

INTERIM REPORT 2017

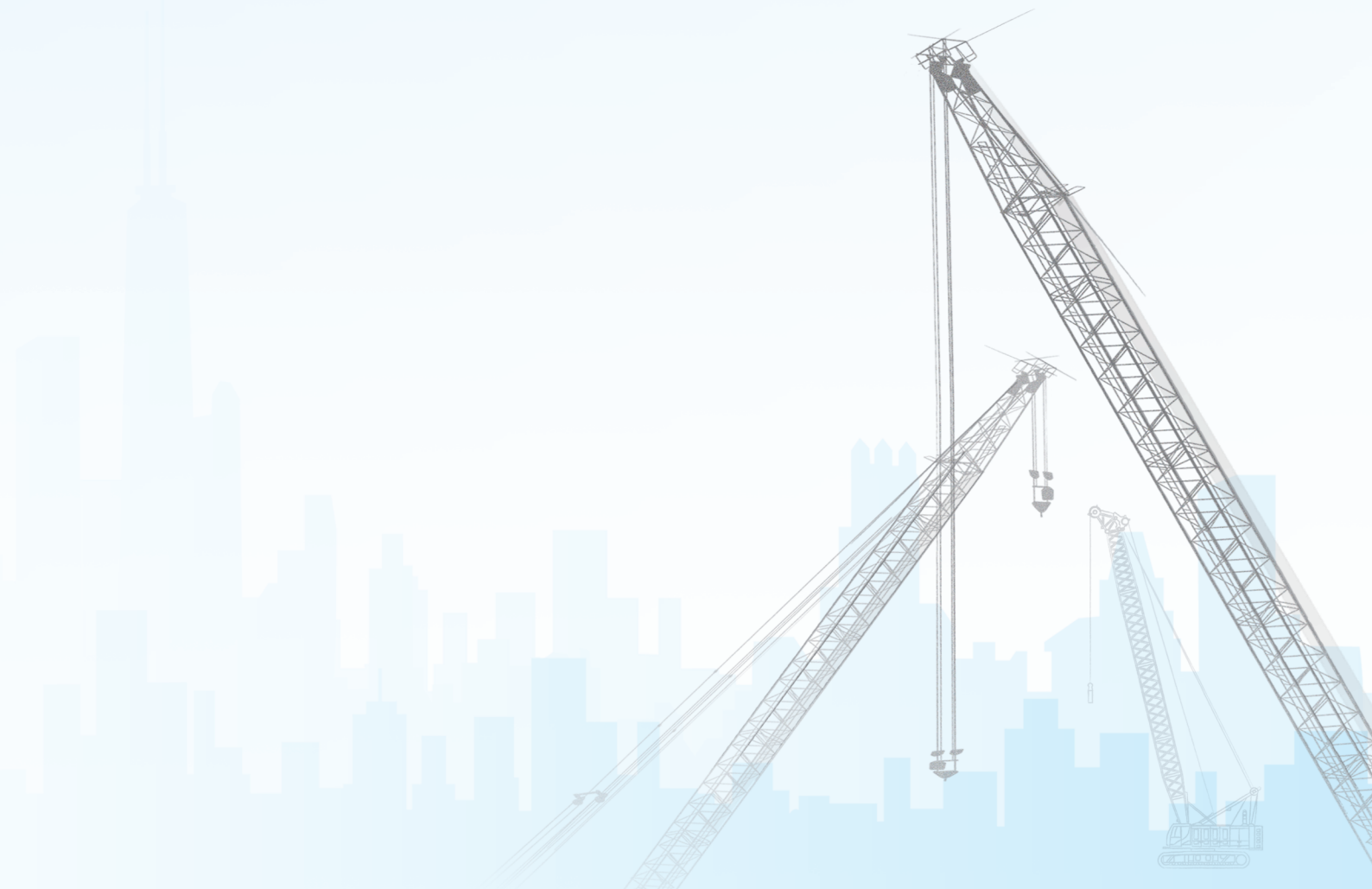


# VICON

## 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*)  
Mr. Tsang Hing Kuen (*Chief Executive Officer*)  
Mr. Leung Kim Lim  
Mr. Liu Jin Fai

#### Independent Non-executive Directors

Mr. Ip Ka Ki  
Professor Kuang Jun Shang  
Mr. Law Wang Chak Waltery

### BOARD COMMITTEES

#### Audit Committee

Mr. Law Wang Chak Waltery (*Chairman*)  
Mr. Ip Ka Ki  
Professor Kuang Jun Shang

#### Nomination Committee

Mr. Chow Kwok Chun (*Chairman*)  
Mr. Ip Ka Ki  
Mr. Law Wang Chak Waltery

#### Remuneration Committee

Mr. Ip Ka Ki (*Chairman*)  
Mr. Chow Kwok Chun  
Professor Kuang Jun Shang

### COMPANY SECRETARY

Mr. Leung Cheuk Hei

### AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun  
Mr. Leung Cheuk Hei

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, Kings Tower  
111 King Lam Street  
Cheung Sha Wan  
Kowloon  
Hong Kong

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shop 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

### COMPLIANCE ADVISER

Innovax Capital Limited  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

## **LEGAL ADVISORS AS TO HONG KONG LAW**

Sidley Austin  
39/F Two Int'l Finance Centre  
Central  
Hong Kong

## **PRINCIPAL BANKS**

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

## **AUDITOR**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F  
Prince's Building  
Central  
Hong Kong

## **COMPANY'S WEBSITE**

[www.vicon.com.hk](http://www.vicon.com.hk)

## **STOCK CODE**

3878

## UNAUDITED CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

The board (the “Board”) of directors (the “Directors”) of Vicon Holdings Limited (the “Company”) is pleased to announce the unaudited condensed combined interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017, together with the comparative unaudited figures of the corresponding period in 2016, as follows:

### UNAUDITED CONDENSED COMBINED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Six months ended 30 September	
		2017 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)
Revenue	5	145,988	80,130
Cost of services		(124,322)	(66,006)
Gross profit		21,666	14,124
Other income and gains	6	70	302
Professional fees incurred for initial public offering		(5,281)	(1,153)
Other administrative expenses		(4,968)	(4,188)
Operating profit		11,487	9,085
Finance income	8	69	93
Finance costs	8	(1,779)	(897)
Finance costs, net	8	(1,710)	(804)
Profit before taxation	7	9,777	8,281
Income tax expenses	9	(2,648)	(1,542)
Profit and total comprehensive income for the period attributable to equity holders of the Company		7,129	6,739
Earnings per share: Basic and diluted	11	N/A	N/A

# UNAUDITED CONDENSED COMBINED BALANCE SHEET

As at 30 September 2017

	Notes	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Machinery and equipment	12	118,243	125,775
Prepayments and deposits		40	45
Deferred income tax assets		458	185
		<b>118,741</b>	126,005
<b>Current assets</b>			
Trade and retention receivables	13	40,718	38,324
Prepayments, deposits and other receivables		4,469	2,683
Amounts due from customers for contract work	14	77,956	58,710
Income tax receivable		—	3,149
Restricted bank balances		16,817	16,817
Cash and cash equivalents		11,162	34,421
		<b>151,122</b>	154,104
<b>Total assets</b>		<b>269,863</b>	280,109
<b>EQUITY</b>			
<b>Capital and reserve</b>			
Combined share capital	17	30,000	30,000
Retained earnings		109,818	102,689
<b>Total equity</b>		<b>139,818</b>	132,689
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	22,219	29,181
		<b>22,219</b>	29,181
<b>Current liabilities</b>			
Trade and retention payables	15	31,208	68,597
Other payables and accruals	15	4,337	15,913
Borrowings	16	49,754	29,332
Amounts due to customers for contract work	14	1,650	4,397
Amount due to a director		19,000	—
Income tax payable		1,877	—
		<b>107,826</b>	118,239
<b>Total liabilities</b>		<b>130,045</b>	147,420
<b>Total equity and liabilities</b>		<b>269,863</b>	280,109

**UNAUDITED CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2017

	Combined share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	30,000	102,689	132,689
Profit and total comprehensive income for the period (unaudited)	—	7,129	7,129
At 30 September 2017 (unaudited)	<b>30,000</b>	<b>109,818</b>	<b>139,818</b>
At 1 April 2016 (audited)	30,000	72,501	102,501
Profit and total comprehensive income for the period (unaudited)	—	6,739	6,739
At 30 September 2016 (unaudited)	30,000	79,240	109,240

## UNAUDITED CONDENSED COMBINED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Cash flows from operating activities</b>		
Profit before taxation	9,777	8,281
Adjustments for:		
– Depreciation	8,379	6,116
– Interest expenses	1,779	897
– Interest income	(69)	(93)
	<b>19,866</b>	15,201
Changes in working capital		
(Increase)/decrease in trade and retention receivables	(2,394)	15,805
Decrease in prepayments, deposits and other receivables	297	327
Increase in amounts due from customers for contract work	(19,246)	(16,380)
(Decrease)/increase in amounts due to customers for contract work	(2,747)	441
Decrease in trade and retention payables	(37,389)	(26,515)
(Decrease)/increase in other payables and accruals	(2,432)	862
Net cash used in operations	(44,045)	(10,259)
Hong Kong profits tax refund/(paid)	2,105	(6,430)
Net cash used in operating activities	(41,940)	(16,689)
<b>Cash flows from investing activities</b>		
Purchase of machinery and equipment	(9,990)	(971)
Advance to directors	–	(247)
Repayment from directors	–	16,775
Net cash (used in)/generated from investing activities	(9,990)	15,557
<b>Cash flows from financing activities</b>		
Advance from a director	42,300	–
Repayment to a director	(23,300)	–
Drawdown of short-term borrowings	53,591	–
Repayment of short-term borrowings	(29,695)	–
Capital element of finance lease payment	(10,436)	(15,795)
Interest paid	(1,779)	(897)
Listing expense paid	(2,010)	–
Net cash generated from/(used in) financing activities	28,671	(16,692)
Net decrease in cash and cash equivalents	(23,259)	(17,824)
Cash and cash equivalents at 1 April	34,421	27,634
Cash and cash equivalents at 30 September	11,162	9,810



## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

### 1. GENERAL INFORMATION

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 Company is an investment holding company while its principal subsidiaries are principally engaged in the foundation works and ancillary services in Hong Kong (the “Listing Business”). The addresses of the registered office and the principal place of business of the Company are detailed in the Corporate Information of this report.

The unaudited condensed combined interim financial information of the Company is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The unaudited condensed combined financial information has not been audited by the Company’s auditors, but has been reviewed by the audit committee of the Company.

### 2. REORGANISATION

In preparing for the listing of the Shares on the Main Board of The Stock Exchange, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the “Reorganisation”), the Listing Business was carried out by Vicon Construction Company Limited (“Vicon Construction”) and its subsidiaries (collectively the “Operating Companies”). Before the Reorganisation, the Operating Companies were held by Mr. Chow Kwok Chun (“Mr. Chow”) and Mr. Tsang Hing Kuen (“Mr. Tsang”).

Pursuant to the Reorganisation, the Listing Business was transferred to the Company principally through the following steps:

- (i) On 13 January 2016, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares at par of HK\$0.01 each. On 13 January 2016, one fully-paid subscriber share of the Company was transferred to Vic Group Holdings Limited (“VGH”). On the same day, 69 and 30 fully-paid shares were allotted and issued to VGH and On Group Holdings Limited (“OGH”), respectively. Upon completion of the allotment, the Company was held as to 70% by VGH and 30% by OGH.
- (ii) On 15 January 2016, Vicon Enterprises Limited (“Vicon Enterprises”) was incorporated in the British Virgin Islands with one share allotted and issued to the Company at par. The Company is the sole shareholder of Vicon Enterprises.
- (iii) On 15 May 2017, Vicon Construction acquired the remaining 0.7% interest from Mr. Chow and 0.3% interest from Mr. Tsang in Vicon Construction (Macau) Company Limited (“Vicon Construction (Macau)”) at a consideration of MOP6,300 and MOP2,700, respectively, both being the nominal value of the shares of Vicon Construction (Macau) immediately prior to the transfer, resulting in Vicon Construction (Macau) became a wholly-owned subsidiary of Vicon Construction.
- (iv) On 15 November 2017, Vicon Enterprises acquired 70% and 30% interests in Vicon Construction from Mr. Chow and Mr. Tsang, respectively, at a consideration satisfied by the Company allotting and issuing 140 shares and 60 shares, both credited as fully paid, to VGH and OGH, respectively. Upon completion of this acquisition, Vicon Construction became a wholly-owned subsidiary of Vicon Enterprises and an indirect wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the Operating Companies now comprising the Group on 15 November 2017.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation

The unaudited condensed combined interim financial information of the Company 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The financial information relating to the interim condensed combined statement of comprehensive income, the interim condensed combined statement of changes in equity and the interim condensed combined statement of cash flows for the six months ended 30 September 2017 includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods or since their respective dates of incorporation or establishment where this is a shorter period. The interim condensed combined balance sheet as at 30 September 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date, taking into account the respective dates of incorporation.

The condensed combined interim financial information should be read in conjunction with the Accountant’s Report set out in Appendix I to the prospectus of the Company dated 12 December 2017 (the “Prospectus”), which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The preparation of this condensed combined interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed combined interim financial information, are disclosed in note 4 below.

#### 3.2 Summary of significant accounting policies

The accounting policies applied are consistent with those described in the Accountant’s Report set out in Appendix I to the Prospectus. Amendments to HKFRSs effective for the financial year beginning on 1 April 2017 are not expected to have a material impact on the Group.

The preparation of unaudited condensed combined interim financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

- (a) The Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial period beginning on 1 April 2017 throughout the period:

HKFRS 12	Annual Improvements 2014-2016 Cycle (amendments)
HKAS 7	Disclosure Initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed combined financial information.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

### 3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.2 Summary of significant accounting policies (Cont'd)

- (b) The following new standards and revisions to HKFRSs and interpretations (the “new and revised HKFRSs”) which are not yet effective for the financial year beginning on 1 April 2018 and have not been early adopted:

Annual Improvements Project – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments) <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurements of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 <sup>1</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>1</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

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## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

### 4. FINANCIAL RISK MANAGEMENT, CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

#### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed combined financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus.

There have been no changes in the risk management or any risk management policies since the year end.

#### 4.2 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, trade and retention receivables, deposits and other receivables, trade and retention payables, other payables, borrowings and amount due to a director approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

#### 4.3 Critical accounting estimates and judgements

The preparation of the condensed combined 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 condensed combined interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**5. REVENUE AND SEGMENT INFORMATION****Revenue**

Revenue represents the revenue from foundation works on building construction in the ordinary course of business. Revenue recognised is as follows:

	Six months ended 30 September	
	2017 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)
Foundation works and ancillary services	145,988	80,130

**Segment information**

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regards the Group's business as a single operating segment and reviews financial information accordingly.

All of the Group's activities are carried out in Hong Kong during the six months ended 30 September 2017 (the "Current Period") and six months ended 30 September 2016 (the "Last Period") and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the Current Period and the Last Period is presented.

**Information about major customers**

Revenue attributed from customers that accounted 10% or more of the Group's total revenue during the Current Period and Last Period is as follows:

	Six months ended 30 September	
	2017 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)
Customer A	40,360	41,700
Customer B	36,970	21,782
Customer C	34,685	10,569
Customer D	17,294	—
	<b>129,309</b>	74,051

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**6. OTHER INCOME AND GAINS**

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Machinery rental income	70	—
Consultancy income	—	302
	<b>70</b>	<b>302</b>

**7. PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of machinery and equipment	8,379	6,116
Directors' emoluments	4,486	4,327
Other staff costs:		
Salaries and other benefits	16,230	14,473
Retirement benefit scheme contributions	577	426
Total staff costs	<b>21,293</b>	19,226
Minimum lease payments under operating leases in respect of		
– Storage premises	360	300
– Office and storage premises	885	846

**8. FINANCE COSTS, NET**

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Finance income:		
– Interest income on bank deposits	69	93
Finance costs:		
– Interest expenses on bank borrowings	(648)	(33)
– Interest expenses on finance lease liabilities	(1,131)	(864)
Finance costs, net	<b>(1,710)</b>	<b>(804)</b>

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**9. INCOME TAX EXPENSES**

	Six months ended 30 September	
	2017 HK\$' 000 (unaudited)	2016 HK\$' 000 (unaudited)
Current tax:		
Hong Kong profits tax	2,921	1,926
Deferred taxation	(273)	(384)
	<b>2,648</b>	1,542

Note: Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the six months ended 30 September 2017 and 2016.

**10. DIVIDEND**

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2017 (six months ended 2016: Nil).

**11. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the six months ended 30 September 2017 that is prepared on a combined basis as set out in Note 3 to the unaudited condensed combined interim financial information.

**12. MOVEMENTS IN MACHINERY AND EQUIPMENT**

During the six months ended 30 September 2017, the Group spent approximately HK\$0.8 million (six months ended 30 September 2016: approximately HK\$22.3 million) on acquisition of machinery and equipment.

**13. TRADE AND RETENTION RECEIVABLES**

	At 30 September 2017 HK\$' 000 (unaudited)	At 31 March 2017 HK\$' 000 (audited)
	Trade receivables	26,435
Retention receivables	14,283	14,231
	<b>40,718</b>	38,324

Note: Except for the amount of approximately HK\$7.4 million as at 30 September 2017 (31 March 2017: HK\$2.6 million), which was expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**13. TRADE AND RETENTION RECEIVABLES (Cont'd)**

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 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Within 30 days	26,435	24,093

**14. CONTRACTING WORK-IN-PROGRESS**

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Aggregated costs incurred and recognised profits to date	1,035,433	889,411
Progress billings to date	(959,127)	(835,098)
	76,306	54,313
Analysed as:		
Amounts due from customers for contract work	77,956	58,710
Amounts due to customers for contract work	(1,650)	(4,397)
	76,306	54,313

**15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS**

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade payables	18,543	56,606
Retention payables	12,665	11,991
Trade and retention payables	31,208	68,597
Other payables and accruals	4,337	15,913
	35,545	84,510



## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS (Cont'd)**

The aging analysis of the trade payables based on invoice date was as follows:

	At 30 September 2017 HK\$' 000 (unaudited)	At 31 March 2017 HK\$' 000 (audited)
1 to 30 days	31,208	56,075
31 to 60 days	—	273
61 to 90 days	—	—
More than 1 year	—	258
	<b>31,208</b>	<b>56,606</b>

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

The terms and conditions in relation to the release of retention vary from contract to contract. In the unaudited condensed combined balance sheet, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date was as follows:

	30 September 2017 HK\$' 000 (unaudited)	31 March 2017 HK\$' 000 (audited)
Within 1 year	7,502	5,808
Between 1 and 3 years	5,163	6,183
	<b>12,665</b>	<b>11,991</b>

**16. BORROWINGS**

	At 30 September 2017 HK\$' 000 (unaudited)	As at 31 March 2017 HK\$' 000 (audited)
Non-current		
Finance lease liabilities	22,219	29,181
	<b>22,219</b>	<b>29,181</b>
Current		
Short-term bank borrowings	32,086	8,190
Finance lease liabilities	17,668	21,142
	<b>49,754</b>	<b>29,332</b>
	<b>71,973</b>	<b>58,513</b>

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**16. BORROWINGS (Cont'd)**

- (a) Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings would be as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Within 1 year	32,086	8,190

The finance lease liabilities are as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Gross finance leases - minimum lease payments		
Within 1 year	19,082	23,105
Between 1 and 2 years	9,883	12,854
Between 2 and 5 years	13,446	18,034
	42,411	53,993
Future finance charges on finance leases	(2,524)	(3,670)
Present value of finance lease liabilities	39,887	50,323

The present value of finance lease liabilities is as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
No later than 1 year	17,668	21,142
Later than 1 year and no later than 5 years	22,219	29,181
	39,887	50,323

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**16. BORROWINGS (Cont'd)**

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

	<b>30 September 2017 (unaudited)</b>	31 March 2017 (audited)
Short-term bank loans	<b>3.52%</b>	2.09%
Finance lease liabilities	<b>4.11%</b>	5.53%

The carrying amounts of borrowings approximated their fair value as the impact of discounting is not significant.

- (c) The Group's banking facilities are subject to annual review and the utilised facilities are secured or guaranteed by:

	<b>30 September 2017 HK\$' 000 (unaudited)</b>	31 March 2017 HK\$' 000 (audited)
Secured/Guaranteed	<b>57,547</b>	50,323

As at 30 September 2017, the bank borrowings amounting to HK\$17,660,000 were guaranteed by (i) Vicon Construction and Vicon Machinery Company Limited; (ii) personal guarantee provided by Mr. Chow and Mr. Tsang; and (iii) charge over the Group's trade receivables with an aggregate amount of HK\$1,680,000. As of the date of this report, the personal guarantees have been released and replaced by corporate guarantees provided by the Company.

As at 30 September 2017, banking facilities were granted to Vicon Construction in respect of the specific projects, with an aggregate amount of HK\$49,340,000, of which HK\$31,680,000 had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

As at 30 September 2017 and 31 March 2017, the finance lease liabilities amounting to HK\$39,887,000, and HK\$50,323,000, respectively, from two banks are guaranteed by Mr. Chow and Mr. Tsang. As of the date of this report, the personal guarantees have been released upon listing and replaced by corporate guarantee of the Company.

As at 31 March 2017, the Group did not have any undrawn borrowing facilities. As at 30 September 2017, the Group had undrawn borrowing facilities of HK\$31,680,000.

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**17. COMBINED SHARE CAPITAL**

The unaudited condensed interim combined financial information has been prepared as if the current group structure had been in existence throughout each of the periods ended 30 September 2016 and 2017 or since the respective dates of incorporation/establishment of the combining companies or since the date when the combining companies first came under the control of the ultimate owner of the Listing Business, where this is a shorter period. The share capital as presented in the condensed combined balance sheets as at 30 September 2016 and 2017 represented the combined capital of the companies now comprising the Group after elimination of inter-company investments.

**18. 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.

**(a) 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	4,486	4,327
Post-employment benefits	36	36
	<b>4,522</b>	4,363

**(b) Balances**

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (unaudited)
Receivables from a related party: – Amount due to a director	<b>19,000</b>	—

The balance was non-trade in nature, unsecured, interest free, repayable on demand.

**(c) Guarantee provided by directors to the Group's borrowings**

The guarantee provided by directors to the Group's borrowings is disclosed in Note 16(c).

## NOTES TO UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

**19. CONTINGENT LIABILITIES**

The Group did not have any contingent liability as at 30 September 2017 and 31 March 2017.

**20. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of office premises rented under non-cancellable operating lease which fall due as follows:

	<b>As at 30 September 2017 HK\$' 000 (unaudited)</b>	<b>As at 31 March 2017 HK\$' 000 (audited)</b>
Within one year	1,474	1,976
In the second to fifth year inclusive	—	519
	<b>1,474</b>	<b>2,495</b>

**21. ULTIMATE HOLDING COMPANY**

Management considers VGH as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. Chow.

**22. SUBSEQUENT EVENTS**

Save as disclosed in the report, the following significant events took place subsequent to 30 September 2017:

- (a) The Reorganisation was completed on 30 November 2017 and the details are set out in Note 2.
- (b) Pursuant to the written resolution passed by the shareholders on 30 November 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 through the creation of an additional 962,000,000 shares of HK\$0.01 each.
- (c) Pursuant to the written resolution passed by the shareholders on 30 November 2017, conditional upon the share premium account of the Company being credited as a result of issue of new shares to the proposed offering of the Company's shares, the Company will issue additional 299,999,700 shares, credited as fully paid, to the existing shareholders of the Company.
- (d) Pursuant to the written resolution passed by the shareholders on 30 November 2017, the Company conditionally adopted a share option scheme under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.
- (e) On 22 December 2017, the Company issued a total of 100,000,000 shares by way of Hong Kong public offering and international placing at a price of HK\$1.20 each and successfully listed its shares on the Main Board of the Stock Exchange. The net proceeds after deducting underwriting fees and related expenses was approximately HK\$82,700,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction. Since the Listing on 22 December 2017 (the "Listing Date"), there has been no significant change in the business operations of the Group.

The Shares have been listed on the Main Board of the Stock Exchange by way of share offer of 100,000,000 new Shares (the "Share Offer") since the Listing Date. The proceeds from the Share Offer have strengthened the Group's cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed "Business – Our business strategies" in the prospectus of the Company dated 12 December 2017 in relation to the Share Offer (the "Prospectus").

#### Revenue

During the six months ended 30 September 2017, the Group generated revenue from the foundation projects undertaken by us.

#### Revenue from Foundation Works

Our revenue increased by approximately HK\$65.9 million, or 82.2%, from approximately HK\$80.1 million for the Last Period to approximately HK\$146.0 million for the Current Period, which was mainly due to the commencement of several new projects during the Current Period.

#### Gross Profit and Gross Profit Margin

The Group's total gross profit increased by approximately HK\$7.6 million, or 53.4%, from approximately HK\$14.1 million for the Last Period to approximately HK\$21.7 million for the Current Period while our gross profit margin decreased from approximately 17.6% for the Last Period to approximately 14.8% for the Current Period. The decrease in gross profit margin was mainly attributable to the decrease in the revenue contributed by the target foundation projects in which we enjoyed relatively higher gross profit margins.

#### Other Administrative Expenses

The administrative expenses of the Group for the Current Period amounted to approximately HK\$5.0 million, representing an increase of approximately HK\$0.8 million, or 18.6% compared to approximately HK\$4.2 million for the Last Period. Such increase is mainly due to the increase in staff costs during the Current Period.

#### Finance Costs, net

Our finance costs, net increased by approximately HK\$0.9 million, or 112.7%, from approximately HK\$0.8 million for the Last Period to approximately HK\$1.7 million for the Current Period. Such increase is mainly due to the increase in the balance of borrowings to finance the increased scale of business operation and the increase in the amount of finance lease liabilities for leasing of machinery.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Income Tax Expenses

Our income tax expenses increased by approximately HK\$1.1 million, from approximately HK\$1.5 million for the Last Period to approximately HK\$2.6 million for the Current Period due to the combined effect of the above factors. The effective tax rate for the Current Period was approximately 27.1% and if excluding the one-off listing expenses of approximately HK\$5.3 million, the effective tax rate would have been approximately 17.6%. For the Last Period, excluding the above-mentioned one-off and non-deductible listing expenses of approximately HK\$1.2 million from the profit before taxation, the effective tax rate would have been approximately 16.3%.

### Profit Attributable to Owners of the Company

Based on the above factors, profit attributable to owners of the Company was approximately HK\$7.1 million for the Current Period, comparing to a profit attributable to owners of the Company of approximately HK\$6.7 million for the Last Period.

Excluding the one-off listing expenses of approximately HK\$5.3 million and HK\$1.2 million being charged to the condensed combined statement of comprehensive income during the Current Period and Last Period, respectively, profit attributable to owners of the Company would have been approximately HK\$12.4 million and HK\$7.9 million for the Current Period and Last Period, respectively, and the increment in the Current Period would have been approximately 57.2%.

### 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 30 September 2017, the capital structure of the Group consisted of equity of approximately HK\$139.8 million (31 March 2017: HK\$132.7 million), bank borrowings of approximately HK\$32.1 million (31 March 2017: HK\$8.2 million) and finance lease liabilities of approximately HK\$39.9 million (31 March 2017: HK\$50.3 million). For details, please refer to the paragraph headed "Bank borrowings" below.

### 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 2017, our cash and cash equivalents were approximately HK\$11.2 million (31 March 2017: HK\$34.4 million). The Group also had restricted bank balances of approximately HK\$16.8 million (31 March 2017: HK\$16.8 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 30 September 2017, the current ratio of the Group was approximately 1.4 times (31 March 2017: 1.3 times).

### Bank Borrowings

As at 30 September 2017, the Group had total bank borrowings of approximately HK\$32.1 million (31 March 2017: HK\$8.2 million). As at 30 September 2017, the Group had a facility agreement entered into with a bank with a facility limit of approximately HK\$49.3 million relating to bank borrowings (31 March 2017: Nil).

### Gearing Ratio

As at 30 September 2017, the Group's gearing ratio was approximately 51.5% (31 March 2017: 44.1%), calculated as the bank borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Net Current Assets

As at 30 September 2017, the Group had net current assets of approximately HK\$43.3 million (31 March 2017: HK\$35.9 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group's operations during the Current Period.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, 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 of Directors of the Company (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.

### Interim Dividend

No interim dividend has been declared for the six months ended 30 September 2017.

### Prospects

The Group is confident about the opportunities for the growth in the construction market in Hong Kong.

We believe that we have a number of competitive strengths that differentiate ourselves from our competitors. These competitive strengths include (a) we are experienced in completing foundation projects involving complicated foundation and engineering designs; (b) we have strong capability to develop alternative and cost-efficient foundation design proposals; (c) we have strong in-house design capability; (d) we have stringent quality control and established management procedures; and (e) we have strong management team with extensive experience and technical know-how.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The construction work for the Macau project will commence in the first quarter of 2018.

### Pledge of Assets

The Group's machinery and equipment with an aggregate net book value of approximately HK\$83.4 million and HK\$88.2 million as at 30 September 2017 and 31 March 2017, respectively, were pledged under finance leases.

### 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 months ended 30 September 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Employees and Remuneration Policy**

As at 30 September 2017, the Group employed 80 staff. Total staff costs including directors' emoluments for the six months ended 30 September 2017, amounted to approximately HK\$21.3 million (six months ended 30 September 2016: approximately HK\$19.2 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2017, 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**

Save as disclosed in the Prospectus, the Group had no material capital commitments as at 30 September 2017.

### **Contingent Liabilities**

The Group did not have any contingent liabilities as at 30 September 2017 and 31 March 2017.

### **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

During the six months ended 30 September 2017, the Group did not have any material acquisitions and disposals of subsidiaries, associated companies apart from the Reorganisation in relation to the Listing as set out in Note 2.

### **Significant Investment**

During the six months ended 30 September 2017, save as disclosed in the Prospectus, the Group has no significant investment held.

### **Future Plans for Material Investments or Capital Assets**

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Proceeds from Share Offer

The net proceeds of the Share Offer received by the Company in relation to the Listing were approximately HK\$82.7 million, after deduction of underwriting fees and commissions and all related expenses. The Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Reasons for the listing, future plans and proposed use of net proceeds from the share offer” in the Prospectus. The table below sets out the proposed applications of the net proceeds:

	<b>Planned use of proceeds HK\$'million</b>
Take out of surety bond	34.0
Purchase of machinery	17.4
Repayment of bank loan	14.0
Strengthen of design team	8.5
Purchase of software	0.5
General working capital	8.3

The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong upon Listing. Given that the Share Offer were completed after 30 September 2017, the above application of net proceeds will commence after the Listing on 22 December 2017.

### Events after the Reporting Period

The Shares of the Company were listed on the Stock Exchange on 22 December 2017.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules were not applicable to the Company for the six months ended 30 September 2017 as the Shares were only listed on The Stock Exchange on 22 December 2017. Upon the Listing, the Company has complied with all relevant code provisions of the CG Code.

### COMPLIANCE WITH MODEL CODE

The “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “Model Code”) was not applicable to the Company during the six months ended 30 September 2017 as the Shares were only listed on the Stock Exchange on 22 December 2017. The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Directors upon the Listing. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times since the Listing Date to the date of this report.

### DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPLETING BUSINESS

During the six months ended 30 September 2017, none of the Directors or the controlling shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

### DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Since the Shares were listed on the Stock Exchange on 22 December 2017, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”) as at 30 September 2017. As at the date of this report, the interests or short positions of the Company’s Directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange under the Model Code are as follows:

#### Long position in Shares and Underlying Shares of the Company

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Total number of Shares</u>	<u>Percentage of Shares in issued</u>
Mr. Chow (Note a)	Interest in a controlled corporation	210,000,000	52.5%
Mr. Tsang (Note b)	Interest in a controlled corporation	90,000,000	22.5%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Note:

- a) The 210,000,000 Shares were held by VGH which was wholly owned by Mr. Chow. By virtue of the SFO, Mr. Chow was deemed to be interested in the 210,000,000 Shares.
- b) The 90,000,000 Shares were held by OGH which was wholly owned by Mr. Tsang. By virtue of the SFO, Mr. Tsang was deemed to be interested in the 90,000,000 Shares.

Save as disclosed above, as at the date of this report, none of the Directors nor chief executives had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the Shares were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Group as at 30 September 2017.

As at the date of this report, so far as known by the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying shares and debentures of Company and its associated corporation which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

### Long position in Shares and Underlying Shares of the Company

Name	Capacity/Nature	Total number of Shares	Percentage of Shares in issued
VGH	Beneficial interest	210,000,000	52.5%
Ms. Hon Yuk Hung (Note a)	Interest of Spouse	210,000,000	52.5%
OGH	Beneficial interest	90,000,000	22.5%
Ms. Lee Siu Fong (Note b)	Interest of Spouse	90,000,000	22.5%

Note a: Ms. Hon Yuk Hung is the spouse of Mr. Chow and is deemed or taken to be interested in all the Shares in which Mr. Chow has, or is deemed to have, an interest for the purposes of the SFO.

Note b: Ms. Lee Siu Fong is the spouse of Mr. Tsang and is deemed or taken to be interested in all the Shares in which Mr. Tsang has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at the date of this report, no other persons had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 Appendix IV to the Prospectus. 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

Save for Reorganisation as disclosed in Prospectus, 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 2017.

### 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. Law Wang Chak Waltery (chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang.

The Audit Committee has reviewed the Group’s unaudited condensed combined interim financial information for the six months ended 30 September 2017. The Audit Committee was satisfied that the unaudited condensed interim combined 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, 18 January 2018