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VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2022)

- Revenue was approximately HK\$156.6 million (2021: HK\$254.6 million)
- Gross profit was approximately HK\$46.3 million (2021: gross loss of HK\$36.6 million)
- Loss for the year attributable to owners of the Company was approximately HK\$24.6 million (2021: loss of HK\$51.5 million)
- Basic and diluted loss per share was approximately HK5.45 cents per share (2021: loss of HK12.88 cents per share)

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Vicon Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2022 (“FY2022” or “Current Year”), together with the comparative figures for the year ended 31 March 2021 (“FY2021” or “Last Year”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	156,594	254,625
Cost of sales		<u>(110,299)</u>	<u>(291,264)</u>
Gross profit/(loss)		46,295	(36,639)
Other (loss)/income, net		(1,113)	5,826
Impairment losses on financial assets		(33,919)	(10,091)
Other administrative expenses		<u>(36,413)</u>	<u>(9,050)</u>
Operating loss		<u>(25,150)</u>	<u>(49,954)</u>
Finance income		–	2
Finance costs		<u>(2,649)</u>	<u>(6,604)</u>
Finance costs, net		<u>(2,649)</u>	<u>(6,602)</u>
Loss before income tax		(27,799)	(56,556)
Income tax credit	4	<u>3,238</u>	<u>5,047</u>
Loss for the year		(24,561)	(51,509)
Other comprehensive income		<u>–</u>	<u>–</u>
Loss and total comprehensive loss attributable to owners of the Company		<u>(24,561)</u>	<u>(51,509)</u>
		2022 <i>HK cents</i>	2021 <i>HK cents</i>
Loss per share	5		
Basic		(5.45)	(12.88)
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current Assets			
Property, plant and equipment		82,110	132,513
Financial assets at fair value through profit or loss		7,527	7,294
		89,637	139,807
Current Assets			
Trade and retention receivables	7	81,113	55,322
Prepayments, deposits and other receivables		3,344	4,760
Contract assets	8	135,619	189,387
Income tax recoverable		–	1,162
Cash and cash equivalents		25,477	14,609
		245,553	265,240
Current Liabilities			
Trade and retention payables	9	45,915	37,873
Other payables and accruals		8,233	4,301
Contract liabilities	8	622	4,262
Lease liabilities		8,946	18,138
Borrowings		7,830	48,403
Income tax payable		214	–
		71,760	112,977
Net Current Assets		173,793	152,263
Total Assets less Current Liabilities		263,430	292,070
Non-current Liabilities			
Lease liabilities		6,518	26,508
Deferred income tax liabilities		1,081	4,533
		7,599	31,041
Net Assets		255,831	261,029
Equity			
Share capital	10	4,796	4,000
Reserves		251,035	257,029
Equity attributable to Owners of the Company		255,831	261,029

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services and leasing of construction machinery in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars "HK\$", unless otherwise stated and were approved for issue on 29 June 2022.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), a collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are measured at fair value at the end of the reporting period.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

The application of the aforesaid amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the revenue from construction contracts for foundation works and general building works and leasing of construction machinery in the ordinary course of business. Revenue recognised are as follows:

	2022 HK\$’000	2021 <i>HK\$’000</i>
Foundation works and ancillary services	138,233	218,618
Leasing of construction machinery	18,361	36,007
	156,594	254,625

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider that the Group has two reportable operating segments, as follows:

- Construction works; and
- Leasing of construction machinery

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The accounting policies of the reportable 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 executive directors with respect to the resource allocation and performance assessment.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except for cash and bank balances, income tax recoverable and other corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except for income tax payable, deferred tax liabilities, borrowings and certain corporate liabilities.

(i) **Segment revenue and results**

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

For the year ended 31 March 2022

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	<u>138,233</u>	<u>18,361</u>	<u>156,594</u>
Segment profit	<u><u>4,713</u></u>	<u><u>7,663</u></u>	<u>12,376</u>
Unallocated other loss, net			(1,113)
Unallocated expenses			(23,283)
Unallocated depreciation			(13,130)
Finance costs, net			<u>(2,649)</u>
Loss before income tax			(27,799)
Income tax credit			<u>3,238</u>
Loss for the year			<u><u>(24,561)</u></u>
Included in segment profit are:			
Depreciation	–	(6,916)	(6,916)
Impairment losses on financial assets	<u>(30,601)</u>	<u>(3,318)</u>	<u>(33,919)</u>

For the year ended 31 March 2021

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	<u>218,618</u>	<u>36,007</u>	<u>254,625</u>
Segment (loss)/profit	<u><u>(71,905)</u></u>	<u><u>25,175</u></u>	<u>(46,730)</u>
Unallocated other income and gains			5,826
Unallocated expenses			(7,230)
Unallocated depreciation			(1,820)
Finance costs, net			<u>(6,602)</u>
Loss before income tax			(56,556)
Income tax credit			<u>5,047</u>
Loss for the year			<u><u>(51,509)</u></u>
Included in segment (loss)/profit are:			
Depreciation	(10,198)	(12,083)	(22,281)
Impairment losses on financial assets	<u>(9,676)</u>	<u>(415)</u>	<u>(10,091)</u>

(ii) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments.

Assets

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2022			
Segment assets	<u>256,581</u>	<u>42,262</u>	298,843
Unallocated assets			<u>36,347</u>
Total assets			<u>335,190</u>
Addition to non-current assets			
Segment assets	<u>5,300</u>	<u>–</u>	5,300
Unallocated assets			<u>1,379</u>
Total			<u>6,679</u>
	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2021			
Segment assets	<u>302,746</u>	<u>73,091</u>	375,837
Unallocated assets			<u>29,210</u>
Total assets			<u>405,047</u>
Addition to non-current assets			
Segment assets	<u>3,295</u>	<u>335</u>	3,630
Unallocated assets			<u>2,287</u>
Total			<u>5,917</u>

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Liabilities

	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2022			
Segment liabilities	<u>46,537</u>	<u>–</u>	46,537
Borrowings			7,830
Deferred tax liabilities			1,081
Other unallocated liabilities			<u>23,911</u>
Total liabilities			<u>79,359</u>
	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2021			
Segment liabilities	<u>42,135</u>	<u>–</u>	42,135
Borrowings			48,403
Deferred tax liabilities			4,533
Other unallocated liabilities			<u>48,947</u>
Total liabilities			<u>144,018</u>

(c) **Geographical information**

Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<u>156,594</u>	<u>254,625</u>

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

Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<u>89,637</u>	<u>139,807</u>

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

(d) **Information about major customers**

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	36,589	N/A*
Customer B	31,359	N/A*
Customer C	22,893	177,146
Customer D	22,654	N/A*
Customer E	20,142	N/A*
Customer F	N/A#	25,879

The revenue from customer F for the year ended 31 March 2022 did not exceed 10% of the total revenue of the Group for the year.

* The revenue from customer A, customer B, customer D and customer E for the year ended 31 March 2021 did not exceed 10% of the total revenue of the Group for that year.

4. INCOME TAX CREDIT

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
Hong Kong	-	-
Macau	-	-
	-----	-----
Deferred income tax		
Hong Kong	(3,447)	(4,592)
Macau	-	-
	-----	-----
Under/(over) provision in prior year		
Hong Kong	(5)	(455)
Macau	214	-
	-----	-----
	209	(455)
	-----	-----
	(3,238)	(5,047)

No provision for Hong Kong profits tax and Macau income tax for the years ended 31 March 2022 and 31 March 2021 has been made in the consolidated financial statements as the Group has no assessable profits that are subject to tax in the respective jurisdictions for both of these years.

5. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2022	2021
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(24,561)	(51,509)
Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share (<i>'000</i>)	450,377	400,000
Basic loss per share (<i>HK cents</i>)	<u>(5.45)</u>	<u>(12.88)</u>

(b) Diluted

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both of the years ended 31 March 2022 and 2021.

6. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

7. TRADE AND RETENTION RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	58,845	23,590
Less: loss allowance recognised	<u>(4,306)</u>	<u>(408)</u>
	----- 54,539	----- 23,182
Retention receivables	30,464	32,147
Less: loss allowance recognised	<u>(3,890)</u>	<u>(7)</u>
	----- 26,574	----- 32,140
Trade and retention receivables	<u>81,113</u>	<u>55,322</u>

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.

At 31 March 2022 and 2021, the ageing analysis of the trade receivables, less loss allowance recognised, based on invoice date were as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
1 to 30 days	52,052	9,556
31 to 60 days	–	2,295
61 to 90 days	–	995
91 to 180 days	124	9,140
181 to 365 days	2,080	783
1 to 2 years	283	413
	<u>54,539</u>	<u>23,182</u>

At 31 March 2022 and 2021, the ageing analysis of the retention receivables, less loss allowance recognised, based on invoice date were as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Within 1 year	4,706	9,583
Between 1 to 2 years	5,249	8,902
Between 2 to 5 years	16,619	13,655
	<u>26,574</u>	<u>32,140</u>

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Contract assets		
Provision of construction services	172,999	211,971
Less: Loss allowance recognised	(37,380)	(22,584)
	<u>135,619</u>	<u>189,387</u>
Contract liabilities		
Provision of construction services	622	4,262

9. TRADE AND RETENTION PAYABLES

	2022 HK\$'000	2021 <i>HK\$'000</i>
Trade payables	22,929	9,088
Retention payables	<u>22,986</u>	<u>28,785</u>
	<u>45,915</u>	<u>37,873</u>

The credit period granted by trade creditors was not more than 30 days.

At 31 March 2022 and 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
1 to 30 days	21,155	9,088
1 to 2 years	<u>1,774</u>	<u>–</u>
	<u>22,929</u>	<u>9,088</u>

10. SHARE CAPITAL

	Par value <i>HK\$</i>	Number of ordinary shares <i>'000</i>	Nominal amount of ordinary shares <i>HK\$'000</i>
Authorised:			
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>0.01</u>	<u>1,000,000</u>	<u>10,000</u>
	Par value <i>HK\$</i>	Number of ordinary shares <i>'000</i>	Nominal amount of ordinary shares <i>HK\$'000</i>
Issued and fully paid:			
At 1 April 2020 and 31 March 2021	0.01	400,000	4,000
Issue of shares on placement of shares (<i>Note</i>)	<u>0.01</u>	<u>79,600</u>	<u>796</u>
At 31 March 2022	<u>0.01</u>	<u>479,600</u>	<u>4,796</u>

Note: On 13 August 2021, the Company issued 79,600,000 ordinary shares at HK\$0.25 per share for a total cash consideration of approximately HK\$19,900,000, before expenses, to provide additional working capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For FY2022, the Group recorded revenue of approximately HK\$156.6 million as compared to revenue of approximately HK\$254.6 million for FY2021, which represented a decrease of approximately HK\$98.0 million or 38.5%.

Revenue contributed from projects which we were acting as main contractor decreased to approximately 17% of our total revenue in FY2022 (FY2021: approximately 97%). The decrease in the percentage was because the Group acted as subcontractor in the newly awarded projects, in which the project costs could be monitored with less uncertainty.

The amount of backlog revenue as at 31 March 2022 was approximately HK\$29.5 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 FY2022, there were 14 projects (FY2021: 9 projects) contributing revenue of approximately HK\$138.2 million (FY2021: HK\$218.6 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 Year are with lower contract sums; (ii) substantial decrease in the number of available tenders for foundation works and the resulting keener competition in the market; and (iii) 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 Year.

Leasing of construction machinery

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

During FY2022, the revenue derived from our leasing of construction machinery amounted to approximately HK\$18.4 million (FY2021: HK\$36.0 million), accounting for approximately 11.7% (FY2021: 14.1%) of 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 to our customers upon the completion of their respective construction works during FY2022.

Outlook and prospects

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 December 2017 (the “Listing”). The Listing improved our reputation and provided additional capital to the Group to explore business opportunities.

The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in 2022 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 and 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 FY2022.

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 sizeable projects and to strengthen costs control measures in order to generate stable revenue and to reduce direct costs.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$98.0 million, or approximately 38.5%, from approximately HK\$254.6 million for FY2021 to approximately HK\$156.6 million for FY2022.

The decrease 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 year ended 31 March 2022 are with lower contract sums; (ii) substantial decrease in the number of tenders for foundation works and the keener competition of the market; and (iii) 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 Year.

Cost of Sales

Our direct costs decreased from approximately HK\$291.3 million for FY2021 to approximately HK\$110.3 million for FY2022, representing a decrease of approximately HK\$181.0 million. Such decrease was mainly attributable to the non-occurrence of one off additional cost incurred for subcontractor works arising from the progress delay due to COVID-19 pandemic to catch up the work program of a certain project completed in the Last Year.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$82.9 million, from gross loss approximately HK\$36.6 million for FY2021 to gross profit of approximately HK\$46.3 million for FY2022.

Our gross profit margin changed from a gross loss margin of approximately 14.4% for FY2021 to a gross profit margin of approximately 29.6% for FY2022.

The increase in gross profit was mainly attributable to a decrease in cost of sales driven by the non-occurrence of one off additional cost incurred for subcontractor works arising from the progress delay due to COVID-19 pandemic to catch up the work program of a certain project completed in FY2021.

Other (loss)/income, net

Our other (loss)/income, net decreased by approximately HK\$6.9 million from income of approximately HK\$5.8 million for FY2021 to loss of approximately HK\$1.1 million for FY2022, which was mainly attributable to the loss of disposal of approximately HK\$1.4 million for FY2022, in which a gain of disposal of approximately HK\$1.8 million was recorded for FY2021; and the one off receipt and recognition of a grant under the Employment Support Scheme launched by the HKSAR Government of approximately HK\$3.5 million for FY2021 to approximately HK\$nil for the Current Year.

Impairment losses on financial assets

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK\$33.9 million (FY2021: approximately HK\$10.1 million) made based on the management's latest assessment of risk of default in the Group's financial assets for FY2022.

The increase in impairment losses on financial assets was mainly attributable to unrecoverable amounts from projects completed in prior years.

Other administrative expenses

Our administrative expenses increased by approximately HK\$27.3 million, from approximately HK\$9.1 million for FY2021 to approximately HK\$36.4 million for FY2022. The increase in other administrative expenses was mainly attributable to i) the increase in staff costs to approximately HK\$13.3 million for staff not directly participating to our construction projects, in which the corresponding staff costs of HK\$1.2 million was recorded as administrative expenses for the Last Year; and ii) the increase of unallocated depreciation of our machinery and equipment not used in our construction projects from approximately HK\$1.8 million for the Last Year to approximately HK\$13.1 million for the Current Year.

Finance costs, net

Our finance costs, net decreased by approximately HK\$4.0 million, or approximately 59.9%, from approximately HK\$6.6 million for FY2021 to approximately HK\$2.6 million for FY2022. Such decrease was mainly due to the repayments of certain borrowings and finance leases during FY2022.

Income tax credit

Our income tax credit decreased by approximately HK\$1.8 million, from income tax credit of approximately HK\$5.0 million for FY2021 to income tax credit of approximately HK\$3.2 million for FY2022 due to the combined effect of the factors resulting in the reduction in loss.

Loss and total comprehensive loss attributable to equity holders of the Company

Based on the above factors, loss and total comprehensive loss attributable to equity holders of the Company decreased by approximately HK\$26.9 million, from a loss of approximately HK\$51.5 million for FY2021 to a loss of approximately HK\$24.6 million for FY2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating and investing activities.

As at 31 March 2022, the capital structure of the Group consisted of equity of approximately HK\$255.8 million (2021: HK\$261.0 million), bank borrowings of approximately HK\$7.8 million (2021: HK\$48.4 million). For details, 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 31 March 2022, 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 year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings.

As at 31 March 2022, our cash and cash equivalents were approximately HK\$25.5 million (2021: HK\$14.6 million).

As at 31 March 2022, the current ratio of the Group was approximately 3.4 times (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:

	2022 HK\$’000	2021 HK\$’000
Within 1 year	<u>7,830</u>	<u>48,403</u>

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

	2022	2021
Short-term bank loans	<u>2.89%</u>	<u>3.69%</u>

GEARING RATIO

As at 31 March 2022, the Group's gearing ratio was approximately 3.1% (2021: 18.5%), calculated as the total borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

NET CURRENT ASSETS

As at 31 March 2022, the Group had net current assets of approximately HK\$173.8 million (2021: HK\$152.3 million). The increase in net current assets position was mainly attributable to the receipts from the disposal of several property, plant and equipment items during the year.

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 year amounted to approximately HK\$5.3 million (2021: HK\$5.9 million), which was incurred due to the purchase of machinery and equipment.

FOREIGN EXCHANGE EXPOSURE

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 year ended 31 March 2022. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$2.2 million (2021: HK\$5.7 million). The performance bonds as at 31 March 2022 were expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2022, there were no machinery and equipment pledged for the Group's bank borrowings.

As at 31 March 2021, machinery and equipment with carrying amount of approximately HK\$13.2 million were pledged for the Group's bank borrowings.

As at 31 March 2022, 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 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 31 March 2022, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK\$7.8 million (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\$7.5 million (2021: HK\$7.3 million).

CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any capital commitments contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total of 13 employees (2021: 23). Total staff costs (including Directors' emoluments) for the year were approximately HK\$13.5 million (2021: HK\$28.0 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 Group provides training to its employees according to the work requirements.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2022.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 31 March 2022.

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 places 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 places 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 year ended 31 March 2022, the Company had applied 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 31 March 2022 is set out below:

	Planned use of net proceeds as stated in the Announcement (HK\$'000)	Actual use of net proceeds up to 31 March 2022 (HK\$'000)	Net proceeds utilised during the year ended 31 March 2022 (HK\$'000)	Unutilised net proceeds as at 31 March 2022 (HK\$'000)
General working capital	<u>19,363</u>	<u>19,363</u>	<u>19,363</u>	<u>–</u>
Total	<u><u>19,363</u></u>	<u><u>19,363</u></u>	<u><u>19,363</u></u>	<u><u>–</u></u>

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance. The Board is of the opinion that the Company has complied with all applicable code provisions set out in the CG Code during the year ended 31 March 2022.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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 during the year ended 31 March 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2022 and up to the date of this announcement.

REVIEW OF ANNUAL RESULT BY AUDIT COMMITTEE

The Company has established the audit committee (the “Audit Committee”) on 30 November 2017 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors. The Audit Committee had reviewed the Group’s consolidated financial statements of the FY2022, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2022 as well as the final results announcement of the Group for the year ended 31 March 2022. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position for the year ended 31 March 2022.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of this announcement for the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, CCTH CPA Limited ("CCTH"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2022. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by CCTH on the preliminary announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 15 September 2022, the register of members of the Company will be closed from Friday, 9 September 2022 to Thursday, 15 September 2022, both days inclusive, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 September 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.vicon.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2022 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board
Vicon Holdings Limited
CHOW Kwok Chun
Chairman

Hong Kong, 29 June 2022

As at the date of this announcement, the executive Directors are Mr. Chow Kwok Chun and Mr. Leung Hing Wai and the independent non-executive Directors are Mr. Ip Ka Ki, Mr. Chan Wai Kit and Mr. Tse Ka Ching Justin.