

INTERIM REPORT 2022

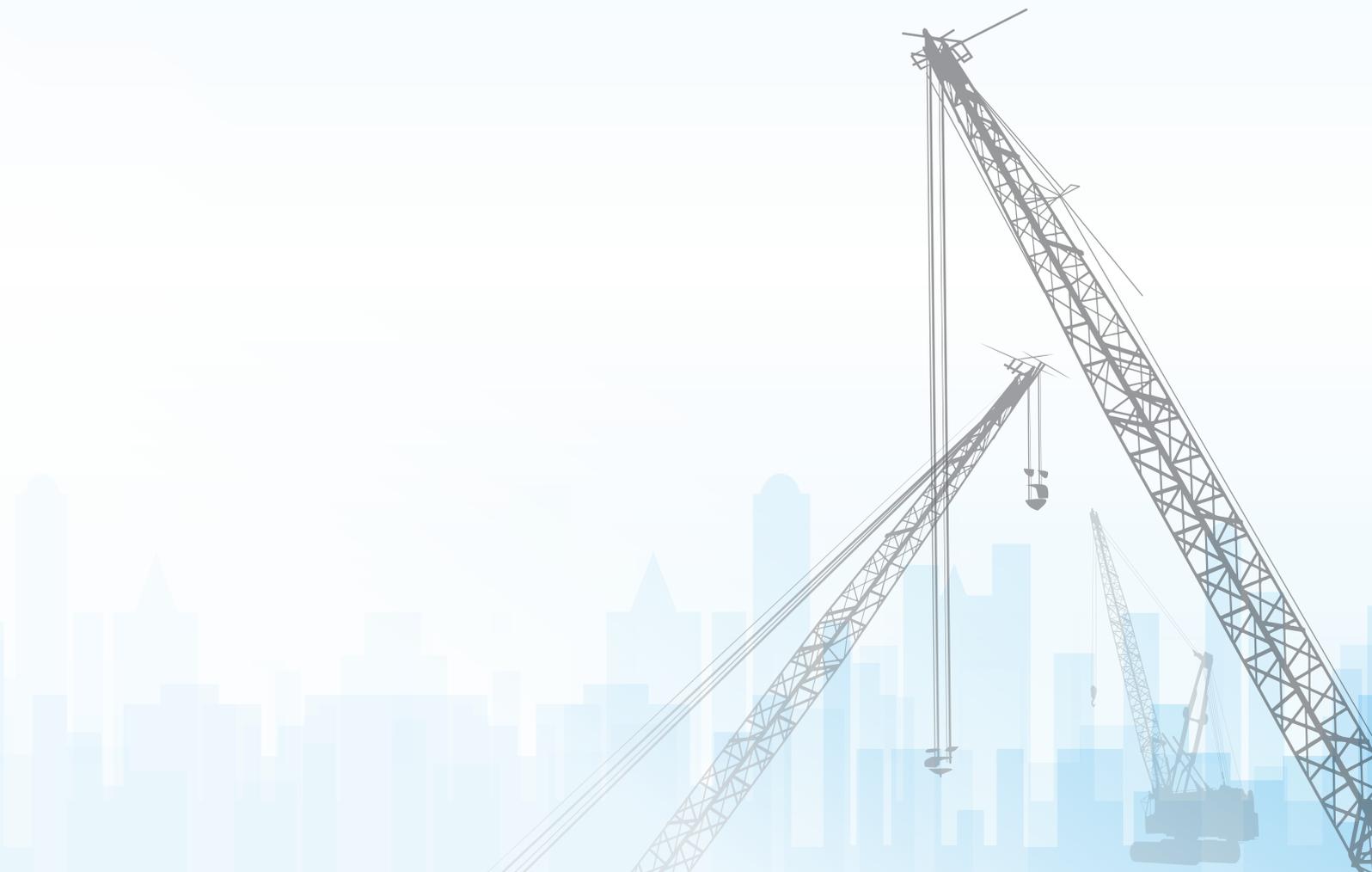


VICON

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 and Chief Executive Officer)
Mr. Leung Hing Wai

Independent Non-executive Directors

Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin
Mr. Chan Wai Kit

BOARD COMMITTEES

Audit Committee

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Ip Ka Ki
Mr. Chan Wai Kit

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
Mr. Chan Wai Kit

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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Kowloon
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REGISTERED OFFICE

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PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

CFN Lawyers
Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation 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 2022

	Note	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	160,136	59,635
Cost of sales		(154,621)	(54,786)
Gross profit		5,515	4,849
Other income, net	5	1,465	1,105
Other administrative expenses		(9,597)	(20,750)
Operating loss		(2,617)	(14,796)
Finance costs	7	(460)	(1,761)
Loss before income tax	6	(3,077)	(16,557)
Income tax credit	8	348	1,830
Loss for the period		(2,729)	(14,727)
Other comprehensive income		–	–
Loss and total comprehensive loss attributable to owners of the Company		(2,729)	(14,727)
		HK Cents	HK Cents
Loss per share			
Basic	10	(0.57)	(3.50)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

	Note	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	55,953	82,110
Financial assets at fair value through profit or loss		7,635	7,527
		63,588	89,637
Current assets			
Trade and retention receivables	13	76,941	81,113
Prepayments, deposits and other receivables		8,079	3,344
Contract assets	14	166,347	135,619
Cash and cash equivalents		18,258	25,477
		269,625	245,553
Current liabilities			
Trade and retention payables	15	56,524	45,915
Other payables and accruals	15	8,718	8,233
Contract liabilities	14	1,335	622
Lease liabilities	12	2,936	8,946
Borrowings		7,830	7,830
Income tax payables		–	214
		77,343	71,760
Net Current Assets		192,282	173,793
Total Assets less Current Liabilities		255,870	263,430
Non-current liabilities			
Lease liabilities	12	2,034	6,518
Deferred income tax liabilities		734	1,081
		2,768	7,599
Net Assets		253,102	255,831
EQUITY			
Share capital		4,796	4,796
Reserves		248,306	251,035
Equity attributable to Owners of the Company		253,102	255,831

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2022 (audited)	4,796	123,309	30,000	97,726	255,831
Loss and total comprehensive loss for the period (unaudited)	–	–	–	(2,729)	(2,729)
At 30 September 2022 (unaudited)	4,796	123,309	30,000	94,997	253,102
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Operating activities		
Loss before taxation	(3,077)	(16,557)
Adjustments for:		
– Depreciation	5,193	10,861
– Gain on disposal of machinery and equipment	(1,053)	(901)
– Changes in cash surrender value of key management life insurance contract	(107)	(131)
– Finance costs	460	1,761
Operating cash flows before movements in working capital	1,416	(4,967)
Decrease in trade and retention receivables	4,172	14,552
(Increase)/decrease in prepayments, deposits and other receivables	(4,736)	985
Increase in contract assets	(30,728)	(15,574)
Increase in contract liabilities	713	3,926
Increase in trade and retention payables	10,609	16,886
Increase/(decrease) in other payables and accruals	486	(1,952)
Cash (used in)/generated from operations	(18,068)	13,856
Income tax (paid)/refunded	(214)	1,139
Net cash generated from operating activities	(18,282)	14,995
Investing activities		
Purchase of property, plant and equipment	(1,679)	–
Proceeds from disposal of machinery and equipment	26,145	7,300
Net cash generated from investing activities	24,466	7,300
Financing activities		
Proceeds from placing of new shares	–	19,900
Issuing expenses of placing of new shares	–	(537)
Repayment of borrowings	–	(25,573)
Repayment of capital element of lease liabilities	(12,943)	(9,329)
Payments for interest element of lease liabilities	(397)	(1,072)
Interest paid	(63)	(689)
Net cash used in financing activities	(13,403)	(17,300)
Net (decrease)/increase in cash and cash equivalents	(7,219)	4,995
Cash and cash equivalents at 1 April	25,477	14,609
Cash and cash equivalents at 30 September	18,258	19,604

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 leasing of construction machinery in Hong Kong.

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 2022 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 2022, 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 expenses. 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 2022.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2022, 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 2022

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 for foundation works and leasing of construction machinery in the ordinary course of business. Revenue recognised is as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from construction contracts	156,779	58,066
Revenue from leasing of construction machinery	3,357	1,569
	160,136	59,635

(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 2022

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 2022 (unaudited)

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	156,779	3,357	160,136
Segment results	2,958	2,557	5,515
Unallocated other income, net			1,465
Unallocated expenses			(5,204)
Unallocated depreciation			(4,393)
Finance costs			(460)
Loss before income tax			(3,077)
Income tax credit			348
Loss for the period			(2,729)
Included in segment results is:			
Depreciation	–	(800)	(800)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)**(b) Segment information (Continued)****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			(1,761)
Loss before income tax			(16,557)
Income tax credit			1,830
Loss for the period			(14,727)
Included in segment results is:			
Depreciation	–	(729)	(729)

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 2022

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

(a) Revenue from external customers

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	160,136	59,635

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

(b) Non-current assets

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
	Hong Kong	63,588

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 2022

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

For the six months ended 30 September 2022, there were 2 customers (2021: 4 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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A	117,557	N/A
Customer B	16,424	N/A

Note: 1. Revenue from Customer A, and Customer B did not exceed 10% of total revenue for the six months ended 30 September 2021.

5. OTHER INCOME, NET

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Government grant under the Employment Support Scheme	301	–
Gain on disposal of property, plant and equipment	1,053	901
Others	111	204
	1,465	1,105

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

6. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	5,193	10,861
Lease expenses relating to short-term lease of machineries and equipment	900	–
Staff costs:		
– Directors' emoluments	1,227	2,816
– Other staff costs:		
Salaries and other benefits	3,594	3,878
Retirement benefit scheme contributions	117	102
Total staff costs	4,938	6,796

7. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest expenses on bank borrowings	63	689
Interest expenses on lease liabilities	397	1,072
	460	1,761

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

8. INCOME TAX CREDIT

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong profits tax		
– Current income tax	–	–
– Deferred income tax	348	1,830
	348	1,830

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 2022 and 2021.

9. INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

10. LOSS PER SHARE**(a) Basic loss per share**

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 periods.

	Six months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Loss attributable to owners of the Company (HK\$'000)	(2,729)	(14,727)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (thousands)	479,600	421,314
Basic loss per share (HK cents)	(0.57)	(3.50)

(b) Diluted loss per share

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both of the periods ended 30 September 2022 and 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 (audited)								
Cost	83,020	1,903	1,497	52,281	3,000	315	120	142,136
Accumulated depreciation	(31,391)	(1,903)	(1,497)	(22,316)	(2,484)	(315)	(120)	(60,026)
Net book amount	51,629	-	-	29,965	516	-	-	82,110
Six months ended 30 September 2022 (unaudited)								
Opening net book amount	51,629	-	-	29,965	516	-	-	82,110
Additions	2,449	-	-	-	1,679	-	-	4,128
Depreciation	(4,154)	-	-	(933)	(106)	-	-	(5,193)
Disposals	(7,630)	-	-	(17,462)	-	-	-	(25,092)
Modification of lease	-	-	-	-	-	-	-	-
Closing net book amount	42,294	-	-	11,570	2,089	-	-	55,953
As at 30 September 2022 (unaudited)								
Cost	68,101	1,903	1,497	22,563	4,679	315	120	99,178
Accumulated depreciation	(25,807)	(1,903)	(1,497)	(10,993)	(2,590)	(315)	(120)	(43,225)
Net book amount	42,294	-	-	11,570	2,089	-	-	55,953
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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Right-of-use assets		
Office premises and warehouse	2,161	734
Plant and machinery	40,133	50,895
	42,294	51,629
Lease liabilities payable		
Within one year	2,936	8,946
Within a period of more than one year but not exceeding two years	1,853	5,525
Within a period of more than two years but not exceeding five years	181	993
	4,970	15,464
Less: Amount due for settlement within 12 months shown under current liabilities	(2,936)	(8,946)
Amount due for settlement after 12 months shown under non-current liabilities	2,034	6,518

Additions to right-of-use assets during the six months ended 30 September 2022 was approximately HK\$2.4 million (31 March 2022: HK\$1.4 million).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

The consolidated statement of profit and loss and other comprehensive income shows the following amounts relating to the leases:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets	3,879	1,581
Interest expense on lease liabilities (Note 7)	397	1,072
Lease expenses relating to short-term lease of machineries and equipment (Note 6)	900	–

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 2022 were approximately HK\$13.0 million (six months ended 30 September 2021: HK\$9.8 million) and HK\$0.9 million (six months ended 30 September 2021: Nil), respectively.

13. TRADE AND RETENTION RECEIVABLES

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade receivables	55,020	58,845
Less: loss allowance recognised	(4,306)	(4,306)
	50,714	54,539
Retention receivables	30,117	30,464
Less: loss allowance recognised	(3,890)	(3,890)
	26,227	26,574
Trade and retention receivables	76,941	81,113

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 2022

13. TRADE AND RETENTION RECEIVABLES (Continued)

At 30 September 2022, the ageing analysis of the trade receivables, less allowance recognised, based on invoice date is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
1 to 30 days	40,493	52,052
91 to 180 days	8,000	124
181 to 365 days	155	2,080
1 to 2 years	2,066	283
	50,714	54,539

At 30 September 2022, the ageing analysis of the retention receivables, less allowance recognised, based on invoice date is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Within 1 year	11,972	4,706
Between 1 to 2 years	–	5,249
Between 2 to 5 years	14,225	16,619
	26,227	26,574

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Contract assets		
Provision of Construction Services	203,727	172,999
Less: Loss allowance recognised	(37,380)	(37,380)
	166,347	135,619
Contract liabilities		
Provision of Construction Services	1,335	622

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	4,262

(c) Unsatisfied performance obligations

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

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 30 September/31 March	506,718	29,532

Management expects that the transaction prices regarding the unsatisfied contracts as of 30 September 2022 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 2022

15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade payables	27,191	22,929
Retention payables	29,333	22,986
Trade and retention payables	56,524	45,915
Other payables and accruals	8,718	8,233
	65,242	54,148

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

At 30 September 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
1 to 30 days	25,389	21,155
1 to 3 years	1,802	1,774
Total	27,191	22,929

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 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Within 1 year	9,591	3,118
Between 1 to 3 years	4,313	5,246
Between 3 to 5 years	15,429	14,622
	29,333	22,986

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short-term benefits	960	2,520
Post-employment benefits	18	24
	978	2,544

17. CONTINGENT LIABILITIES

As at 30 September 2022, there were no guarantees on performance bonds in respect of construction contracts in the ordinary course of business given by the Group (31 March 2022: HK\$2.2 million).

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.

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 2022 (the “Current Period”), the Group recorded revenue of approximately HK\$160.1 million as compared to revenue of approximately HK\$59.6 million for the six months ended 30 September 2021 (the “Last Period”).

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

Revenue contributed from projects which we were acting as main contractor has increased from approximately 56.4% in the Last Period to approximately 82.4% in the Current Period.

The amount of backlog revenue as at 30 September 2022 was approximately HK\$506.7 million (31 March 2022: HK\$29.5 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 2022, there were 7 projects (six months ended 30 September 2021: 12 projects) contributing revenue of approximately HK\$156.8 million (six months ended 30 September 2021: HK\$58.1 million) to the Group.

The increase in revenue was primarily because certain projects awarded during the Current Period were for larger contract sums relative to projects awarded during the Last Period, resulting in overall higher revenue despite the lower number of projects undertaken during the Current Period.

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 2022, the revenue derived from our leasing of construction machinery amounted to approximately HK\$3.4 million (six months ended 30 September 2021: HK\$1.6 million), representing an increase of approximately 113% for the Current Period. This represented approximately 2.1% of our total revenue (six months ended 30 September 2021: 2.6%). The increase in revenue from leasing of construction machinery of the Group was mainly due to the increase in the number of machinery rented out during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by approximately HK\$100.5 million from approximately HK\$59.6 million for the Last Period to approximately HK\$160.1 million for the Current Period.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$0.7 million, from approximately HK\$4.8 million for the Last Period to approximately HK\$5.5 million for the Current Period. Our gross profit margin decreased by approximately 4.7%, from approximately 8.1% for the Last Period to approximately 3.4% 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 has continued to affect the number of construction works available in the market, in particular in the private sector (the target market area of the Group), which has led to fierce competition; and
2. the Group commenced certain new projects with lower gross profit margin during the Current Period despite having higher contract sums relative to the corresponding period in 2021, resulting in higher revenue but lower overall gross profit margin during the Current Period.

Other Income, net

Our other income, net increased by approximately HK\$0.4 million from approximately HK\$1.1 million for the Last Period to approximately HK\$1.5 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\$0.3 million for the Current Period.

Other Administrative Expenses

Our administrative expenses decreased by approximately HK\$11.2 million from approximately HK\$20.8 million for the Last Period to approximately HK\$9.6 million for the Current Period. The decrease in other administrative expenses was mainly attributable to i) the decrease in staff costs to approximately HK\$5.1 million for staff not directly participating to our construction projects, in which the corresponding staff costs of approximately HK\$1.3 million was recorded as administrative expenses for the Last Period; and ii) the decrease of unallocated depreciation of our machinery and equipment not used in our construction projects from approximately HK\$10.1 million for the Last Period to approximately HK\$4.4 million for the Current Period upon disposal of certain machinery.

Finance Costs

Our finance costs decreased by approximately HK\$1.3 million, or 73.8%, from approximately HK\$1.8 million for the Last Period to approximately HK\$0.5 million for the Current Period. Such decrease was mainly due to the repayments of certain finance leases during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss For the Period

Based on the above factors, loss and total comprehensive loss attributable to owners of the Company decreased by approximately HK\$12.0 million, from a loss of approximately HK\$14.7 million for the Last Period to a loss of approximately HK\$2.7 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 2022, the capital structure of the Group consisted of equity of approximately HK\$253.1 million (31 March 2022: HK\$255.8 million) and borrowings of approximately HK\$7.8 million (31 March 2022: HK\$7.8 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 2022, the Company had 479,600,000 ordinary shares in issue and the Company’s issued share capital was HK\$4,796,000.

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 2022, our cash and cash equivalents were approximately HK\$18.3 million (31 March 2022: HK\$25.5 million).

As at 30 September 2022, the current ratio of the Group was approximately 3.5 times (31 March 2022: 3.4 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 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Within 1 year	7,830	7,830

MANAGEMENT DISCUSSION AND ANALYSIS

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

	At 30 September 2022 (unaudited)	At 31 March 2022 (audited)
Short-term bank loans	1.31%	2.90%

Gearing Ratio

As at 30 September 2022, the Group's gearing ratio was approximately 3.1% (31 March 2022: 3.1%), 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 2022, the Group had net current assets of approximately HK\$192.3 million (31 March 2022: HK\$173.8 million). The increase in net current assets position was mainly attributable to the increase in working capital upon the disposal of certain machinery, 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's capital expenditures for the Current Period amounted to approximately HK\$1.7 million (six months ended 30 September 2021: Nil), which was incurred due to the purchase of motor vehicles.

Interim Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: 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 2022 and 2021. 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 2022, the Group had a total of 22 employees (31 March 2022: 13). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2022 were approximately HK\$4.9 million (six months ended 30 September 2021: HK\$6.8 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

During the six months ended 30 September 2022, 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 2022, the Group did not have any capital commitments contracted but not provided for.

Contingent Liabilities

As at 30 September 2022, there were no guarantees on performance bonds in respect of construction contracts in the ordinary course of business given by the Group (31 March 2022: HK\$2.2 million).

Pledge of Assets

As at 30 September 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 (31 March 2022: 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\$7.6 million (31 March 2022: HK\$7.5 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.

Significant Investments

The Group has no significant investment held as at 30 September 2022.

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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

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 but the reduction of foundation contracts has led to enhanced competition in the industry, affecting our tender prices and therefore reduced the award prices and the expected gross profit margin of the projects.

In combination with the high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, management has taken a prudent approach by applying less aggressive pricing in its tender submissions, leading to less competitive tender prices for the projects awarded during the Current Period.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to persisting uncertainty in the economy and the property market environment. As a result, the construction market is expected to remain highly competitive as contractors vie for a limited 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 2022, 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	150,000,000	31.3	1

Note:

- The 150,000,000 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 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2022, 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	150,000,000	31.3	1
Ms. Hon Yuk Hung	Interest of spouse	Long position	150,000,000	31.3	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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the opinion that, save for the deviation from code provision C.2.1 described below, the Company was in compliance with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules during the Current Period.

Mr. Chow Kwok Chun is currently both the chairman and chief executive officer of the Company. Code provision C.2.1 requires that the responsibilities between the chairman and the chief executive officer be segregated. The Board is aware of the above deviation from code provision C.2.1. However, the Board believes that it is appropriate and in the interests of the Company for Mr. Chow to take up both roles at the present stage as it helps to ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with not less than half the number thereof being independent non-executive directors. Therefore, the Board considers that the deviation from the code provision C.2.1 is appropriate in the circumstances.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022.

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 2022 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 2022. 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 2022.

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 2022 and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022 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, 29 November 2022