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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 2021

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2021)

- Revenue was approximately HK\$254.6 million (2020: HK\$468.2 million)
- Gross loss was approximately HK\$36.6 million (2020: gross profit of HK\$49.1 million)
- Loss for the year attributable to equity holders of the Company was approximately HK\$51.5 million (2020: profit of HK\$23.7 million)
- Basic and diluted loss per share was approximately HK12.88 cents per share (2020: earnings of HK5.93 cents per share)

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Vicon Holdings Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2021 (“FY2021”), together with the comparative figures for the year ended 31 March 2020 (“FY2020”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue	3	254,625	468,240
Cost of sales		(291,264)	(419,137)
Gross (loss)/profit		(36,639)	49,103
Other income, net		5,826	9,935
Impairment losses on financial assets		(10,091)	(7,966)
Other administrative expenses		(9,050)	(14,238)
Operating (loss)/profit		(49,954)	36,834
Finance income		2	19
Finance costs		(6,604)	(8,849)
Finance costs, net		(6,602)	(8,830)
(Loss)/profit before taxation		(56,556)	28,004
Income tax credit/(expense)	4	5,047	(4,273)
(Loss)/profit for the year		(51,509)	23,731
Other comprehensive income		–	–
(Loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company		(51,509)	23,731
Basic and diluted (loss)/earnings per share (<i>HK cents</i>)	5	(12.88)	5.93

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		132,513	160,716
Prepayments and deposits		7,294	7,030
		<u>139,807</u>	<u>167,746</u>
Current assets			
Trade and retention receivables	7	55,322	46,522
Prepayments, deposits and other receivables		4,760	11,103
Contract assets	8	189,387	324,494
Income tax recoverable		1,162	4,136
Restricted bank balances		–	3,180
Cash and cash equivalents		14,609	19,386
		<u>265,240</u>	<u>408,821</u>
Total assets		<u>405,047</u>	<u>576,567</u>
EQUITY			
Capital and reserves			
Share capital	10	4,000	4,000
Reserves		257,029	308,538
Total equity		<u>261,029</u>	<u>312,538</u>
LIABILITIES			
Non-current liabilities			
Borrowings		–	3,033
Lease liabilities		26,508	41,715
Deferred income tax liabilities		4,533	9,125
		<u>31,041</u>	<u>53,873</u>
Current liabilities			
Trade and retention payables	9	37,873	77,136
Other payables and accruals		4,301	5,288
Contract liabilities	8	4,262	3,351
Income tax payable		–	3,429
Lease liabilities		18,138	15,968
Borrowings		48,403	104,984
		<u>112,977</u>	<u>210,156</u>
Total liabilities		<u>144,018</u>	<u>264,029</u>
Total equity and liabilities		<u>405,047</u>	<u>576,567</u>

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 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

2.1 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.

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. The accounting policies and methods of computation used in the preparation of the consolidated financial statements for the year ended 31 March 2021 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 March 2020, except as described below.

(a) Adoption of new standards, interpretation and amendments to standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

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

The adoption of the above new standards, improvements, interpretation and amendments to standards did not have significant financial impact on these consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following are new standards and amendments to standards that have been issued but not yet effective for the financial year beginning on or after 1 April 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 April 2021
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 April 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 April 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 April 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
HKFRS 17	Insurance Contracts	1 April 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing the potential impact of these standards and amendments to existing standards which were in issue but not yet effective.

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:

	2021	2020
	HK\$'000	HK\$'000
Foundation works and ancillary services	218,618	468,240
Leasing of construction machinery	36,007	–
	254,625	468,240

(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 reviews financial information accordingly. In view of the growth of the Group's leasing of construction machinery business, a new reportable segment-leasing of construction machinery has been included for the year ended 31 March 2021.

Specifically, the Group's reportable segments are 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.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated balance sheet 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 balance sheet 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 and operating segment.

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 results	(71,905)	25,175	(46,730)
Unallocated other income and gains			5,826
Unallocated expenses			(7,230)
Unallocated depreciation			(1,820)
Finance costs, net			<u>(6,602)</u>
Loss before taxation			(56,556)
Income tax credit			<u>5,047</u>
Loss for the year			<u><u>(51,509)</u></u>
Included in segment results are:			
Depreciation	(10,198)	(12,083)	(22,281)
Impairment losses on financial assets	<u>(9,676)</u>	<u>(415)</u>	<u>(10,091)</u>

For the year ended 31 March 2020

	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	468,240	N/A	468,240
Segment results	41,137	N/A	41,137
Unallocated other income and gains			9,935
Unallocated expenses			(8,651)
Unallocated depreciation			(5,587)
Finance costs, net			(8,830)
Profit before taxation			28,004
Income tax expense			(4,273)
Profit for the year			<u>23,731</u>
Included in segment results are:			
Depreciation	(16,984)	N/A	(16,984)
Impairment losses on financial assets	(7,966)	N/A	(7,966)

(ii) Segment assets and liabilities

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

Assets

	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Unallocated assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2021				
Total assets	302,746	73,091	29,210	<u>405,047</u>
Addition to non-current assets	<u>3,295</u>	<u>335</u>	<u>2,287</u>	<u>5,917</u>
	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Unallocated assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2020				
Total assets	530,813	N/A	45,754	<u>576,567</u>
Addition to non-current assets	<u>47,091</u>	<u>N/A</u>	<u>-</u>	<u>47,091</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 HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2021			
Segment liabilities	42,135	–	42,135
Borrowings			48,403
Deferred tax liabilities			4,533
Unallocated liabilities			<u>48,947</u>
Total liabilities			<u><u>144,018</u></u>
	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2020			
Segment liabilities	80,487	N/A	80,487
Borrowings			108,017
Income tax payables			3,429
Deferred tax liabilities			9,125
Unallocated liabilities			<u>62,971</u>
Total liabilities			<u><u>264,029</u></u>

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 executive directors with respect to the resource allocation and performance assessment.

(c) **Geographical information**

Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong	<u>254,625</u>	<u>468,240</u>

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

Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	<u>139,807</u>	<u>167,746</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:

	2021	2020
	HK\$'000	HK\$'000
Customer A	177,146	282,994
Customer B	<u>25,879</u>	<u>66,781</u>

4. INCOME TAX (CREDIT)/EXPENSE

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

	2021	2020
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current income tax	–	464
Deferred income tax	(4,592)	3,782
(Over)/under provision in prior year	<u>(455)</u>	<u>27</u>
	<u>(5,047)</u>	<u>4,273</u>

No provision for Hong Kong profits tax is provided as the Company and its subsidiaries do not have assessable profits for the year ended 31 March 2021 (2020: 16.5%).

5. (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 years.

	2021	2020
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(51,509)	23,731
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u>400,000</u>	<u>400,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(12.88)</u>	<u>5.93</u>

(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 year end.

6. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

7. TRADE AND RETENTION RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	23,590	234
Less: loss allowance	<u>(408)</u>	<u>–</u>
	----- 23,182	----- 234
Retention receivables	32,147	46,288
Less: loss allowance	<u>(7)</u>	<u>–</u>
	----- 32,140	----- 46,288
Trade and retention receivables	<u><u>55,322</u></u>	<u><u>46,522</u></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 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	9,556	–
31 to 60 days	2,295	–
61 to 90 days	995	–
91 to 180 days	9,140	–
181 to 365 days	783	20
1 to 2 years	<u>413</u>	<u>214</u>
	----- <u><u>23,182</u></u>	----- <u><u>234</u></u>

At 31 March 2021, the ageing analysis of the retention receivables based on invoice date were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	9,583	25,609
Between 1 to 2 years	8,902	11,730
Between 2 to 5 years	<u>13,655</u>	<u>8,949</u>
	----- <u><u>32,140</u></u>	----- <u><u>46,288</u></u>

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets		
Provision of construction services	211,971	337,402
Less: Loss allowance	<u>(22,584)</u>	<u>(12,908)</u>
	<u>189,387</u>	<u>324,494</u>
Contract liabilities		
Provision of construction services	<u>4,262</u>	<u>3,351</u>

9. TRADE AND RETENTION PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	9,088	54,569
Retention payables	<u>28,785</u>	<u>22,567</u>
	<u>37,873</u>	<u>77,136</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	<u>9,088</u>	<u>54,569</u>

10. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares, authorised:		
At 31 March 2019, 2020 and 2021	<u>1,000,000,000</u>	<u>10,000</u>
	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares, issued and fully paid:		
At 31 March 2019, 2020 and 2021	<u>400,000,000</u>	<u>4,000</u>

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 FY2021, the Group recorded revenue of approximately HK\$254.6 million as compared to revenue of approximately HK\$468.2 million for FY2020, which represented a decrease of approximately HK\$213.6 million or 45.6%.

Revenue contributed from projects which we were acting as main contractor remains stable at approximately 97% of our total revenue in FY2021 (FY2020: approximately 98%).

The amount of backlog revenue as at 31 March 2021 was approximately HK\$7.3 million (31 March 2020: HK\$280.1 million).

Foundation Works and Ancillary Services

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

During FY2021, there were 9 projects (FY2020: 13 projects) contributing revenue of approximately HK\$218.6 million (FY2020: HK\$468.2 million) to the Group. The decrease in revenue was mainly attributable to the decrease in the number of projects.

Leasing of construction machinery

Leasing of construction machinery mainly include the rental of our construction machinery according to the requirements of the customers. This is a new business unit that has been set up during the FY2021.

During FY2021, the revenue derived from our leasing of construction machinery amounted to approximately HK\$36.0 million, accounting for approximately 14.1% of our total revenue. The increase in revenue from leasing of construction machinery of the Group was mainly due to the expansion of the leasing of construction machinery business during FY2021.

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 FY2021 with a reduction in the number of foundation contracts in both the public and private sectors. Our business has been primarily focused in the Hong Kong private sector but the reduction of foundation contracts has led to enhanced competition in the industry, affecting our tender prices and therefore reduced the award prices of the projects.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the uncertain economic environment. As a result, the construction market is expected to remain highly competitive with a decrease in the number of development projects, resulting in shrinking profit margins.

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\$213.6 million, or approximately 45.6%, from approximately HK\$468.2 million for FY2020 to approximately HK\$254.6 million for FY2021.

The decrease was primarily because (i) certain projects with relatively larger contract sums were completed in the year ended 31 March 2020 and certain new projects undertaken in the year ended 31 March 2021 are with lower contract sums; and (ii) substantial decrease in the number of tenders for foundation works and the keener competition of the market.

Cost of Sales

Our direct costs decreased from approximately HK\$419.1 million for FY2020 to approximately HK\$291.3 million for FY2021, representing a decrease of approximately 30.5%. Such decrease was attributable to the reason of the decrease in revenue as discussed above, but has been partially offset by the substantial addition of subcontracting costs which were incurred for the variations instructed by the customer for certain current projects, progress delays due to the Epidemic and additional costs incurred for subcontractors’ works in order to catch up the work program of a certain project.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$85.7 million, from gross profit approximately HK\$49.1 million for FY2020 to gross loss of approximately HK\$36.6 million for FY2021.

Our gross profit margin changed from approximately 10.5% for FY2020 to a gross loss margin of approximately 14.4% for FY2021.

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 which has led to a decline in the Group's revenue and gross profit in FY2021;
2. the increase in cost recognised by the Group for FY2021 mainly due to additional cost incurred for the variations instructed by the customer for certain current projects; and
3. progress delay due to COVID-19 pandemic and the additional costs incurred for subcontractor works to catch up the work program of a certain project.

Other income, net

Our other income and gains decreased by approximately HK\$4.1 million from approximately HK\$9.9 million for FY2020 to approximately HK\$5.8 million for FY2021, which was mainly attributable to the decrease in machinery rental income of approximately HK\$10.1 million from FY2020, in which the machinery rental income for FY2021 is presented as revenue and partially offset by the receipt and recognition of a Government grant under the Employment Support Scheme ("ESS") launched by the HKSAR Government of approximately HK\$3.5 million and gains on disposal of machinery and equipment of approximately HK\$1.8 million for FY2021.

Impairment losses on financial assets

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK\$10.1 million (FY2020: approximately HK\$8.0 million) made based on the management's latest assessment of risk of default in the Group's financial assets for FY2021.

Other administrative expenses

Our administrative expenses decreased by approximately HK\$5.1 million, or approximately 36.0%, from approximately HK\$14.2 million for FY2020 to approximately HK\$9.1 million for FY2021. The decrease in administrative expenses was mainly due to the decrease in the depreciation arising from the machinery rented out of approximately HK\$3.8 million from FY2020 in which the corresponding depreciation amount for FY2021 is recorded as cost of sales.

Finance costs, net

Our finance costs, net decreased by approximately HK\$2.2 million, or approximately 25.2%, from approximately HK\$8.8 million for FY2020 to approximately HK\$6.6 million for FY2021. Such decrease was mainly due to the repayments of borrowings during FY2021.

Income tax credit/(expense)

Our income tax expense decreased by approximately HK\$9.3 million, from income tax expense of approximately HK\$4.3 million for FY2020 to income tax credit of approximately HK\$5.0 million for FY2021 due to the combined effect of the above factors.

(Loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company

Based on the above factors, (loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company decreased by approximately HK\$75.2 million, from profit of approximately HK\$23.7 million for FY2020 to loss of approximately HK\$51.5 million for FY2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2021, the capital structure of the Group consisted of equity of approximately HK\$261.0 million (2020: HK\$312.5 million), bank borrowings of approximately HK\$48.4 million (2020: HK\$108.0 million). For details, please refer to the paragraph headed “Bank borrowings” below.

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 2021, our cash and cash equivalents were approximately HK\$14.6 million (2020: HK\$19.4 million). As at 31 March 2020, the Group also had HK\$3.2 million restricted bank balances deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 31 March 2021, the current ratio of the Group was approximately 2.3 times (2020: 1.9 times).

Bank borrowings

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

(a) The maturity of borrowings is as follows:

	2021	2020
	HK\$'000	HK\$'000
Within 1 year	48,403	104,984
Between 1 and 2 years	–	3,033
	48,403	108,017

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

	2021	2020
Long-term bank loans	N/A	3.50%
Short-term bank loans	3.69%	3.86%

GEARING RATIO

As at 31 March 2021, the Group's gearing ratio was approximately 18.5% (2020: 34.6%), 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 2021, the Group had net current assets of approximately HK\$152.3 million (2020: HK\$198.7 million). The decrease in net current assets position was mainly attributable to the net loss incurred from the Group's operations 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\$5.9 million (2020: HK\$47.1 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 2021. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

USE OF NET PROCEEDS FROM LISTING

Based on the Offer Price of HK\$1.20 per share, the net proceeds of the Share Offer received by the Company was approximately HK\$82.7 million, after deducting the listing expenses borne by the Company. The proposed application of net proceeds as stated in the Prospectus has been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the Share Offer" of the Prospectus of the Company dated 12 December 2017 and the announcement of the Company dated 9 September 2020.

During the year ended 31 March 2021, the net proceeds were used as follows:

	Net proceeds from Share Offer HK\$'million	Actual usage up to 31 March 2021 HK\$'million	Unutilised amount HK\$'million
Take out of surety bond	34.0	34.0	–
Purchase of machinery	17.4	17.4	–
Repayment of bank loan	20.3	20.3	–
Strengthen of design team	2.6	2.6	–
Purchase of software	0.1	0.1	–
General working capital	8.3	8.3	–
	<u>82.7</u>	<u>82.7</u>	<u>–</u>

CONTINGENT LIABILITIES

As at 31 March 2021, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$5.7 million (2020: HK\$60.4 million). The performance bonds as at 31 March 2021 were expected to be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2021, machinery and equipment with carrying amount of approximately HK\$13.2 million (2020: HK\$15.5 million) were pledged for the Group's bank borrowings.

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 (2020: HK\$119.9 million) were guaranteed by the Company, of which approximately HK\$66.4 million (2020: HK\$40.6 million) of the banking facilities had not yet been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 31 March 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 (2020: HK\$7.8 million) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK\$7.3 million (2020: HK\$7.0 million).

CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have any capital commitments contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 23 employees (2020: 51). Total staff costs (including Directors' emoluments) for the year were approximately HK\$28.0 million (2020: HK\$43.3 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 FY2021.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2021.

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 2021.

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 2021.

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 2021.

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 2021.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 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 FY2021, 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 2021 as well as the final results announcement of the Group for the year ended 31 March 2021. 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 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2021. The work performed by PwC 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 PwC on the preliminary announcement.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: 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, 16 September 2021, the register of members of the Company will be closed from Friday, 10 September 2021 to Thursday, 16 September 2021, 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, 9 September 2021.

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 2021 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 2021

As at the date of this announcement, the executive Directors are Mr. Chow Kwok Chun, Mr. Tsang Hing Kuen and Mr. Liu Jin Fai and the independent non-executive Directors are Mr. Ip Ka Ki, Professor Kuang Jun Shang and Mr. Tse Ka Ching Justin.