai (resigned on 27 September 2021)

Independent Non-executive Directors

Mr. Ip Ka Ki
Professor Kuang Jun Shang
(resigned on 27 September 2021)
Mr. Tse Ka Ching Justin
Mr. Chan Wai Kit (appointed on 27 September 2021)

BOARD COMMITTEES

Audit Committee

Mr. Tse Ka Ching Justin (*Chairman*)
Mr. Ip Ka Ki
Professor Kuang Jun Shang
(resigned on 27 September 2021)
Mr. Chan Wai Kit (appointed on 27 September 2021)

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
(resigned on 27 September 2021)
Mr. Chan Wai Kit (appointed on 27 September 2021)

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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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

PRINCIPAL BANKS

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

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 2021

	Note	Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	59,635	210,389
Cost of sales		(54,786)	(192,304)
Gross profit		4,849	18,085
Other income, net	5	1,105	4,275
Other administrative expenses		(20,750)	(5,567)
Operating (loss)/profit		(14,796)	16,793
Finance income	7	–	2
Finance costs	7	(1,761)	(4,233)
Finance costs, net	7	(1,761)	(4,231)
(Loss)/profit before income tax	6	(16,557)	12,562
Income tax credit/(expense)	8	1,830	(2,073)
(Loss)/profit for the period		(14,727)	10,489
Other comprehensive income		–	–
(Loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company		(14,727)	10,489
Basic and diluted (loss)/earnings per share (HK cents)	10	(3.50)	2.62

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

	Note	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	116,633	132,513
Prepayments and deposits		7,425	7,294
Deferred income tax assets		1,155	–
		125,213	139,807
Current assets			
Trade and retention receivables	13	40,770	55,322
Prepayments, deposits and other receivables		3,775	4,760
Contract assets	14	204,961	189,387
Income tax recoverable		23	1,162
Cash and cash equivalents		19,604	14,609
		269,133	265,240
Total assets		394,346	405,047
EQUITY			
Capital and reserve			
Share capital		4,796	4,000
Reserves		260,869	257,029
Total equity		265,665	261,029
LIABILITIES			
Non-current liabilities			
Lease liabilities	12	18,823	26,508
Deferred income tax liabilities		3,858	4,533
		22,681	31,041
Current liabilities			
Trade and retention payables	15	54,759	37,873
Other payables and accruals	15	2,349	4,301
Contract liabilities	14	8,188	4,262
Lease liabilities	12	17,874	18,138
Borrowings		22,830	48,403
		106,000	112,977
Total liabilities		128,681	144,018
Total equity and liabilities		394,346	405,047

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	4,000	104,742	30,000	122,287	261,029
Proceeds from placing of new shares	796	19,104	–	–	19,900
Issuing expenses of placing of new shares	–	(537)	–	–	(537)
Loss and total comprehensive loss for the period (unaudited)	–	–	–	(14,727)	(14,727)
At 30 September 2021 (unaudited)	4,796	123,309	30,000	107,560	265,665
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cash flows from operating activities		
Profit before taxation	(16,557)	12,562
Adjustments for:		
– Depreciation	10,861	12,188
– Gain on disposal of machinery and equipment	(901)	(149)
– Changes in cash surrender value of key management life insurance contract	(131)	(137)
– Interest expenses	1,761	4,233
– Interest income	–	(2)
	(4,967)	28,695
Changes in working capital		
Decrease/(Increase) in trade and retention receivables	14,552	(8,847)
Decrease in prepayments, deposits and other receivables	985	5,191
(Increase)/Decrease in contract assets	(15,574)	25,862
Decrease in restricted bank balances	–	3,180
Increase in contract liabilities	3,926	2,156
Increase/(Decrease) in trade and retention payables	16,886	(16,421)
Decrease in other payables and accruals	(1,952)	(1,472)
Net cash generated from operations	13,856	38,344
Income tax refunded	1,139	–
Net cash generated from operating activities	14,995	38,344
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(1,042)
Proceeds from disposal of machinery and equipment	7,300	517
Interest received	–	2
Net cash generated from/(used in) investing activities	7,300	(523)
Cash flows from financing activities		
Proceeds from placing of new shares	19,900	–
Issuing expenses of placing of new shares	(537)	–
Drawdown of short-term borrowings	–	116,165
Repayment of short-term borrowings	(25,573)	(144,839)
Payments for lease liabilities (including interest element)	(10,401)	(8,904)
Interest paid	(689)	(4,233)
Net cash used in financing activities	(17,300)	(41,811)
Net increase/(decrease) in cash and cash equivalents	4,995	(3,990)
Cash and cash equivalents at 1 April	14,609	19,386
Cash and cash equivalents at 30 September	19,604	15,396

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 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 2021, 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 2021.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2021, 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 2021

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from construction contracts	58,066	198,710
Revenue from leasing of construction machinery	1,569	11,679
	59,635	210,389

(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.

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 2021

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 2021 (unaudited)

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	58,066	1,569	59,635
Segment results	4,009	840	4,849
Unallocated other income, net			1,105
Unallocated expenses			(10,618)
Unallocated depreciation			(10,132)
Finance costs, net			(1,761)
Loss before income tax			(16,557)
Income tax credit			1,830
Loss for the period			(14,727)
Included in segment results are:			
Depreciation	–	(729)	(729)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)**(b) Segment information (Continued)****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, net			4,275
Unallocated expenses			(4,453)
Unallocated depreciation			(1,114)
Finance costs, net			(4,231)
Profit before income tax			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)

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 2021

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

(a) Revenue from external customers

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong	59,635	210,389

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

(b) Non-current assets

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
	Hong Kong	125,213

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 2021

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

For the six months ended 30 September 2021, there were 4 customers (2020: 2 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A	31,168	N/A
Customer B	12,844	176,313
Customer C	7,377	N/A
Customer D	6,301	N/A

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

5. OTHER INCOME, NET

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Government grant under the Employment Support Scheme	–	1,711
Gain on disposal of property, plant and equipment	901	149
Others	204	2,415
	1,105	4,275

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(Loss)/profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	10,861	12,188
Lease expenses relating to short-term lease of machineries and equipment	–	1,497
Staff costs:		
– Directors' emoluments	2,816	5,223
– Other staff costs:		
Salaries and other benefits	3,878	9,119
Retirement benefit scheme contributions	102	360
Total staff costs	6,796	14,702

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Finance income:		
– Interest income on bank deposits	–	2
Finance costs:		
– Interest expenses on bank borrowings	(689)	(2,696)
– Interest expenses on lease liabilities	(1,072)	(1,537)
Finance costs, net	(1,761)	(4,231)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

8. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credited)/charged to profit or loss represents:

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong profits tax		
– Current income tax	–	2,073
– Deferred income tax	(1,830)	–
	(1,830)	2,073

No provision for Hong Kong profits tax is provided as the Company and its subsidiaries do not have assessable profits during the six months ended 30 September 2021.

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.

9. INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

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

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2021 (unaudited)	2020 (unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(14,727)	10,489
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	421,314	400,000
Basic (loss)/earnings per share (HK cents)	(3.50)	2.62

(b) Diluted

Diluted (loss)/earnings per share is the same as the basic (loss)/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 2021

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 2021 (audited)								
Cost	122,865	1,903	1,497	80,031	3,000	315	120	209,731
Accumulated depreciation	(38,017)	(1,903)	(1,497)	(33,223)	(2,143)	(315)	(120)	(77,218)
Net book amount	84,848	-	-	46,808	857	-	-	132,513
Six months ended 30 September 2021 (unaudited)								
Opening net book amount	84,848	-	-	46,808	857	-	-	132,513
Additions	1,380	-	-	-	-	-	-	1,380
Depreciation	(6,497)	-	-	(4,134)	(230)	-	-	(10,861)
Disposals	(6,399)	-	-	-	-	-	-	(6,399)
Modification of lease	(3,670)	-	-	3,670	-	-	-	-
Closing net book amount	69,662	-	-	46,344	627	-	-	116,633
As at 30 September 2021 (unaudited)								
Cost	105,380	1,903	1,497	86,935	3,000	315	120	199,150
Accumulated depreciation	(35,718)	(1,903)	(1,497)	(40,591)	(2,373)	(315)	(120)	(82,517)
Net book amount	69,662	-	-	46,344	627	-	-	116,633
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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Right-of-use assets		
Office premises and warehouse	2,248	2,450
Plant and machinery	67,414	82,398
	69,662	84,848
Lease liabilities		
Non-current		
– Office premises and warehouse	–	299
– Plant and machinery	18,823	26,209
	18,823	26,508
Current		
– Office premises and warehouse	2,505	2,244
– Plant and machinery	15,369	15,894
	17,874	18,138
Total lease liabilities	36,697	44,646

Additions to right-of-use assets during the six months ended 30 September 2021 was approximately HK\$1.4 million (31 March 2021: HK\$4.9 million).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets	1,581	1,543
Interest expense on lease liabilities (Note 7)	(1,072)	(1,537)
Lease expenses relating to short-term lease of machineries and equipment (Note 6)	–	259

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 2021 were approximately HK\$9.8 million (six months ended 30 September 2020: HK\$8.9 million) and HK\$nil (six months ended 30 September 2020: 0.3 million), respectively.

13. TRADE AND RETENTION RECEIVABLES

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Trade receivables	8,954	23,590
Less: loss allowance	(408)	(408)
	8,456	23,182
Retention receivables	32,231	32,147
Less: loss allowance	(7)	(7)
	32,224	32,140
Trade and retention receivables	40,770	55,322

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 2021

13. TRADE AND RETENTION RECEIVABLES (Continued)

At 30 September 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited) (restated)
1 to 30 days	2,022	9,556
31 to 60 days	–	2,295
61 to 90 days	–	995
91 to 180 days	–	9,140
181 to 365 days	6,305	783
1 to 2 years	219	413
	8,546	23,182

At 30 September 2021, the ageing analysis of the retention receivables based on invoice date is as follows:

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Within 1 year	2,071	9,583
Between 1 to 2 years	12,025	8,902
Between 2 to 5 years	18,128	13,655
	32,224	32,140

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Contract assets		
Provision of Construction Services	227,545	211,971
Less: Provision for impairment of contract assets	(22,584)	(22,584)
	204,961	189,387
Contract liabilities		
Provision of Construction Services	8,188	4,262

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 six months ended 30 September 2021 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	3,351

(c) Unsatisfied performance obligations

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

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 30 September/31 March	149,017	7,299

Management expects that the transaction prices regarding the unsatisfied contracts as of 30 September 2021 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 2021

15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Trade payables	32,231	9,088
Retention payables	22,528	28,785
Trade and retention payables	54,759	37,873
Other payables and accruals	2,349	4,301
	57,108	42,174

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

At 30 September 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
1 to 30 days	32,231	9,088

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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Within 1 year	2,225	9,333
Between 1 to 3 years	20,303	19,452
	22,528	28,785

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	2,520	4,947
Post-employment benefits	24	36
	2,544	4,983

17. CONTINGENT LIABILITIES

As at 30 September 2021, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$3.4 million (31 March 2021: HK\$5.7 million). The performance bonds as at 30 September 2021 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

CCTH CPA Limited was, subject to audit engagement acceptance procedures, appointed as the auditor of the Company on 19 November 2021 to fill the casual vacancy following the resignation of PricewaterhouseCoopers on 19 November 2021. Details of the change of auditor were set out in the announcement of the Company dated 19 November 2021. Save as disclosed, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2021 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 2021 (the “Current Period”), the Group recorded revenue of approximately HK\$59.6 million as compared to revenue of approximately HK\$210.4 million for the six months ended 30 September 2020 (the “Last Period”).

The decrease for the Current Period was primarily driven by the decline in revenue from the construction works segment for the reasons detailed below.

Revenue contributed from projects which we were acting as main contractor has decreased from approximately 99.9% in the Last Period to approximately 56.4% in the Current Period.

The amount of backlog revenue at 30 September 2021 was approximately HK\$149.0 million (31 March 2021: HK\$7.3 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 2021, there were 12 projects (six months ended 30 September 2020: 10 projects) contributing revenue of approximately HK\$58.1 million (six months ended 30 September 2020: HK\$198.7 million) to the Group.

The decrease in revenue was primarily because (i) certain projects with relatively larger contract sums were completed in the year ended 31 March 2021 and certain new projects undertaken in the Current Period are with lower contract sums; and (ii) substantial decrease in the number of tenders for foundation works and the keener competition of the market.

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 2021, the revenue derived from our leasing of construction machinery amounted to approximately HK\$1.6 million (six months ended 30 September 2020: HK\$11.7 million), representing approximately 2.6% of (six months ended 30 September 2020: 5.6%) our total revenue. The decrease in revenue from leasing of construction machinery of the Group was mainly due to the decrease in the number of machinery rented out during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue decreased by approximately HK\$150.8 million, or approximately 71.7%, from approximately HK\$210.4 million for the Last Period to approximately HK\$59.6 million for the Current Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$13.3 million, or approximately 73.2% from approximately HK\$18.1 million for the Last Period to approximately HK\$4.8 million for the Current Period. Our gross profit margin decreased by approximately 0.5%, from approximately 8.6% for the Last Period to approximately 8.1% for the Current Period.

The decrease in gross profit margin was mainly attributable to the combined effects of the following factors:

1. the outbreak of COVID-19 pandemic have reduced the number of construction works available in the market, in particular from the private sector or the target market area of the Group, which has led to fierce competition resulting in a decline in the Group's revenue and gross profit in the Current Period;
2. the lower contract sum of some of the Group's projects completed during the Current Period; and
3. management took a prudent approach by applying less aggressive pricing in its tender submissions to account for high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, leading to less competitive tender prices and a resulting reduction in the number of sizeable projects awarded during the Current Period.

Other Income, net

Our other income, net decreased by approximately HK\$3.2 million from approximately HK\$4.3 million for the Last Period to approximately HK\$1.1 million for the Current Period, which was mainly attributable to the one off 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 last Period and the decrease of approximately HK\$1.6 million from the maintenance income from machinery and equipment and labour provision services of approximately HK\$1.6 million for the Last Period to approximately HK\$nil for the Current Period.

Other Administrative Expenses

Our administrative expenses increased by approximately HK\$15.2 million from approximately HK\$5.6 million for the Last Period to approximately HK\$20.8 million for the Current Period. The increase in other administrative expenses was mainly attributable to i) the increase in staff costs to approximately HK\$6.8 million for staff not directly participating to our construction projects, in which the corresponding staff costs of HK\$0.3 million was recorded as administrative expenses for the Last Period; and ii) the increase of unallocated depreciation of our machinery and equipment not used in our construction projects from approximately HK\$1.1 million for the Last Period to approximately HK\$10.1 million for the Current Period.

Finance Costs, net

Our finance costs, net decreased by approximately HK\$2.4 million, or 58.4%, from approximately HK\$4.2 million for the Last Period to approximately HK\$1.8 million for the Current Period. Such decrease was mainly due to the repayments of borrowings during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(Loss)/profit For the Period

Based on the above factors, (loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company deteriorated by approximately HK\$25.2 million, from a profit of approximately HK\$10.5 million for the Last Period to a loss of approximately HK\$14.7 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 2021, the capital structure of the Group consisted of equity of approximately HK\$265.7 million (31 March 2021: HK\$261.0 million) and borrowings of approximately HK\$22.8 million (31 March 2021: HK\$48.4 million). For details of the borrowings, please refer to the paragraph headed “Bank borrowings” below.

On 26 July 2021, 79,600,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.25 per placing share by way of placing under general mandate (the “Placing”). The share capital of the Group only comprises ordinary shares.

As at 30 September 2021, the Company had 479,600,000 ordinary shares in issue and the Company’s issued share capital was HK\$4,790,000.

For details in relation to the Placing, please refer to the paragraph headed “Placing under General Mandate” below and the announcements of the Company dated 26 July 2021 and 13 August 2021.

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 2021, our cash and cash equivalents were approximately HK\$19.6 million (31 March 2021: HK\$14.6 million).

As at 30 September 2021, the current ratio of the Group was approximately 2.5 times (31 March 2021: 2.3 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 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Within 1 year	22,830	48,403

MANAGEMENT DISCUSSION AND ANALYSIS

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

	At 30 September 2021 (unaudited)	At 31 March 2021 (audited)
Short-term bank loans	3.01%	3.69%

Gearing Ratio

As at 30 September 2021, the Group's gearing ratio was approximately 8.6% (31 March 2021: 18.5%), 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 2021, the Group had net current assets of approximately HK\$163.1 million (31 March 2021: HK\$152.3 million). The increase in net current assets position was mainly attributable to the increase in share capital, offset by the net loss incurred 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 did not have any capital expenditures for the Current Period (six months ended 30 September 2020: HK\$1.0 million), in which the capital expenditures for the Last Period 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 2021 (six months ended 30 September 2020: 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 2021 and 2020. 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 2021, the Group had a total of 20 employees (31 March 2021: 23). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2021 were approximately HK\$6.8 million (six months ended 30 September 2020: HK\$14.7 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 2021, 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 2021, the Group did not have any capital commitments contracted but not provided for.

Contingent Liabilities

As at 30 September 2021, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$3.4 million (31 March 2021: HK\$5.7 million). The performance bonds as at 30 September 2021 were expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 30 September 2021, the Group did not have any machinery and equipment (31 March 2021: carrying amount of HK\$13.2 million) pledged for the Group's bank borrowings upon the repayment of the respective borrowings.

As at 30 September 2021, there were no project-specific financing granted to the Group.

As at 31 March 2021, banking facilities were granted to the Group in respect of the specific projects, with an aggregate amount of approximately HK\$89.0 million were guaranteed by the Company of which approximately HK\$66.4 million of the banking facilities had not yet been utilised. These banking facilities could only be used for project-specific financing which would be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 30 September 2021, 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 2021: 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\$7.4 million (31 March 2021: HK\$7.3 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

The Group has no significant investment held as at 30 September 2021.

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 2021.

PLACING UNDER GENERAL MANDATE

On 26 July 2021, the Company entered into a placing agreement with ChaoShang Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as placing agent (the “Placing Agent”), pursuant to which the Company agreed to issue and the Placing Agent agreed to place up to 79,600,000 new ordinary shares of the Company to not less than six placees at the Placing price of HK\$0.25 per Placing share. After deducting the expenses involved in the Placing, the net issue price of each Placing share was approximately HK\$0.24. The Placing was completed on 13 August 2021 and the Placing Agent successfully placed an aggregate of 79,600,000 Placing shares, representing approximately 16.6% of the issued share capital of the Company as enlarged by the issue of the 79,600,000 Placing shares, to not less than six independent placees at the Placing Price of HK\$0.25 per Placing share.

The gross and net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK\$19.9 million and HK\$19.4 million respectively, which were intended to be used for the general working capital of the Group.

USE OF PROCEEDS FROM PLACING UNDER GENERAL MANDATE

The net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing was approximately HK\$19.4 million. During the six months ended 30 September 2021, the Company had applied part of the net proceeds for general working capital purposes according to the disclosure as set out in the announcement dated 26 July 2021.

An analysis of the utilisation of the net proceeds from the Placing as at 30 September 2021 is set out below:

	Planned use of net proceeds as stated in the Announcement (HK\$'000)	Actual use of net proceeds up to 30 September 2021 (HK\$'000)	Net proceeds utilised during the six months ended 30 September 2021 (HK\$'000)	Unutilised net proceeds as at 30 September 2021 (HK\$'000)	Expected timeline for intended use of net proceeds
General working capital	19,363	16,350	16,350	3,013	By end of the year ending 31 March 2022
Total	19,363	16,350	16,350	3,013	

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2021, net proceeds of approximately HK\$3.0 million had not yet been utilised and was deposited into licensed banks in Hong Kong. The Group will continue to apply the above unutilised net proceeds for its general working capital.

FUTURE PROSPECTS

The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in 2021 with a reduction in the number of foundation contracts in the private sector. 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.

With the high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, management took a prudent approach by applying less aggressive pricing in its tender submissions leading to less competitive tender prices and a resulting reduction in the number of sizeable projects awarded during the Current Period.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the uncertain economic and property market environment. As a result, the construction market is expected to remain highly competitive with a decrease in the number of development projects, resulting in shrinking profit margins. 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 sizeable projects and to strengthen costs control measures in order to generate stable revenue and to reduce direct costs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2021, 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	200,000,000	41.7	1

Note:

- The 200,000,000 shares are held through Vic Group Holdings Limited ("VGH"), which is wholly-owned by Mr. Chow Kwok Chun.

(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%

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 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2021, 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	200,000,000	41.7	1
Ms. Hon Yuk Hung	Interest of spouse	Long position	200,000,000	41.7	2

Note:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.
2. 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.

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 2021.

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 2021.

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 2021.

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 2021 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 2021. 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 2021.

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 2021 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 Mr. Chan Wai Kit.

The Group's unaudited condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021