

INTERIM REPORT 2018



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

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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Shop 1712-1716, 17th Floor
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COMPLIANCE ADVISER

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LEGAL ADVISORS AS TO HONG KONG LAW

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Central
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PRINCIPAL BANKS

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The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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Certified Public Accountants
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Central
Hong Kong

COMPANY'S WEBSITE

www.vicon.com.hk

STOCK CODE

3878

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

| | Note | Six months ended 30 September | |
|-------------------------------------------------------------------------------------|------|----------------------------------|----------------------------------|
| | | 2018 HK\$' 000 (unaudited) | 2017 HK\$' 000 (unaudited) |
| Revenue | 4 | 172,493 | 145,988 |
| Cost of services | | (149,666) | (124,322) |
| Gross profit | | 22,827 | 21,666 |
| Other income and gains | 5 | 126 | 70 |
| Professional fees incurred for initial public offering | | — | (5,281) |
| Other administrative expenses | | (6,019) | (4,968) |
| Operating profit | | 16,934 | 11,487 |
| Finance income | 7 | 2 | 69 |
| Finance costs | 7 | (2,201) | (1,779) |
| Finance costs, net | 7 | (2,199) | (1,710) |
| Profit before taxation | 6 | 14,735 | 9,777 |
| Income tax expense | 8 | (2,395) | (2,648) |
| Profit for the period | | 12,340 | 7,129 |
| Other comprehensive income | | — | — |
| Profit and total comprehensive income attributable to equity holders of the Company | | 12,340 | 7,129 |
| Basic and diluted earnings per share (HK cents) | 10 | 3.09 | 1.78 |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

| | Note | As at 30 September 2018 HK\$'000 (unaudited) | As at 31 March 2018 HK\$'000 (audited) |
|---------------------------------------------|------|----------------------------------------------------------|----------------------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Machinery and equipment | 11 | 143,929 | 110,242 |
| Prepayments and deposits | | 526 | 2,857 |
| | | 144,455 | 113,099 |
| Current assets | | | |
| Trade and retention receivables | 12 | 52,380 | 50,942 |
| Prepayments, deposits and other receivables | | 18,737 | 2,845 |
| Amounts due from contract customers | 13 | 210,162 | 159,877 |
| Income tax receivable | | — | 576 |
| Restricted bank balances | | 1,697 | 1,697 |
| Cash and cash equivalents | | 47,696 | 100,475 |
| | | 330,672 | 316,412 |
| Total assets | | 475,127 | 429,511 |
| EQUITY | | | |
| Capital and reserve | | | |
| Share capital | 16 | 4,000 | 4,000 |
| Reserves | | 267,992 | 255,652 |
| Total equity | | 271,992 | 259,652 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 15 | 34,328 | 15,365 |
| Deferred income tax liabilities | | 1,079 | 1,079 |
| | | 35,407 | 16,444 |
| Current liabilities | | | |
| Trade and retention payables | 14 | 54,893 | 66,280 |
| Other payables and accruals | 14 | 3,790 | 7,715 |
| Amounts due to contract customers | 13 | 7,781 | 4,901 |
| Borrowings | 15 | 99,445 | 74,519 |
| Income tax payable | | 1,819 | — |
| | | 167,728 | 153,415 |
| Total liabilities | | 203,135 | 169,859 |
| Total equity and liabilities | | 475,127 | 429,511 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

| | Share capital HK\$'000 (Note 16) | Share premium HK\$'000 | Merger reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|---------------------------------------------------------------------|-------------------------------------------|------------------------------|-------------------------------|----------------------------------|-------------------|
| At 1 April 2018 (audited) | 4,000 | 104,742 | 30,000 | 120,910 | 259,652 |
| Profit and total comprehensive income for the period (unaudited) | — | — | — | 12,340 | 12,340 |
| At 30 September 2018 (unaudited) | 4,000 | 104,742 | 30,000 | 133,250 | 271,992 |
| 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) | 30,000 | — | — | 109,818 | 139,818 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

| | Six months ended 30 September | |
|--------------------------------------------------------------------|----------------------------------|----------------------------------|
| | 2018 HK\$' 000 (unaudited) | 2017 HK\$' 000 (unaudited) |
| Cash flows from operating activities | | |
| Profit before taxation | 14,735 | 9,777 |
| Adjustments for: | | |
| – Depreciation | 9,489 | 8,379 |
| – Gain on disposal of machinery and equipment | (126) | — |
| – Interest expenses | 2,201 | 1,779 |
| – Interest income | (2) | (69) |
| | 26,297 | 19,866 |
| Changes in working capital | | |
| Increase in trade and retention receivables | (1,438) | (2,394) |
| (Increase)/decrease in prepayments, deposits and other receivables | (13,561) | 297 |
| Increase in amounts due from contract customers | (50,285) | (19,246) |
| Increase/(decrease) in amounts due to contract customers | 2,880 | (2,747) |
| Decrease in trade and retention payables | (11,387) | (37,389) |
| Decrease in other payables and accruals | (3,925) | (2,432) |
| Net cash used in operations | (51,419) | (44,045) |
| Hong Kong profits tax refund | — | 2,105 |
| Net cash used in operating activities | (51,419) | (41,940) |
| Cash flows from investing activities | | |
| Purchase of machinery and equipment | (43,360) | (9,990) |
| Proceeds from disposal of machinery and equipment | 310 | — |
| Interest received | 2 | — |
| Net cash used in investing activities | (43,048) | (9,990) |
| Cash flows from financing activities | | |
| Advance from a director | — | 42,300 |
| Repayment to a director | — | (23,300) |
| Drawdown of short-term borrowings | 173,928 | 53,591 |
| Repayment of short-term borrowings | (107,512) | (29,695) |
| Capital element of finance lease payment | (22,527) | (10,436) |
| Interest paid | (2,201) | (1,779) |
| Listing expense paid | — | (2,010) |
| Net cash generated from financing activities | 41,688 | 28,671 |
| Net decrease in cash and cash equivalents | (52,779) | (23,259) |
| Cash and cash equivalents at 1 April | 100,475 | 34,421 |
| Cash and cash equivalents at 30 September | 47,696 | 11,162 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

Vicon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the foundation works and ancillary services, and general building works in Hong Kong and Macau.

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and its shares (the “Shares”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2017 (the “Listing”). The address of the registered office and the principal place of business of the Company is detailed in the Corporate Information of this report.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 september 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcement made by the Company during the interim reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2018.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2018, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Those that are relevant to the Group's condensed consolidated interim financial information are as follows:

- HKFRS 9 Financial Instruments ("HKFRS 9"), and
- HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 and HKFRS 15 on the Group's condensed consolidated interim financial information:

(a) HKFRS 9 Financial Instruments

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and amended standards adopted by the Group (Cont'd)

(a) HKFRS 9 Financial Instruments (Cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the condensed consolidated statement of other comprehensive income.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the condensed consolidated statement of comprehensive income.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**New and amended standards adopted by the Group (Cont'd)****(a) HKFRS 9 Financial Instruments (Cont'd)***Impact of adoption*

The financial assets held by the Group mainly represents debt instruments previously classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, there is no impact on the Group's accounting for financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 April 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The Group has adopted the modified retrospective approach with the cumulative effect on initial adoption recognised at the date of initial application, which is 1 April 2018, and comparative information has not been restated. The accounting policies are as follows:

(i) Construction services

Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(ii) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the condensed consolidated balance sheet, the contract assets mainly consist of unbilled revenue arising from the construction contracts and contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**New and amended standards adopted by the Group (Cont'd)****(b) HKFRS 15 Revenue from Contracts with Customers (Cont'd)**

The Group has assessed the impact on the adoption of HKFRS 15 as at 1 April 2018 and concluded that the adoption has no significant impact of the Group's condensed consolidated interim financial information and the retained earnings is not restated in this respect.

The following adjustments were made to the amounts recognised in the condensed consolidated balance sheet at the date of initial application (1 April 2018):

| | 31 March 2018 as originally presented HK\$'000 | Reclassifications HK\$'000 | 1 April 2018 HK\$'000 |
|----------------------------------------------|------------------------------------------------------------|-------------------------------|--------------------------|
| Current assets | | | |
| Amounts due from customers for contract work | 159,877 | (159,877) | — |
| Contract assets | | | |
| – Amounts due from contract customers | — | 159,877 | 159,877 |
| Current liabilities | | | |
| Amounts due to customers for contract work | 4,901 | (4,901) | — |
| Contract liabilities | | | |
| – Amounts due to contract customers | — | 4,901 | 4,901 |

(c) Impact of standards issued but not yet applied by the Group**HKFRS 16 Leases (“HKFRS 16”)**

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION**Revenue**

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

| | Six months ended 30 September | |
|-------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Revenue from construction contracts | 172,493 | 145,988 |

Segment information

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

Geographical information

(a) Revenue from external customers

| | Six months ended 30 September | |
|-----------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Hong Kong | 163,871 | 145,988 |
| Macau | 8,622 | — |
| | 172,493 | 145,988 |

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION (Cont'd)**Geographical information (Cont'd)**

(b) Non-current assets

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|-----------|--------------------------------------------------------|--------------------------------------------------|
| Hong Kong | 144,455 | 113,099 |
| Macau | — | — |
| | 144,455 | 113,099 |

The non-current assets information above is based on the locations of the assets.

Information about major customers

For the six months ended 30 September 2018, there were 2 customers (2017: 4 customers) which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

| | Six months ended 30 September | |
|------------|--------------------------------|----------------------------------|
| | 2018 HK\$000 (unaudited) | 2017 HK\$' 000 (unaudited) |
| Customer A | 98,685 | N/A |
| Customer B | 41,867 | 40,360 |
| Customer C | N/A | 36,970 |
| Customer D | N/A | 34,685 |
| Customer E | N/A | 17,294 |

Note: Revenue from Customer C, Customer D and Customer E did not exceed 10% of total revenue for the six months ended 30 September 2018.

Revenue from Customer A did not exceed 10% of total revenue for the six months ended 30 September 2017.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. OTHER INCOME AND GAINS

| | Six months ended 30 September | |
|---------------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Machinery rental income | — | 70 |
| Gain on disposal of machinery and equipment | 126 | — |

6. PROFIT BEFORE TAXATION

| | Six months ended 30 September | |
|-------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation of machinery and equipment | 9,489 | 8,379 |
| Directors' emoluments | 4,947 | 4,486 |
| Other staff costs: | | |
| Salaries and other benefits | 14,459 | 16,230 |
| Retirement benefit scheme contributions | 515 | 577 |
| Total staff costs | 19,921 | 21,293 |
| Minimum lease payments under operating leases in respect of | | |
| – Storage premises | 700 | 360 |
| – Office and storage premises | 913 | 885 |

7. FINANCE COSTS, NET

| | Six months ended 30 September | |
|--------------------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Finance income: | | |
| – Interest income on bank deposits | 2 | 69 |
| Finance costs: | | |
| – Interest expenses on bank borrowings | (1,546) | (648) |
| – Interest expenses on finance lease liabilities | (655) | (1,131) |
| Finance costs, net | (2,199) | (1,710) |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8. INCOME TAX EXPENSE

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

| | Six months ended 30 September | |
|-----------------------|----------------------------------|----------------------------------|
| | 2018 HK\$' 000 (unaudited) | 2017 HK\$' 000 (unaudited) |
| Hong Kong profits tax | | |
| Current income tax | 2,395 | 2,921 |
| Deferred income tax | — | (273) |
| | 2,395 | 2,648 |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits during the six months ended 30 September 2018 and 2017.

9. INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 15 November 2017 and the capitalisation issue (as defined in the prospectus of the Company dated 12 December 2017 (the "Prospectus")) of ordinary shares which took place on 22 December 2017.

| | Six months ended 30 September | |
|----------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 2018 (unaudited) | 2017 (unaudited) |
| Profit attributable to equity holders of the Company (HK\$' 000) | 12,340 | 7,129 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands) | 400,000 | 400,000 |
| Basic earnings per share (HK cents) | 3.09 | 1.78 |

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at period end.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. MOVEMENTS IN MACHINERY AND EQUIPMENT

During the six months ended 30 September 2018, the Group spent approximately HK\$43.4 million (six months ended 30 September 2017: approximately HK\$0.8 million) on acquisition of machinery and equipment.

12. TRADE AND RETENTION RECEIVABLES

| | At 30 September 2018 HK\$'000 (unaudited) | At 31 March 2018 HK\$'000 (audited) |
|-----------------------|-------------------------------------------------------|-------------------------------------------------|
| Trade receivables | 23,498 | 28,835 |
| Retention receivables | 28,882 | 22,107 |
| | 52,380 | 50,942 |

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 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

| | At 30 September 2018 HK\$'000 (unaudited) | At 31 March 2018 HK\$'000 (audited) |
|-----------------|-------------------------------------------------------|-------------------------------------------------|
| 1 to 30 days | 11,869 | 28,687 |
| 91 to 180 days | — | 148 |
| 181 to 365 days | 11,629 | — |
| | 23,498 | 28,835 |

At 30 September 2018, the ageing analysis of the retention receivables based on invoice date is as follows:

| | At 30 September 2018 HK\$'000 (unaudited) | At 31 March 2018 HK\$'000 (audited) |
|----------------------|-------------------------------------------------------|-------------------------------------------------|
| Within 1 year | 15,594 | 10,239 |
| Between 1 to 2 years | 7,869 | 10,727 |
| Between 2 to 5 years | 5,419 | 1,141 |
| | 28,882 | 22,107 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. AMOUNTS DUE FROM/ TO CONTRACT CUSTOMERS

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|-------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Contract assets | | |
| Amounts due from contract customers | 210,162 | 159,877 |
| Contract liabilities | | |
| Amounts due to contract customers | (7,781) | (4,901) |

Amounts due from contract customers mainly represent value of contract works performed but not yet billed. The amounts due from contract customers are transferred to trade receivables when the value of works billable is agreed with customers or when the Group's rights to payment become enforceable and/or unconditional.

Amounts due to contract customers represent the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

14. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Trade payables | 35,912 | 48,960 |
| Retention payables | 18,981 | 17,320 |
| Trade and retention payables | 54,893 | 66,280 |
| Other payables and accruals | 3,790 | 7,715 |
| | 58,683 | 73,995 |

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

At 30 September 2018, the aging analysis of the trade payables based on invoice date is as follows:

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|--------------|--------------------------------------------------------|--------------------------------------------------|
| 1 to 30 days | 35,912 | 48,960 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

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

| | 30 September 2018 HK\$' 000 (unaudited) | 31 March 2018 HK\$' 000 (audited) |
|-----------------------|------------------------------------------------------------|--------------------------------------------|
| Within 1 year | 14,269 | 14,035 |
| Between 1 and 3 years | 4,712 | 3,285 |
| | 18,981 | 17,320 |

15. BORROWINGS

| | At 30 September 2018 HK\$' 000 (unaudited) | As at 31 March 2018 HK\$' 000 (audited) |
|-----------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------|
| Non-current | | |
| Long-term bank borrowings - secured | 7,229 | 8,533 |
| Finance lease liabilities - secured and guaranteed | 27,099 | 6,832 |
| | 34,328 | 15,365 |
| Current | | |
| Long-term bank borrowings due for repayment within one year - secured | 2,561 | 2,467 |
| Short term bank borrowings - secured and guaranteed | 71,296 | 48,560 |
| Short-term bank borrowings - unsecured | 15,000 | 15,164 |
| Finance lease liabilities - secured and guaranteed | 10,588 | 8,328 |
| | 99,445 | 74,519 |
| | 133,773 | 89,884 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. 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 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|-----------------------|--------------------------------------------------------|--------------------------------------------------|
| Within 1 year | 71,296 | 66,191 |
| Between 1 and 2 years | 17,561 | 2,656 |
| Between 2 and 5 years | 7,229 | 5,877 |
| | 96,086 | 74,724 |

The finance lease liabilities are as follows:

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|-----------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Gross finance leases - minimum lease payments | | |
| Within 1 year | 13,175 | 9,558 |
| Between 1 and 2 years | 8,935 | 4,009 |
| Between 2 and 5 years | 21,927 | 3,984 |
| | 44,037 | 17,551 |
| Future finance charges on finance leases | (6,350) | (2,391) |
| Present value of finance lease liabilities | 37,687 | 15,160 |

The present value of finance lease liabilities is as follows:

| | At 30 September 2018 HK\$' 000 (unaudited) | At 31 March 2018 HK\$' 000 (audited) |
|---------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| No later than 1 year | 10,589 | 8,328 |
| Later than 1 year and no later than 5 years | 27,098 | 6,832 |
| | 37,687 | 15,160 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. BORROWINGS (Cont'd)

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

| | 30 September 2018 (unaudited) | 31 March 2018 (audited) |
|----------------------------|----------------------------------------------|-------------------------------|
| Long-term bank borrowings | 1.67% | 4.67% |
| Short-term bank borrowings | 0.93% | 1.12% |
| Finance lease liabilities | 5.80% | 4.55% |

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. The borrowings are secured or guaranteed as follows:

- (i) As at 30 September 2018, machinery and equipment with carrying amount of HK\$18,900,000 (31 March 2018: 20,088,000) were pledged for the Group's bank borrowings.
- (ii) As at 30 September 2018, the finance lease liabilities amounting to HK\$37,687,000 (31 March 2018: HK\$15,160,000) from two banks are guaranteed by the Company and pledged by the Group's machinery and equipment with carrying amount of HK\$59,800,000 (31 March 2018: HK\$67,164,000).
- (iii) As at 30 September 2018, banking facilities granted to Vicon Construction Company Limited ("Vicon Construction"), a wholly-owned subsidiary of the Company, in respect of the specific projects, with an aggregate amount of HK\$74,300,000 (31 March 2018: HK\$49,340,000) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$11,300,000 (31 March 2018: HK\$8,010,000), of which HK\$3,000,000 (31 March 2018: HK\$780,000) 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. SHARE CAPITAL

On 13 January 2016, the Company was incorporated with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same day, the Company allotted and issued on nil-paid share to an initial subscriber who is an independent third party, which was transferred to Vic Group Holdings Limited (“VGH”), a company incorporated in British Virgin Islands at nil consideration. A further allotment and issuance of 69 Shares and 30 Shares were made on the same day to VGH and On Group Holdings Limited (“OGH”) respectively both credited as fully paid.

On 15 November 2017, the Company and Vicon Enterprises Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Mr. Chow Kwok Chun (“Mr. Chow”) and Mr. Tsang Hing Kuen (“Mr. Tsang”) to acquire 70% interest in Vicon Construction from Mr. Chow and 30% interest in Vicon Construction from Mr. Tsang. The Company allotted and issued 140 Shares and 60 Shares, both credited as fully paid to VGH (as directed by Mr. Chow) and OGH (as directed by Mr. Tsang) respectively (“Reorganisation”).

On 22 December 2017, the Company issued a total number of additional 299,999,700 shares, credited as fully paid, to VGH and OGH, respectively, based on their respective number of shares (“Capitalisation Issue”).

Pursuant to the share offer of the Company’s shares for Listing (“Share Offer”), the Company issued a total of 100,000,000 shares at a price of HK\$1.20 per share.

| | At 30 September 2018 (unaudited) | | At 31 March 2018 (audited) | |
|-------------------------------------------------------|-------------------------------------|------------------------------|-------------------------------|------------------------------|
| | Number of shares | Share capital HK\$'000 | Number of shares | Share capital HK\$'000 |
| Ordinary shares, authorised: | | | | |
| At the beginning of the reporting period | 1,000,000,000 | 10,000 | 38,000,000 | 380 |
| Increase in authorised share capital | — | — | 962,000,000 | 9,620 |
| At the end of the reporting period | 1,000,000,000 | 10,000 | 1,000,000,000 | 10,000 |
| | | | | |
| | | | | |
| Ordinary shares, issued and fully paid: | | | | |
| At the beginning of the reporting period | 400,000,000 | 4,000 | 100 | — |
| Shares issued pursuant to the Reorganisation | — | — | 200 | — |
| Shares issued pursuant to the Capitalisation Issue | — | — | 299,999,700 | 3,000 |
| Shares issued under the Share Offer | — | — | 100,000,000 | 1,000 |
| At the end of the reporting period | 400,000,000 | 4,000 | 400,000,000 | 4,000 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Key management personnel compensation

The remuneration of directors of the Company and other members of key management personnel during the period was as follows:

| | Six months ended 30 September | |
|--------------------------|----------------------------------|----------------------------------|
| | 2018 HK\$' 000 (unaudited) | 2017 HK\$' 000 (unaudited) |
| Short-term benefits | 4,947 | 4,486 |
| Post-employment benefits | 36 | 36 |
| | 4,983 | 4,522 |

18. CONTINGENT LIABILITIES

As at 30 September 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1.7 million (31 March 2018: HK\$1.7 million). The performance bonds as at 30 September 2018 were expected to be released in accordance with the terms of the respective construction contracts.

19. 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:

| | As at 30 September 2018 HK\$' 000 (unaudited) | As at 31 March 2018 HK\$' 000 (audited) |
|---------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|
| Within one year | 2,792 | 519 |
| In the second to fifth year inclusive | 2,694 | — |
| | 5,486 | 519 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

20. 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 wholly owned by Mr. Chow.

21. SUBSEQUENT EVENTS

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a 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 in Hong Kong and Macau. The Group also engages in the provision of construction services including general building works and has been awarded its first construction project in this aspect during the six months ended 30 September 2018.

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.

As at 30 September 2018, there were 13 foundation works and ancillary services projects (31 March 2018: 19 projects) contributing revenue to the Group. The revenue contributed, from projects which we were acting as main contractor, has increased from 21.4% for the six months ended 30 September 2017 (the "Last Period") to 62.4% for the six months ended 30 September 2018 (the "Current Period").

General Buildings Works

General building works mainly include structural alteration and additional works, development of superstructures such as entire dwelling, office buildings, stores, public utility buildings, farm buildings, etc.

During the six months ended 30 September 2018, there was one (six months ended 30 September 2017: Nil) general building works project contributing revenue of HK\$6.3 million (six months ended 30 September 2017: HK\$ Nil million) to this business segment.

Revenue

Our revenue increased by approximately HK\$26.5 million, or 18.2%, from approximately HK\$146.0 million to approximately HK\$172.5 million contributed by 14 projects for the Current Period, which was mainly due to the increase in average contract size and increase in number of projects from 13 in the Last Period to 14 in the Current Period which contributed revenue during the Current Period, as compared with the Last Period.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$1.1 million, or 5.1%, from approximately HK\$21.7 million for the Last Period to approximately HK\$22.8 million for the Current Period. Our gross profit margin decreased by approximately 1.6%, from approximately 14.8% for the Last Period to approximately 13.2% for the Current Period.

The decrease in gross profit margin was mainly attributable to the increase in the revenue contributed by the foundation projects undertaken by us with relatively low gross profit margin as compared with the overall gross profit margin for the Last period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Administrative Expenses

Our administrative expenses increased by approximately HK\$1.0 million, or approximately 21.2% from approximately HK\$5.0 million for the Last Period to approximately HK\$6.0 million for the Current Period. The increase was mainly attributable to the increase in audit and other professional fees for purpose of general advisory, compliance, investor relations and corporate communication matters after the Listing.

Finance Costs, net

Our finance costs, net increased by approximately HK\$0.5 million, or 23.7%, from approximately HK\$1.7 million for the Last Period to approximately HK\$2.2 million for the Current Period. Such increase is in line with the increase in bank borrowings to finance the increased scale of business operation and the increase in the finance lease liabilities for leasing of machinery.

Income Tax Expenses

The effective tax rate for the Current Period was approximately 16.3%, which was lower than that of 20.9% for the Last Period. The decrease in effective tax rate for the Current Period was mainly due to the inclusion of approximately HK\$5.3 million listing expenses in the Last Period which was non-deductible for tax purposes. Excluding these one-off listing expenses from the profit before income tax, our effective tax rate for the Last Period would have been approximately 17.6%, which was of a similar level as the Current Period's effective tax rate.

Profit For the Period

Our profit for the period increased by approximately HK\$5.2 million, or approximately 73.1%, from approximately HK\$7.1 million for the Last Period to approximately HK\$12.3 million for the Current Period.

Excluding the one-off listing expenses of approximately HK\$5.3 million being charged to the profit for the period for the Last Period, the adjusted profit for the Last Period would have been approximately HK\$12.4 million. The profit for the Current Period thus remains stable as compared to the adjusted profit for the Last Period.

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 2018, the capital structure of the Group consisted of equity of approximately HK\$272.0 million (31 March 2018: HK\$259.7 million), bank borrowings of approximately HK\$96.1million (31 March 2018: HK\$74.7 million) and finance lease liabilities of approximately HK\$37.7 million (31 March 2018: HK\$15.2 million).

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 2018, our cash and cash equivalents were approximately HK\$47.7 million (31 March 2018: HK\$100.5 million). The Group also had restricted bank balances of approximately HK\$1.7 million (31 March 2018: HK\$1.7 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 30 September 2018, the current ratio of the Group was approximately 2.0 times (31 March 2018: 2.1 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 30 September 2018, the Group's gearing ratio was approximately 49.2% (31 March 2018: 34.6%), calculated as the bank borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

Net Current Assets

As at 30 September 2018, the Group had net current assets of approximately HK\$163.0 million (31 March 2018: HK\$163.0 million). There is no material change in the net current assets position 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 is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

Capital Expenditures

The Group's capital expenditures for the Current Period amounted to approximately HK\$43.4 million (six months ended 30 September 2017: HK\$0.8 million), which was incurred due to the purchase of machine and equipment.

Interim Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six month periods ended 30 September 2018 and 2017. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

Employees and Remuneration Policy

As at 30 September 2018, the Group had a total of 69 employees (31 March 2018: 84). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2018 were approximately HK\$19.9 million (six months ended 30 September 2017: HK\$21.3 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 2018, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 September 2018, the Group did not have any capital commitments contracted but not provided for.

Contingent Liabilities

As at 30 September 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1.7 million (31 March 2018: HK\$1.7 million). The performance bonds as at 30 September 2018 were expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 30 September 2018, banking facilities granted to the Group in respect of the specific projects, with an aggregate amount of HK\$74.3 million (31 March 2018: HK\$49.3 million) were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$11.3 million (31 March 2018: HK\$8.0 million), of which HK\$3.0 million (31 March 2018: HK\$0.8 million) 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 2018, machinery and equipment with carrying amount of HK\$18.9 million (31 March 2018: HK\$20.1 million) were pledged for the Group's bank borrowings.

As at 30 September 2018, the finance lease liabilities amounting to HK\$37.7 million (31 March 2018: HK\$15.2 million) from two banks are guaranteed by the Company and pledged by the Group's machinery and equipment with carrying amount of HK\$59.8 million (31 March 2018: HK\$70.2 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group did not have any material acquisitions and disposals of subsidiaries, associated and joint ventures during the Current Period.

Significant Investment

The Group has no significant investment held during the Current Period.

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 as at 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The net proceeds of the share offer of the Company's shares for Listing in 2017 was approximately HK\$82.7 million, after deducting the listing expenses borne by the Company. Such net proceeds have been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and proposed use of net proceeds from the Share Offer" of the Prospectus.

Up to 30 September 2018, the net proceeds were used as follows:

| | Net proceeds HK\$'million | Actual usage up to 30 September 2018 HK\$'million | Unutilised amount at 30 September 2018 HK\$'million |
|---------------------------|------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|
| Take out of surety bond | 34.0 | 24.0 | 10.0 |
| Purchase of machinery | 17.4 | 17.4 | — |
| Repayment of bank loan | 14.0 | 14.0 | — |
| Strengthen of design team | 8.5 | 0.1 | 8.4 |
| Purchase of software | 0.5 | — | 0.5 |
| General working capital | 8.3 | 4.2 | 4.1 |
| | 82.7 | 59.7 | 23.0 |

The Group held the unutilised net proceeds mainly in short-term deposits with licensed banks in Hong Kong during the Current Period.

Events after the Reporting Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this interim report.

FUTURE PROSPECTS

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the political environments. The prolonged delay on granting of funds and slow approval process of government projects from the Hong Kong Legislative Council have driven more public sector contractors to tender for works in the private sector. As a result, the private sector market has become highly competitive and under fierce competition.

When facing cut-throat competition among contractors in tendering for new projects, the Group will strive to maintain a balance between risks and returns and make investment decisions based on our shareholders' interest and market situation. We remain confident and are well-positioned in the market as our operation model of contracting works gives us the flexibility to remain resilient to adverse impact.

Looking ahead, taking into account the land policy of the Hong Kong Government in increasing land supply and commitment to infrastructure investment, the Group expects a steady growth in Hong Kong's construction industry in the long run and the Board is confident with the Group's future development due to its well established reputation and proven ability. The Group intends to expand our business capacity and scale to strengthen its market position in Hong Kong and to capture more sizeable and profitable projects.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

| Name of Directors | Capacity | Long position/ Short position | Number of shares/ underlying shares held | Approximate percentage of the issued share capital of the Company | Note |
|---------------------|--------------------------------------|----------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------|------|
| Mr. Chow Kwok Chun | Interest in a controlled corporation | Long position | 210,000,000 | 52.5 | 1 |
| Mr. Tsang Hing Kuen | Interest in a controlled corporation | Long position | 90,000,000 | 22.5 | 2 |

Note:

- The 210,000,000 shares are held through Vic Group Holdings Limited ("VGH"), which is wholly-owned by Mr. Chow Kwok Chun.
- The 90,000,000 shares are held through On Group Holdings Limited ("OGH"), which is wholly-owned by Mr. Tsang Hing Kuen.

(ii) Long position in the ordinary shares of associated corporations

| Name of Director | Name of associated corporation | Capacity | Long position/ short position | Number of shares held in the associated corporation | Percentage of shareholding |
|---------------------|-----------------------------------|------------------|----------------------------------|--------------------------------------------------------------|-------------------------------|
| Mr. Chow Kwok Chun | VGH | Beneficial owner | Long position | 1 share | 100% |
| Mr. Tsang Hing Kuen | OGH | Beneficial owner | Long position | 1 share | 100% |

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

| Name | Capacity | Long position/ short position | Number of shares/ underlying shares held | Approximate percentage of the issued share capital of the Company | Note |
|------------------|--------------------|------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------|
| VGH | Beneficial owner | Long position | 210,000,000 | 52.5 | 1 |
| OGH | Beneficial owner | Long position | 90,000,000 | 22.5 | 2 |
| Ms. Hon Yuk Hung | Interest of spouse | Long position | 210,000,000 | 52.5 | 3 |
| Ms. Lee Siu Fong | Interest of spouse | Long position | 90,000,000 | 22.5 | 4 |

Note:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.
2. OGH is wholly-owned by Mr. Tsang Hing Kuen.
3. Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.
4. Ms. Lee Siu Fong is the spouse of Mr. Tsang Hing Kuen. Ms. Lee Siu Fong is deemed to be interested in all the Shares which are interested by Mr. Tsang Hing Kuen by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 September 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 September 2018.

COMPLIANCE WITH MODEL CODE

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the six months ended 30 September 2018 and up to the date of this interim report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 November 2017. The principal terms of the Share Option Scheme is summarised in Directors' report to the annual report 2018. The main purpose of the Share Option Scheme is to recognise and acknowledge the contributions eligible participants (including, among others, any employees, directors, advisers and related entities of the Group) have or may have made to the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 30 November 2017.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the six months ended 30 September 2018 and up to the date of this interim report.

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 consolidated interim financial information for the six months ended 30 September 2018. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By Order of the Board
Vicon Holdings Limited
Chow Kwok Chun
Chairman

Hong Kong, 20 November 2018