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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 2024

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2024)

- Revenue was approximately HK\$486.6 million (2023: HK\$417.0 million)
- Gross profit was approximately HK\$44.0 million (2023: HK\$45.7 million)
- Profit for the year attributable to owners of the Company was approximately HK\$8.3 million (2023: HK\$2.4 million)
- Basic and diluted earnings per share was approximately HK1.72 cents per share (2023: HK0.50 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 2024 (“FY2024” or “Current Year”), together with the comparative figures for the year ended 31 March 2023 (“FY2023” or “Last Year”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	486,642	417,043
Cost of sales		(442,692)	(371,309)
Gross profit		43,950	45,734
Other income		6,772	2,297
Impairment losses (recognised)/reversed on trade and retention receivables		(7,536)	320
Impairment losses recognised on contract assets and contract deposits		(25,387)	(35,549)
Other administrative expenses		(10,842)	(10,191)
Operating profit		6,957	2,611
Finance costs		(558)	(663)
Profit before income tax		6,399	1,948
Income tax credit	4	1,869	443
Profit for the year		8,268	2,391
Other comprehensive income		–	–
Profit and total comprehensive income attributable to owners of the Company		8,268	2,391
		2024 <i>HK cents</i>	2023 <i>HK cents</i>
Earnings per share	5		
Basic		1.72	0.50
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		43,047	52,214
Financial assets at fair value through profit or loss		8,115	7,768
Deferred income tax assets		1,231	–
		<u>52,393</u>	<u>59,982</u>
Current Assets			
Trade and retention receivables	7	105,100	83,139
Prepayments, deposits and other receivables		8,051	11,967
Contract assets and contract deposits	8	86,585	165,048
Income tax recoverable		727	164
Pledged bank deposits		19,927	–
Cash and cash equivalents		35,635	18,629
		<u>256,025</u>	<u>278,947</u>
Current Liabilities			
Trade and retention payables	9	29,485	65,081
Other payables and accruals		1,408	1,661
Contract liabilities	8	2,258	2,304
Lease liabilities		906	2,310
Borrowings		7,830	7,830
		<u>41,887</u>	<u>79,186</u>
Net Current Assets		<u>214,138</u>	<u>199,761</u>
Total Assets less Current Liabilities		<u>266,531</u>	<u>259,743</u>
Non-current Liabilities			
Lease liabilities		41	883
Deferred income tax liabilities		–	638
		<u>41</u>	<u>1,521</u>
Net Assets		<u>266,490</u>	<u>258,222</u>
Equity			
Share capital	10	4,796	4,796
Reserves		261,694	253,426
Equity attributable to Owners of the Company		<u>266,490</u>	<u>258,222</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 Office D, 16/F., MG Tower, 133 Hoi Bun Road, 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 functional currency of the Company is Hong Kong Dollar (HK\$). The consolidated financial statements are presented in HK\$ rounded to the nearest thousand, unless otherwise stated and were approved for issue on 27 June 2024.

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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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.

Impacts on application of Amendments to HKAS 1, HKFRS Practice Statement 2 and HKAS 8 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. 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 do not have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

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 do not have significant impact on the Group's consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has assessed a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 March 2024, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

Management performed an assessment and concluded that the change in accounting policy had no material impact on the Group and the catch-up profit or loss adjustment was immaterial.

(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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs not yet effective in respect of the current year will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the revenue from construction contracts for foundation works and ancillary services performed by the Group and the Group's leasing of construction machinery in the ordinary course of business. Revenue recognised are as follows:

	2024	2023
	HK\$'000	HK\$'000
Foundation works and ancillary services	483,434	410,558
Leasing of construction machinery	3,208	6,485
	486,642	417,043

(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, which mainly represents foundation works and ancillary services;
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 administrative 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 cash equivalents, income tax recoverable, deferred income tax assets 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 deferred income 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 operating segments.

For the year ended 31 March 2024

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	<u>483,434</u>	<u>3,208</u>	<u>486,642</u>
Segment profit	<u>8,420</u>	<u>2,607</u>	11,027
Unallocated other income			6,772
Unallocated expenses			(8,452)
Unallocated depreciation			(2,390)
Finance costs			<u>(558)</u>
Profit before income tax			6,399
Income tax credit			<u>1,869</u>
Profit for the year			<u>8,268</u>
Segment profit is arrived at after charging:			
Depreciation	(7,564)	(519)	(8,083)
Impairment losses recognised on:			
– trade and retention receivables	(7,454)	(82)	(7,536)
– contract assets and contract deposits	<u>(25,387)</u>	<u>–</u>	<u>(25,387)</u>

For the year ended 31 March 2023

	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	<u>410,558</u>	<u>6,485</u>	<u>417,043</u>
Segment profit	<u>958</u>	<u>9,547</u>	10,505
Unallocated other income			2,297
Unallocated expenses			(8,040)
Unallocated depreciation			(2,151)
Finance costs			<u>(663)</u>
Profit before income tax			1,948
Income tax credit			<u>443</u>
Profit for the year			<u>2,391</u>
Segment profit is arrived at after (charging)/ crediting:			
Depreciation	(7,470)	(890)	(8,360)
Impairment losses (recognised) reversed on:			
– trade and retention receivables	(3,631)	3,951	320
– contract assets and contract deposits	<u>(35,549)</u>	<u>–</u>	<u>(35,549)</u>

(ii) *Segment assets and liabilities*

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

Assets

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2024			
Segment assets	<u>245,491</u>	<u>6,108</u>	<u>251,599</u>
Unallocated assets			<u>56,819</u>
Total assets			<u>308,418</u>
Addition to non-current assets			
Segment assets	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated assets			<u>1,306</u>
Total			<u>1,306</u>
	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2023			
Segment assets	<u>290,041</u>	<u>10,360</u>	<u>300,401</u>
Unallocated assets			<u>38,528</u>
Total assets			<u>338,929</u>
Addition to non-current assets			
Segment assets	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated assets			<u>5,707</u>
Total			<u>5,707</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 2024			
Segment liabilities	<u>31,743</u>	<u>–</u>	31,743
Borrowings			7,830
Other unallocated liabilities			<u>2,355</u>
Total liabilities			<u>41,928</u>

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2023			
Segment liabilities	<u>67,385</u>	<u>–</u>	67,385
Borrowings			7,830
Deferred tax liabilities			638
Other unallocated liabilities			<u>4,854</u>
Total liabilities			<u>80,707</u>

(c) **Geographical information**

Revenue from external customers

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	486,642	417,043

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

Non-current assets

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	43,047	52,214

The non-current assets information above is based on the location of the assets and excluded financial assets at fair value through profit or loss and deferred income tax assets.

(d) **Information about major customers**

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	272,793	336,104
Customer B	160,170	N/A*

* The revenue from customer B for the year ended 31 March 2023 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
Hong Kong	—	—
	—	—
Deferred income tax credit (<i>Note 25</i>)	<u>1,869</u>	<u>443</u>
	<u>1,869</u>	<u>443</u>

No provision for Hong Kong profits tax for the year ended 31 March 2024 (2023: Nil) has been made in the consolidated financial statements as the Group has tax losses brought forward to offset against the assessable profits for Hong Kong profits taxes both of the years presented, and the Group has no assessable profits that are subject to tax in the other jurisdiction for the year.

5. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2024	2023
Profit attributable to owners of the Company (<i>HK\$'000</i>)	8,268	2,391
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share (<i>'000</i>)	479,600	479,600
Basic earnings per share (<i>HK cents</i>)	<u>1.72</u>	<u>0.50</u>

(b) Diluted earnings per share

Diluted earnings per share is not presented as there were no potential ordinary shares in issue for both of the years ended 31 March 2024 and 2023.

6. DIVIDENDS

The Board did not recommend any payment of dividend in respect of the year ended 31 March 2024 (2023: Nil).

7. TRADE AND RETENTION RECEIVABLES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	75,222	40,636
Less: loss allowance recognised	<u>(2,493)</u>	<u>(1,557)</u>
	----- 72,729	----- 39,079
Retention receivables	45,290	50,379
Less: loss allowance recognised	<u>(12,919)</u>	<u>(6,319)</u>
	----- 32,371	----- 44,060
Trade and retention receivables	<u>105,100</u>	<u>83,139</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 2024 and 2023, the ageing analysis of the trade receivables, less loss allowance recognised, based on invoice date were as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	66,257	31,331
31 to 60 days	–	–
61 to 90 days	–	–
91 to 180 days	–	–
181 to 365 days	–	–
1 to 5 years	6,472	7,748
	<u>72,729</u>	<u>39,079</u>

At 31 March 2024 and 2023, the ageing analysis of the retention receivables, less loss allowance recognised, based on invoice date were as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	10,867	32,196
Between 1 to 2 years	16,007	–
Between 2 to 5 years	5,139	10,236
More than 5 years	358	1,628
	<u>32,371</u>	<u>44,060</u>

8. CONTRACT ASSETS, CONTRACT DEPOSITS AND CONTRACT LIABILITIES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets		
Provision of construction services	150,052	148,100
Less: loss allowance recognised	<u>(64,873)</u>	<u>(31,128)</u>
	<u>85,179</u>	<u>116,972</u>
Contract deposits		
Provision of construction services	1,900	56,928
Less: loss allowance recognised	<u>(494)</u>	<u>(8,852)</u>
	<u>1,406</u>	<u>48,076</u>
Total contract assets and contract deposits	<u>86,585</u>	<u>165,048</u>
Contract liabilities		
Provision of construction services	<u>2,258</u>	<u>2,304</u>

9. TRADE AND RETENTION PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	12,731	33,460
Retention payables	<u>16,754</u>	<u>31,621</u>
	<u>29,485</u>	<u>65,081</u>

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

At 31 March 2024 and 2023, the ageing analysis of the trade payables based on invoice date was as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
1 to 30 days	12,731	32,159
31 days to 90 days	–	–
Over 90 days	<u>–</u>	<u>1,301</u>
	<u>12,731</u>	<u>33,460</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 2022, 31 March 2023 and 31 March 2024	<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 2022, 31 March 2023 and 31 March 2024	<u>0.01</u>	<u>479,600</u>	<u>4,796</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 FY2024, the Group recorded revenue of approximately HK\$486.6 million as compared to revenue of approximately HK\$417.0 million for FY2023, which represented an increase of approximately HK\$69.6 million or 16.7%.

Revenue contributed from projects which we were acting as main contractor increased to approximately 95.2% of our total revenue in FY2024 (FY2023: 90.0%). The increase in the percentage was because the Group mainly acted as main contractor in the newly awarded projects, in which the project scale is relatively large.

The amount of backlog revenue as at 31 March 2024 was approximately HK\$229.4 million (31 March 2023: HK\$448.3 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 FY2024, there were 10 projects (FY2023: 9 projects) contributing revenue of approximately HK\$483.4 million (FY2023: HK\$410.6 million) to the Group.

The increase in revenue was primarily because (i) certain projects awarded in the second half of FY2023 reached a more mature phase of works and contributed more revenue in FY2024; and (ii) an increase in the number of projects engaged by the Group.

Leasing of construction machinery

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

During FY2024, the revenue derived from leasing of construction machinery amounted to approximately HK\$3.2 million (FY2023: HK\$6.5 million), accounting for approximately 0.7% (FY2023: 1.6%) of our total revenue.

The decrease in revenue from leasing of construction machinery of the Group was mainly due to i) the increase in the usage rate of machinery by our Group upon commencement of certain newly awarded projects during FY2024; and ii) the decrease in the number of machinery rented out to our customers upon the completion of their respective construction works during FY2024.

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 industry in Hong Kong continues to show progress in 2024, which has seen a rise in the number of tenders available over the past year, which the Group attributes to government initiatives aimed at increasing the long-term housing supply.

However, the industry is facing challenges due to a shortage of skilled labour and inflationary pressures, which are driving up project costs and cutting into profit margins. Despite these challenges, the government’s strategy to increase the public housing supply such as the launch of more projects in the Northern Metropolis, is expected to have a positive impact on the industry and contributes to a rise of opportunities for our services.

The Hong Kong foundation industry remains highly competitive. The Group will continue to monitor the evolving situation, 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 increased by approximately HK\$69.6 million, or approximately 16.7%, from approximately HK\$417.0 million for FY2023 to approximately HK\$486.6 million for FY2024.

The increase in revenue was primarily because (i) certain projects awarded in the second half of FY2023 reached a more mature phase of works and contributed more revenue in FY2024; and (ii) an increase in the number of projects engaged by the Group.

Cost of Sales

Our direct costs increased from approximately HK\$371.3 million for FY2023 to approximately HK\$442.7 million for FY2024, representing an increase of approximately HK\$71.4 million. Such increase was mainly attributable to the increase in subcontracting charges with the increased labour costs and inflation.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$1.7 million, from approximately HK\$45.7 million for FY2023 to gross profit of approximately HK\$44.0 million for FY2024.

Our gross profit margin decreased from approximately 11.0% for FY2023 to a gross profit margin of approximately 9.0% for FY2024.

The decrease in gross profit was mainly attributable to a decrease in profit margin of the newly awarded projects in FY2024 as the contract prices were affected by the keen competition in the Hong Kong foundation industry.

Other income

Our other income, increased from approximately HK\$2.3 million for FY2023 to approximately HK\$6.8 million for FY2024, which was mainly attributable to the i) increase in interest income earned from approximately HK\$0.1 million for FY2023 to approximately HK\$1.2 million for FY2024; and ii) recognition of one-off income of approximately HK\$4.8 million from the disposal of steel working platforms upon handover of construction sites to the respective contractors responsible for general building construction in our normal course of operation, in which there was no such income recorded in FY2023.

Impairment losses on financial assets

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK\$32.9 million (FY2023: HK\$35.2 million), consisting of impairment losses recognised on trade and retention receivables of approximately HK\$7.5 million (FY2023: reversal of impairment losses HK\$0.3 million) and impairment losses recognised on contract assets and contract deposits of approximately HK\$25.4 million (FY2023: HK\$35.5 million), which is made based on the management's latest assessment of risk of default in the Group's financial assets for FY2024. There was no material fluctuation noted in the amounts of impairment losses on financial assets for FY2024 as compared with FY2023.

In general, the Group holds progress meetings with customers and their consultants on a regular basis to communicate on progress during the course of the project. The Group conducts a thorough evaluation of its work done and the relevant payment status for each project.

The Group engaged an independent valuer to provide an independent opinion on the expected credit loss for its contract assets, contract deposits and trade and retention receivables as at 31 March 2024. The valuation was conducted based on the specific risk profile of each customer, the ageing pattern of the financial assets, historical credit loss percentage and the market credit loss percentage.

The Directors considered that the valuation model adopted, including the basis of valuation, assumptions made and valuation methodology used, were fair and reasonable and reflected an accurate estimate of the recoverability of the Group's contract assets, contract deposits and trade and retention receivables.

The Group continues to monitor the settlement status of contract assets, contract deposits and trade and retention receivables and will consider to write off the specific loss allowance for the respective items.

Other administrative expenses

Our administrative expenses remained stable, at approximately HK\$10.8 million, from for FY2024 as compared to approximately HK\$10.2 million for FY2023, as the scale of the Group is consistent in both FY2024 and FY2023.

Finance costs

Our finance costs decreased by approximately HK\$0.1 million, or approximately 15.8%, from approximately HK\$0.7 million for FY2023 to approximately HK\$0.6 million for FY2024. Such decrease was mainly due to the repayments of certain finance leases during FY2024.

Income tax credit

Our income tax credit increased by approximately HK\$1.5 million, from approximately HK\$0.4 million for FY2023 to approximately HK\$1.9 million for FY2024 mainly due to the recognition of deferred tax assets for FY2024.

Profit and total comprehensive income attributable to equity holders of the Company

Based on the above factors, profit and total comprehensive income attributable to equity holders of the Company increased by approximately HK\$5.9 million from approximately HK\$2.4 million for FY2023 to approximately HK\$8.3 million for FY2024.

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 activities.

As at 31 March 2024, the capital structure of the Group consisted of equity of approximately HK\$266.5 million (2023: HK\$258.2 million) and bank borrowings of approximately HK\$7.8 million (2023: HK\$7.8 million). For details, please refer to the paragraph headed “Bank borrowings” below.

As at 31 March 2024, the Company had 479,600,000 ordinary shares in issue and the Company’s issued share capital was HK\$4,790,000.

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 2024, our cash and cash equivalents were approximately HK\$35.6 million (2023: HK\$18.6 million). As at 31 March 2024, the Group also had HK\$19.9 million pledged bank deposits in deposited for a bank to issue surety bonds in respect of our foundation projects (2023: Nil).

As at 31 March 2024, the current ratio of the Group was approximately 6.1 times (2023: 3.5 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 year	<u>7,830</u>	<u>7,830</u>

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

	2024	2023
Short-term bank loans	<u>5.13%</u>	<u>2.52%</u>

GEARING RATIO

As at 31 March 2024, the Group's gearing ratio was approximately 2.9% (2023: 3.0%), 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 2024, the Group had net current assets of approximately HK\$214.1 million (2023: HK\$199.8 million). The increase in net current assets position was mainly attributable to the receipts generated from operating activities 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\$1.2 million (2023: HK\$3.3 million), which was incurred due to the purchase of motor vehicles during the year.

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 2024. 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 2024, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$19.9 million (2023: Nil). The performance bonds were pledged by restricted bank deposits amounting to approximately HK\$19.9 million (2023: Nil). The performance bonds as at 31 March 2024 will be released in accordance with the terms of the respective construction contracts.

PLEDGE OF ASSETS

As at 31 March 2024, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK\$7.8 million (2023: 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\$8.1 million (2023: HK\$7.8 million).

CAPITAL COMMITMENTS

As at 31 March 2024, the Group did not have any capital commitments contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2024, the Group had a total of 21 employees (2023: 22). Total staff costs (including Directors' emoluments) for the year were approximately HK\$20.6 million (2023: HK\$13.9 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 FY2024.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2024.

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 2024.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 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 2024, except for a deviation from code provision C.2.1 of the CG Code..

Code provision C.2.1 of the CG Code, requires that the roles of chairman and chief executive officer be segregated and not performed by the same individual. Mr. Chow, the chairman of the Board, also serves as the chief executive officer, which constitutes a deviation from code provision C.2.1 of the CG Code.

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 of the CG Code is appropriate in the circumstances.

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 2024.

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 2024.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2024 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 has reviewed the Group’s consolidated financial statements for FY2024, 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 2024 as well as the final results announcement of the Group for the year ended 31 March 2024. 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 2024.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of this preliminary announcement for the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 March 2024 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 2024. 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 2024 (2023: 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, 12 September 2024, the register of members of the Company will be closed from Friday, 6 September 2024 to Thursday, 12 September 2024, both days inclusive, during which period no transfer of shares will be registered. All transfer documents 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, 5 September 2024.

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 2024 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, 27 June 2024

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.