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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 2023

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2023)

- Revenue was approximately HK\$417.0 million (2022: HK\$156.6 million)
- Gross profit was approximately HK\$45.7 million (2022: HK\$46.3 million)
- Profit for the year attributable to owners of the Company was approximately HK\$2.4 million (2022: loss of HK\$24.6 million)
- Basic and diluted earnings per share was approximately HK0.50 cents per share (2022: loss of HK5.45 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 2023 (“FY2023” or “Current Year”), together with the comparative figures for the year ended 31 March 2022 (“FY2022” or “Last Year”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	417,043	156,594
Cost of sales		(371,309)	(110,299)
Gross profit		45,734	46,295
Other income/(loss), net		2,297	(1,113)
Impairment losses on financial assets		(35,229)	(33,919)
Other administrative expenses		(10,191)	(36,413)
Operating profit/(loss)		2,611	(25,150)
Finance costs		(663)	(2,649)
Profit/(loss) before income tax		1,948	(27,799)
Income tax credit	4	443	3,238
Profit/(loss) for the year		2,391	(24,561)
Other comprehensive income		–	–
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company		2,391	(24,561)
		2023 <i>HK cents</i>	2022 <i>HK cents</i>
Earnings/(loss) per share	5		
Basic		0.50	(5.45)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		52,214	82,110
Financial assets at fair value through profit or loss		7,768	7,527
		59,982	89,637
Current Assets			
Trade and retention receivables	7	83,139	81,113
Prepayments, deposits and other receivables		11,967	3,344
Contract assets	8	165,048	135,619
Income tax recoverable		164	–
Cash and cash equivalents		18,629	25,477
		278,947	245,553
Current Liabilities			
Trade and retention payables	9	65,081	45,915
Other payables and accruals		1,661	8,233
Contract liabilities	8	2,304	622
Lease liabilities		2,310	8,946
Borrowings		7,830	7,830
Income tax payable		–	214
		79,186	71,760
Net Current Assets		199,761	173,793
Total Assets less Current Liabilities		259,743	263,430
Non-current Liabilities			
Lease liabilities		883	6,518
Deferred income tax liabilities		638	1,081
		1,521	7,599
Net Assets		258,222	255,831
Equity			
Share capital	10	4,796	4,796
Reserves		253,426	251,035
Equity attributable to Owners of the Company		258,222	255,831

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 consolidated financial statements are presented in Hong Kong dollars "HK\$", unless otherwise stated and were approved for issue on 29 June 2023.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Foundation works and ancillary services	410,558	138,233
Leasing of construction machinery	6,485	18,361
	<u>417,043</u>	<u>156,594</u>

(b) Segment information

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

- Construction works; and
- Leasing of construction machinery

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central 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 bank balances, income tax recoverable and other corporate assets.

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

(i) *Segment revenue and results*

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

For the year ended 31 March 2023

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
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>
Included in segment profit are:			
Depreciation	(7,469)	(890)	(8,359)
Impairment losses (recognised) reversed on:			
– trade and retention receivables	(3,631)	3,951	320
– contract assets	<u>(35,549)</u>	<u>–</u>	<u>(35,549)</u>

For the year ended 31 March 2022

	Construction work <i>HK\$'000</i>	Leasing of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	138,233	18,361	156,594
Segment profit	<u>4,713</u>	<u>7,663</u>	12,376
Unallocated other loss, net			(1,113)
Unallocated expenses			(23,283)
Unallocated depreciation			(13,130)
Finance costs			<u>(2,649)</u>
Loss before income tax			(27,799)
Income tax credit			<u>3,238</u>
Loss for the year			<u>(24,561)</u>
Included in segment profit are:			
Depreciation	–	(6,916)	(6,916)
Impairment losses recognised on:			
– trade and retention receivables	(4,463)	(3,318)	(7,781)
– contract assets	<u>(26,138)</u>	<u>–</u>	<u>(26,138)</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 2023			
Segment assets	<u>290,041</u>	<u>10,360</u>	300,401
Unallocated assets			<u>38,528</u>
Total assets			<u>338,929</u>
Addition to non-current assets			
Segment assets	<u>-</u>	<u>-</u>	-
Unallocated assets			<u>5,707</u>
Total			<u>5,707</u>
	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2022			
Segment assets	<u>256,581</u>	<u>42,262</u>	298,843
Unallocated assets			<u>36,347</u>
Total assets			<u>335,190</u>
Addition to non-current assets			
Segment assets	<u>5,300</u>	<u>-</u>	5,300
Unallocated assets			<u>1,379</u>
Total			<u>6,679</u>

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 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>

	Construction work HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
At 31 March 2022			
Segment liabilities	<u>46,537</u>	<u>–</u>	46,537
Borrowings			7,830
Deferred tax liabilities			1,081
Other unallocated liabilities			<u>23,911</u>
Total liabilities			<u>79,359</u>

(c) **Geographical information**

Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	417,043	156,594

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

Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	52,214	82,110

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.

(d) **Information about major customers**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	336,104	N/A*
Customer B	N/A#	36,589
Customer C	N/A#	31,359
Customer D	N/A#	22,893
Customer E	N/A#	22,654
Customer F	N/A#	20,142

The revenue from each of customer B, customer C, customer D, customer E and customer F for the year ended 31 March 2023 did not exceed 10% of the total revenue of the Group for the year.

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

4. INCOME TAX CREDIT

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
Hong Kong	–	–
Macau	–	–
	<u>–</u>	<u>–</u>
	-----	-----
Under/(over) provision in prior year		
Hong Kong	–	(5)
Macau	–	214
	<u>–</u>	<u>209</u>
	-----	-----
Deferred income tax credit	<u>(443)</u>	<u>(3,447)</u>
	<u>(443)</u>	<u>(3,238)</u>

No provision for Hong Kong profits tax and Macau income tax for the year ended 31 March 2023 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 tax, and no assessable profits that are subject to tax in the respective jurisdiction for the year respectively.

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

5. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2023	2022
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)	2,391	(24,561)
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings/(loss) per share (<i>'000</i>)	479,600	450,377
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>0.50</u>	<u>(5.45)</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is not presented as there were no potential ordinary shares in issue for both of the years ended 31 March 2023 and 2022.

6. DIVIDENDS

The Board did not recommend any payment of dividend in respect of the year ended 31 March 2023 (2022: Nil).

7. TRADE AND RETENTION RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	40,636	58,845
Less: loss allowance recognised	<u>(1,557)</u>	<u>(4,306)</u>
	39,079	54,539
Retention receivables	50,379	30,464
Less: loss allowance recognised	<u>(6,319)</u>	<u>(3,890)</u>
	44,060	26,574
Trade and retention receivables	<u>83,139</u>	<u>81,113</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 2023 and 2022, the ageing analysis of the trade receivables, less loss allowance recognised, based on invoice date were as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	31,331	52,052
31 to 60 days	–	–
61 to 90 days	–	–
91 to 180 days	–	124
181 to 365 days	–	2,080
1 to 3 years	7,748	283
	39,079	54,539

At 31 March 2023 and 2022, the ageing analysis of the retention receivables, less loss allowance recognised, based on invoice date were as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	32,196	4,706
Between 1 to 2 years	–	5,249
Between 2 to 5 years	10,236	16,619
More than 5 years	1,628	–
	44,060	26,574

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets		
Provision of construction services	205,028	172,999
Less: Loss allowance recognised	<u>(39,980)</u>	<u>(37,380)</u>
	<u>165,048</u>	<u>135,619</u>
Contract liabilities		
Provision of construction services	<u>2,304</u>	<u>622</u>

9. TRADE AND RETENTION PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	33,460	22,929
Retention payables	<u>31,621</u>	<u>22,986</u>
	<u>65,081</u>	<u>45,915</u>

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

At 31 March 2023 and 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1 to 30 days	32,159	21,155
31 days to 90 days	–	–
Over 90 days	<u>1,301</u>	<u>1,774</u>
	<u>33,460</u>	<u>22,929</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 2021, 31 March 2022 and 31 March 2023	0.01	1,000,000	10,000
	<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 2021	0.01	400,000	4,000
Issue of shares on placement of shares (<i>Note</i>)	0.01	79,600	796
	<u>0.01</u>	<u>479,600</u>	<u>4,796</u>
At 31 March 2022 and 31 March 2023	0.01	479,600	4,796
	<u>0.01</u>	<u>479,600</u>	<u>4,796</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For FY2023, the Group recorded revenue of approximately HK\$417.0 million as compared to revenue of approximately HK\$156.6 million for FY2022, which represented an increase of approximately HK\$260.4 million or 166.3%.

Revenue contributed from projects which we were acting as main contractor increased to approximately 90% of our total revenue in FY2023 (FY2022: approximately 17%). 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 2023 was approximately HK\$448.3 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 FY2023, there were 9 projects (FY2022: 14 projects) contributing revenue of approximately HK\$410.6 million (FY2022: HK\$138.2 million) to the Group.

The increase in revenue was primarily because (i) certain projects with relatively lower contract sums were completed in the year ended 31 March 2022 and certain new projects undertaken in the Current Year are with higher contract sums; and (ii) an increase in the number of available tenders for foundation works during the Current Year.

Leasing of construction machinery

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

During FY2023, the revenue derived from leasing of construction machinery amounted to approximately HK\$6.5 million (FY2022: HK\$18.4 million), accounting for approximately 1.6% (FY2022: 11.7%) 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 FY2023; and ii) the decrease in the number of machinery rented out to our customers upon the completion of their respective construction works during FY2023.

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 is anticipated to resume normal activities in 2023, which has seen a rise in number of tendering available over the past year, due 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 is expected to have a positive impact on the industry.

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\$260.4 million, or approximately 166.3%, from approximately HK\$156.6 million for FY2022 to approximately HK\$417.0 million for FY2023.

The increase was primarily because (i) certain projects with relatively lower contract sums were completed in the year ended 31 March 2022 and certain new projects undertaken in the year ended 31 March 2023 are with larger contract sums; and (ii) an increase in the number of available tenders for foundation works during the Current Year.

Cost of Sales

Our direct costs increased from approximately HK\$110.3 million for FY2022 to approximately HK\$371.3 million for FY2023, representing an increase of approximately HK\$261.0 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\$0.6 million, from approximately HK\$46.3 million for FY2022 to gross profit of approximately HK\$45.7 million for FY2023.

Our gross profit margin decreased from approximately 29.6% for FY2022 to a gross profit margin of approximately 11.0% for FY2023.

The decrease in gross profit was mainly attributable to a decrease in profit margin of the newly awarded projects in FY2023 as the contract prices were affected by the keen competition in the Hong Kong foundation industry.

Other income/(loss), net

Our other income/(loss), net changed from a loss of approximately HK\$1.1 million for FY2022 to income of approximately HK\$2.3 million for FY2023, which was mainly attributable to the loss of disposal of machinery of approximately HK\$1.4 million was recorded for FY2022, in which a gain of disposal of machinery of approximately HK\$1.1 million was recorded for FY2023.

Impairment losses on financial assets

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK\$35.2 million (FY2022: approximately HK\$33.9 million) made based on the management's latest assessment of risk of default in the Group's financial assets for FY2023. There was no material fluctuation noted in the amounts as compared with FY2023 and FY2022.

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 as at 31 March 2023. The valuation was conducted based on the specific risk profile of each customer, the ageing pattern of the contract 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.

The Group continues to monitor the settlement status of contract assets and will consider to write off the specific loss allowance for the respective contract assets.

Other administrative expenses

Our administrative expenses decreased by approximately HK\$26.2 million, from approximately HK\$36.4 million for FY2022 to approximately HK\$10.2 million for FY2023. The decrease in other administrative expenses was mainly attributable to i) the decrease in staff costs for staff not directly participating to our construction projects, which amounted to approximately HK\$3.2 million for the Current Year compared to HK\$13.3 million recorded for the Last Year; and (ii) the decrease in unallocated depreciation on our machinery and equipment not used in our construction projects from approximately HK\$13.1 million for the Last Year to approximately HK\$2.2 million for the Current Year.

Finance costs

Our finance costs decreased by approximately HK\$1.9 million, or approximately 75.0%, from approximately HK\$2.6 million for FY2022 to approximately HK\$0.7 million for FY2023. Such decrease was mainly due to the repayments of certain finance leases during FY2023.

Income tax credit

Our income tax credit decreased from approximately HK\$3.2 million for FY2022 to approximately HK\$0.4 million for FY2023 due to the recognition of deferred tax assets during FY2023.

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

Based on the above factors, profit/(loss) and total comprehensive income/(loss) attributable to equity holders of the Company changed from a loss of approximately HK\$24.6 million for FY2022 to a profit of approximately HK\$2.4 million for FY2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2023, the capital structure of the Group consisted of equity of approximately HK\$258.2 million (2022: HK\$255.8 million) and bank borrowings of approximately HK\$7.8 million (2022: HK\$7.8 million). For details, please refer to the paragraph headed “Bank borrowings” below.

As at 31 March 2023, 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 2023, our cash and cash equivalents were approximately HK\$18.6 million (2022: HK\$25.5 million).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	<u>7,830</u>	<u>7,830</u>

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

	2023	2022
Short-term bank loans	<u>2.52%</u>	<u>2.90%</u>

GEARING RATIO

As at 31 March 2023, the Group's gearing ratio was approximately 3.0% (2022: 3.1%), 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 2023, the Group had net current assets of approximately HK\$199.8 million (2022: HK\$173.8 million). The increase in net current assets position was mainly attributable to the receipts from the disposal of several property, plant and equipment items during the year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

CAPITAL EXPENDITURES

The Group's capital expenditures for the year amounted to approximately HK\$3.3 million (2022: HK\$5.3 million), which was incurred due to the purchase of motor vehicles and addition to leasehold improvement 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 2023. 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 2023, there were no guarantees on performance bonds in respect of construction contracts given by the Group.

As at 31 March 2022, the Group had given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$2.2 million.

PLEDGE OF ASSETS

As at 31 March 2023, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK\$7.8 million (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\$7.8 million (2022: HK\$7.5 million).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any capital commitments contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2023, the Group had a total of 22 employees (2022: 13). Total staff costs (including Directors' emoluments) for the year were approximately HK\$13.9 million (2022: HK\$13.5 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 FY2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2023.

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 2023.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Board is of the opinion that the Company has complied with all applicable code provisions set out in the CG Code during the year ended 31 March 2023, 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 2023.

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 2023.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 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 FY2023, 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 2023 as well as the final results announcement of the Group for the year ended 31 March 2023. 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 2023.

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 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, CCTH CPA Limited (“CCTH”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2023. 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 2023 (2022: 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, 14 September 2023, the register of members of the Company will be closed from Friday, 8 September 2023 to Thursday, 14 September 2023, 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, 7 September 2023.

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 2023 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 29 June 2023

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.