

INTERIM REPORT 2024

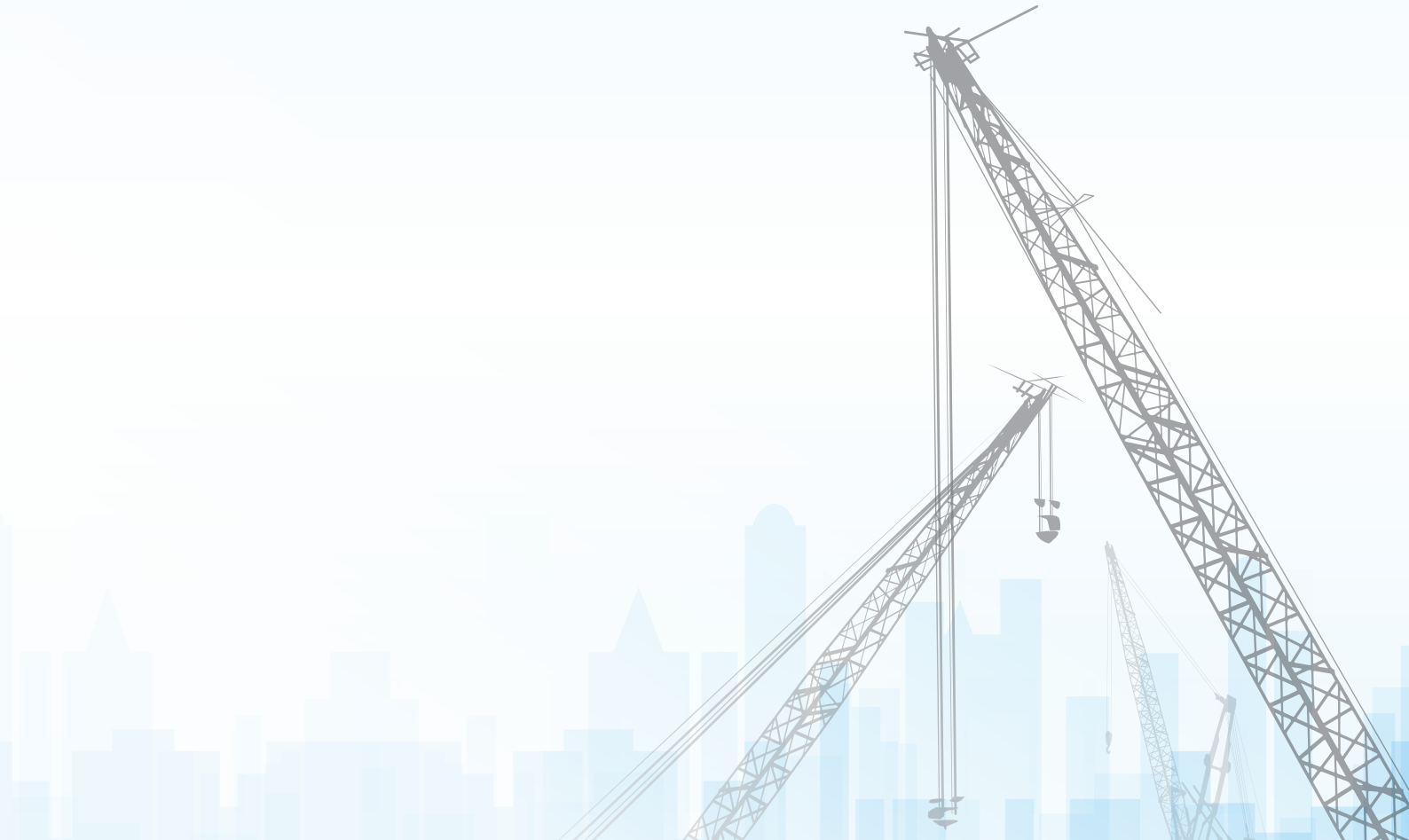


VICON

VICON HOLDINGS LIMITED

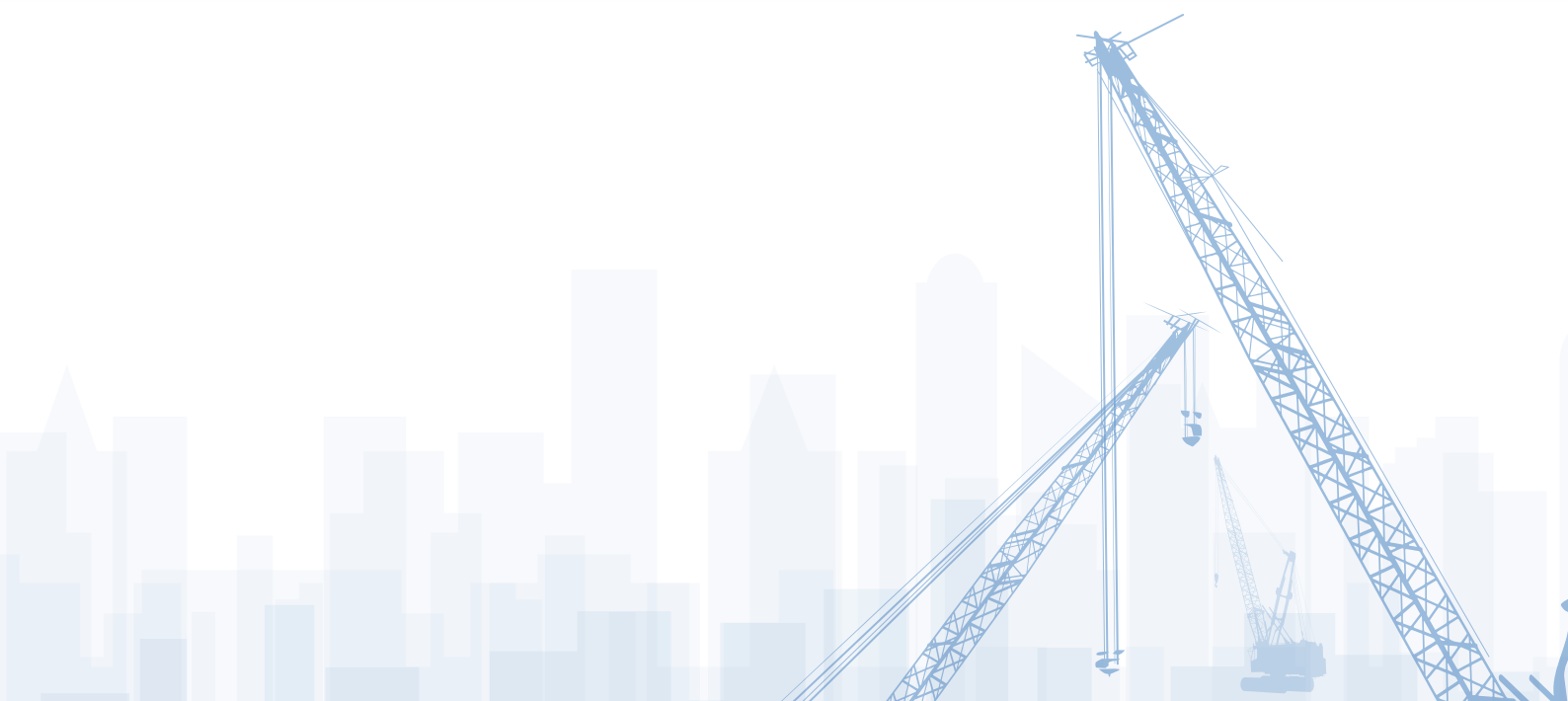
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3878



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chow Kwok Chun
(Chairman and Chief Executive Officer)
Mr. Leung Hing Wai

Independent Non-executive Directors

Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin
Mr. Chan Wai Kit
Ms. Tam Yuk Yu (appointed on 28 November 2024)

BOARD COMMITTEES

Audit Committee

Mr. Tse Ka Ching Justin (Chairman)
Mr. Ip Ka Ki
Mr. Chan Wai Kit
Ms. Tam Yuk Yu (appointed on 28 November 2024)

Nomination Committee

Mr. Chow Kwok Chun (Chairman)
Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin

Remuneration Committee

Mr. Ip Ka Ki (Chairman)
Mr. Chow Kwok Chun
Mr. Chan Wai Kit
Ms. Tam Yuk Yu (appointed on 28 November 2024)

COMPANY SECRETARY

Mr. Leung Cheuk Hei (HKICPA)

AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun
Mr. Leung Cheuk Hei

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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MG Tower
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

CFN Lawyers
Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre
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Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.vicon.com.hk

STOCK CODE

3878

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Note	Six months ended 30 September	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4	165,888	334,021
Cost of sales		(153,698)	(311,581)
Gross profit		12,190	22,440
Other income	5	1,609	1,208
Impairment losses recognised on trade and retention receivables		(2,093)	(2,705)
Impairment losses reversed/(recognised) on contract assets and contract deposits		565	(7,519)
Other administrative expenses		(4,472)	(4,967)
Operating profit		7,799	8,457
Finance costs	7	(298)	(297)
Profit before income tax	6	7,501	8,160
Income tax expense	8	(1,081)	(1,034)
Profit for the period		6,420	7,126
Other comprehensive income		–	–
Profit and total comprehensive income attributable to owners of the Company		6,420	7,126
		HK Cents	HK Cents
Earnings per share			
Basic	10	1.34	1.49
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Note	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	39,102	43,047
Financial assets at fair value through profit or loss		8,227	8,115
Deferred income tax assets		150	1,231
		47,479	52,393
Current assets			
Trade and retention receivables	13	62,913	105,100
Prepayments, deposits and other receivables		10,980	8,051
Contract assets and contract deposits	14	131,605	86,585
Income tax recoverable		727	727
Pledged bank deposits		21,626	19,927
Cash and cash equivalents		34,139	35,635
		261,990	256,025
Current liabilities			
Trade and retention payables	15	22,257	29,485
Other payables and accruals	15	1,188	1,408
Contract liabilities	14	4,158	2,258
Lease liabilities	12	788	906
Borrowings		7,830	7,830
		36,221	41,887
Net Current Assets		225,769	214,138
Total Assets less Current Liabilities		273,248	266,531
Non-current liabilities			
Lease liabilities	12	338	41
Net Assets		272,910	266,490
EQUITY			
Share capital		4,796	4,796
Reserves		268,114	261,694
Equity attributable to Owners of the Company		272,910	266,490

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2024 (audited)	4,796	123,309	30,000	108,385	266,490
Profit and total comprehensive income for the period (unaudited)	–	–	–	6,420	6,420
At 30 September 2024 (unaudited)	4,796	123,309	30,000	114,805	272,910
At 1 April 2023 (audited)	4,796	123,309	30,000	100,117	258,222
Profit and total comprehensive loss for the period (unaudited)	–	–	–	7,126	7,126
At 30 September 2023 (unaudited)	4,796	123,309	30,000	107,243	265,348

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Operating activities		
Profit before taxation	7,501	8,160
Adjustments for:		
– Depreciation	5,127	5,166
– Impairment losses recognised/(reversed) on:		
– trade and retention receivables	2,093	2,705
– contract assets	(565)	7,519
– Gain on disposal of machinery and equipment	–	(100)
– Changes in cash surrender value of key management life insurance contract	(112)	(107)
– Interest income	(1,497)	(1)
– Finance costs	298	298
Operating cash flows before movements in working capital	12,845	13,421
Decrease/(increase) in trade and retention receivables	40,094	(86,634)
Increase in prepayments, deposits and other receivables	(2,929)	(127)
(Increase)/decrease in contract assets	(44,455)	56,242
Increase in contract liabilities	1,900	6,555
(Decrease)/increase in trade and retention payables	(7,228)	12,551
Decrease in other payables and accruals	(220)	(587)
Cash generated from operations	7	11,640
Income tax paid	–	–
Net cash generated from operating activities	7	11,640
Investing activities		
Increase in restricted bank balances	(1,699)	(2,938)
Purchase of property, plant and equipment	–	–
Proceeds from disposal of machinery and equipment	–	100
Interest received	1,497	1
Net cash used in investing activities	(202)	(2,837)
Financing activities		
Repayment of capital element of lease liabilities	(1,003)	(1,159)
Payments for interest element of lease liabilities	(31)	(65)
Interest paid	(267)	(233)
Net cash used in financing activities	(1,301)	(1,457)
Net (decrease)/increase in cash and cash equivalents	(1,496)	7,346
Cash and cash equivalents at 1 April	35,635	18,629
Cash and cash equivalents at 30 September	34,139	25,975

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION

Vicon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the foundation works and ancillary services and leasing of construction machinery in Hong Kong.

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2024 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 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcement made by the Company during the interim reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2024.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2024, 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 2024

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2024 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

The application of the amendments do not have significant impact on the Group's condensed consolidated financial statements.

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

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025.

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

4. REVENUE AND SEGMENT INFORMATION**(a) Revenue**

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue from construction contracts	163,375	332,636
Revenue from leasing of construction machinery	2,513	1,385
	165,888	334,021

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**(b) Segment information**

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

Specifically, the Group's reportable segments are as follows:

- Construction works; and
- Leasing of construction machinery

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

For the six months ended 30 September 2024 (unaudited)

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	163,375	2,513	165,888
Segment profit	9,066	1,596	10,662
Unallocated other income			1,609
Unallocated expenses			(3,406)
Unallocated depreciation			(1,066)
Finance costs			(298)
Profit before income tax			7,501
Income tax expense			(1,081)
Profit for the period			6,420
Segment profit is arrived at after charging:			
Depreciation	(3,542)	(519)	(4,061)
Impairment losses (recognised)/reversed on:			
– trade and retention receivables	(1,695)	(398)	(2,093)
– contract assets and contract deposits	565	–	565

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the six months ended 30 September 2023 (unaudited)

	Construction works HK\$'000	Leasing of construction machinery HK\$'000	Total HK\$'000
Segment revenue from external customers	332,636	1,385	334,021
Segment profit	11,264	952	12,216
Unallocated other income			1,208
Unallocated expenses			(3,842)
Unallocated depreciation			(1,125)
Finance costs			(297)
Profit before income tax			8,160
Income tax expense			(1,034)
Profit for the period			7,126
Segment profit is arrived at after charging:			
Depreciation	(3,608)	(433)	(4,041)
Impairment losses (recognised)/reversed on:			
– trade and retention receivables	(2,705)	–	(2,705)
– contract assets and contract deposits	(7,519)	–	(7,519)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Hong Kong	165,888	334,021

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

(b) Non-current assets

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Hong Kong	39,102	43,047

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

(d) Information about major customers

For the six months ended 30 September 2024, there were 3 customers (2023: 2 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	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Customer A	99,626	N/A [#]
Customer B	28,872	53,337
Customer C	17,767	N/A [#]

[#] The revenue from customer A and customer C for the six months ended 30 September 2023 did not exceed 10% of the total revenue of the Group for that period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

5. OTHER INCOME

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	–	100
Interest income on bank deposits	1,497	–
Others	112	1,108
	1,609	1,208

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	5,127	5,166
Lease expenses relating to short-term lease of machineries and equipment	72	96
Staff costs:		
– Directors' emoluments	2,995	2,789
– Other staff costs:		
Salaries and other benefits	5,877	6,362
Retirement benefit scheme contributions	147	146
Total staff costs	9,019	9,297

7. FINANCE COSTS

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Finance income:		
– Interest income on bank deposits	–	(1)
Finance costs:		
Interest expenses on bank borrowings	267	233
Interest expenses on lease liabilities	31	65
	298	297

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

8. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current income tax		
Hong Kong	—	—
	—	—
Deferred income tax expense	1,081	1,034
	1,081	1,034

No provision for Hong Kong profits tax during the six months ended 30 September 2024 (2023: Nil) has been made in the consolidated financial statements as the Group has tax losses brought forward to offset against the assessable profits for Hong Kong profits taxes both of the periods presented, and the Group has no assessable profits that are subject to tax in the other jurisdiction for the current period.

9. INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

10. EARNINGS PER SHARE**(a) Basic earnings per share**

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	6,420	7,126
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (thousands)	479,600	479,600
Basic earnings per share (HK cents)	1.34	1.49

(b) Diluted earnings loss per share

Diluted earnings per share is not presented as there were no potential ordinary shares in issue for both of the periods ended 30 September 2024 and 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Computer HK\$'000	Total HK\$'000
As at 1 April 2024 (audited)								
Cost	7,487	696	1,497	79,962	5,857	315	120	95,934
Accumulated depreciation	(4,289)	(610)	(1,497)	(43,173)	(2,883)	(315)	(120)	(52,887)
Net book amount	3,198	86	–	36,789	2,974	–	–	43,047
Six months ended 30 September 2024 (unaudited)								
Opening net book amount	3,198	86	–	36,789	2,974	–	–	43,047
Additions	1,182	–	–	–	–	–	–	1,182
Depreciation	(778)	(86)	–	(3,813)	(450)	–	–	(5,127)
Disposals	–	–	–	–	–	–	–	–
Closing net book amount	3,602	–	–	32,976	2,524	–	–	39,102
As at 30 September 2024 (unaudited)								
Cost	6,138	696	1,497	79,962	5,857	315	120	94,585
Accumulated depreciation	(2,536)	(696)	(1,497)	(46,986)	(3,333)	(315)	(120)	(55,483)
Net book amount	3,602	–	–	32,976	2,524	–	–	39,102
As at 1 April 2023 (audited)								
Cost	64,804	696	1,497	22,562	5,563	315	120	95,557
Accumulated depreciation	(26,231)	(243)	(1,497)	(11,903)	(3,034)	(315)	(120)	(43,343)
Net book amount	38,573	453	–	10,659	2,529	–	–	52,214
Six months ended 30 September 2023 (unaudited)								
Opening net book amount	38,573	453	–	10,659	2,529	–	–	52,214
Additions	83	–	–	–	–	–	–	83
Depreciation	(3,740)	(183)	–	(915)	(328)	–	–	(5,166)
Disposals	–	–	–	–	–	–	–	–
Closing net book amount	34,916	270	–	9,744	2,201	–	–	47,131
As at 30 September 2023 (unaudited)								
Cost	64,887	696	1,497	22,561	4,634	315	120	94,710
Accumulated depreciation	(29,971)	(426)	(1,497)	(12,817)	(2,433)	(315)	(120)	(47,579)
Net book amount	34,916	270	–	9,744	2,201	–	–	47,131

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

12. LEASE**(i) Amounts recognised in the consolidated balance sheet**

The consolidated balance sheet shows the following amounts relating to the leases:

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Right-of-use assets		
Office premises and warehouse	1,038	386
Plant and machinery	2,564	2,812
	3,602	3,198
Lease liabilities payable		
Within one year	788	906
Within a period of more than one year but not exceeding two years	338	41
	1,126	947
Less: A mount due for settlement within 12 months shown under current liabilities	(788)	(906)
Amount due for settlement after 12 months shown under non-current liabilities	338	41

Additions to right-of-use assets during the six months ended 30 September 2024 was approximately HK\$1.2 million (31 March 2024: HK\$0.1 million).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets	778	3,126
Interest expense on lease liabilities (Note 7)	31	65
Lease expenses relating to short-term lease of machineries and equipment (Note 6)	72	96

The cash outflow for lease liabilities and lease expenses relating to short-term lease of machineries and equipment during the six months ended 30 September 2024 were approximately HK\$1.0 million (six months ended 30 September 2023: HK\$1.2 million) and HK\$0.1 million (six months ended 30 September 2023: HK\$0.1 million), respectively.

13. TRADE AND RETENTION RECEIVABLES

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Trade receivables	37,386	75,222
Less: loss allowance recognised	(5,163)	(2,493)
	32,223	72,729
Retention receivables	43,032	45,290
Less: loss allowance recognised	(12,342)	(12,919)
	30,690	32,371
Trade and retention receivables	62,913	105,100

The credit period granted to trade customers other than for retention receivables was within 30 days or due upon presentation of invoices. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The Group does not hold any collateral as security.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

13. TRADE AND RETENTION RECEIVABLES (CONTINUED)

At 30 September 2024, the ageing analysis of the trade receivables, less allowance recognised, based on invoice date is as follows:

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
1 to 30 days	12,958	66,257
31 to 60 days	—	—
61 to 90 days	12,170	—
91 to 180 days	757	—
181 to 365 days	—	—
1 to 3 years	6,338	6,472
	32,223	72,729

At 30 September 2024, the ageing analysis of the retention receivables, less allowance recognised, based on invoice date is as follows:

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Within 1 year	4,394	10,867
Between 1 to 2 years	19,430	16,007
Between 2 to 5 years	6,508	5,139
More than 5 years	358	358
	30,690	32,371

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Contract assets		
Provision of construction services	189,117	150,052
Less: Loss allowance recognised	(63,839)	(64,873)
	125,278	85,179
Contract deposits		
Provision of construction services	7,289	1,900
Less: Loss allowance recognised	(963)	(494)
	6,326	1,406
Total contract assets and contract deposits	131,604	86,585
Contract liabilities		
Provision of construction services	4,158	2,258

(a) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets.

(b) Revenue recognition in relation to contract liabilities

The following table shows how much of the revenue recognised during the six months ended 30 September 2024 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	2,304

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

14. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)**(c) Unsatisfied performance obligations**

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

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 30 September/31 March	627,519	229,419

Management expects that the transaction prices regarding the unsatisfied contracts as of 30 September 2024 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Trade payables	1,533	12,731
Retention payables	20,724	16,754
Trade and retention payables	22,257	29,485
Other payables and accruals	1,188	1,408
	23,445	30,893

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

At 30 September 2024, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
1 to 30 days	1,533	12,731

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

15. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

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 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Within 1 year	7,922	3,974
Between 1 and 3 years	22	–
Between 3 and 5 years	12,780	12,780
	20,724	16,754

16. RELATED PARTY TRANSACTIONS

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

Key management personnel compensation

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Short-term benefits	2,995	2,789
Post-employment benefits	18	18
	3,013	2,807

17. CONTINGENT LIABILITIES

As at 30 September 2024, the Group had given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$21.6 million (31 March 2024: HK\$19.9 million).

The performance bonds were pledged by restricted bank deposits amounting to approximately HK\$21.6 million (31 March 2024: HK\$19.9 million). The performance bonds as at 30 September 2024 will be released in accordance with the terms of the respective construction contracts.

18. ULTIMATE HOLDING COMPANY

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

For the six months ended 30 September 2024 (the “Current Period”), the Group recorded revenue of approximately HK\$165.9 million, representing a decrease of approximately HK\$168.1 million as compared to revenue of approximately HK\$334.0 million for the six months ended 30 September 2023 (the “Last Period”).

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

The majority of our revenue continued to come from projects where we acted as main contractor. Revenue contribution from these main contractor projects remained stable at approximately 95.4% for the Current Period as compared with approximately 95.9% during the Last Period. The Group continued to act as main contractor in the newly awarded projects.

The amount of backlog revenue as at 30 September 2024 was approximately HK\$627.5 million (31 March 2024: HK\$229.4 million).

Foundation Works and Ancillary Services

During the six months ended 30 September 2024, there were 8 projects (six months ended 30 September 2023: 9 projects) contributing revenue of approximately HK\$163.4 million (six months ended 30 September 2023: HK\$332.6 million) to the Group.

The decrease in revenue was primarily because i) certain projects with relatively higher contract sums have been substantially completed in the Last Period; and ii) that the projects that contributed revenue in the Current Period were mainly in the beginning phase which contributed less revenue.

Leasing of construction machinery

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

During the six months ended 30 September 2024, the revenue derived from our leasing of construction machinery amounted to approximately HK\$2.5 million (six months ended 30 September 2023: HK\$1.4 million), representing an increase of approximately HK\$1.1 million for the Current Period. This represented approximately 1.5% of our total revenue (six months ended 30 September 2023: 0.4%). The increase in revenue from leasing of construction machinery of the Group was mainly due to the increase in the number of machinery rented out to our customers during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue decreased by approximately HK\$168.1 million from approximately HK\$334.0 million for the Last Period to approximately HK\$165.9 million for the Current Period.

The decrease in revenue was primarily because i) certain projects with relatively higher contract sums have been substantially completed in the Last Period; and ii) projects that contributed revenue in the Current Period were mainly in the beginning phase which contributed less revenue.

Cost of Sales

Our direct costs decreased from approximately HK\$311.6 million for the Last Period to approximately HK\$153.7 million for the Current Period, representing a decrease of approximately HK\$157.9 million. The decrease was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$10.2 million, from approximately HK\$22.4 million for the Last Period to approximately HK\$12.2 million for the Current Period. Our gross profit margin for the Current Period remained stable at approximately 7.3%, as compared with approximately 6.7% for the Last Period.

Other Income

Our other income increased by approximately HK\$0.4 million from approximately HK\$1.2 million for the Last Period to approximately HK\$1.6 million for the Current Period. The increase was mainly attributable to the increase in interest income earned during the Current Period.

Impairment losses on financial assets

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK\$1.5 million (six months ended 30 September 2023: HK\$10.2 million), consisting of impairment losses recognised on trade and retention receivables of approximately HK\$2.1 million (six months ended 30 September 2023: impairment losses HK\$2.7 million) and reversal of impairment losses recognised on contract assets and contract deposits of approximately HK\$0.6 million (six months ended 30 September 2023: impairment loss recognised HK\$7.5 million), which is made based on the management's latest assessment of risk of default in the Group's financial assets for the Current Period. The decrease in impairment losses on financial assets was mainly due to the customers that the Group engaged in recent years are with good track record of payment and less expected credit loss on the relevant financial assets are required during the Current Period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The impairment assessment was conducted based on the specific risk profile of each customer, the ageing pattern of the financial assets, historical credit loss percentage and the market credit loss percentage.

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

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

Other Administrative Expenses

Our administrative expenses decreased by approximately HK\$0.5 million from approximately HK\$5.0 million for the Last Period to approximately HK\$4.5 million for the Current Period. The decrease in other administrative expenses was mainly attributable to the decrease in the operating scale of the Group.

Finance Costs

Our finance costs remained consistent at approximately HK\$0.3 million for the Last Period and the Current Period.

Profit For the Period

Based on the above factors, profit and total comprehensive income attributable to owners of the Company decreased by approximately HK\$0.7 million, from approximately HK\$7.1 million for the Last Period to approximately HK\$6.4 million for the Current Period.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through retained profits and borrowings.

As at 30 September 2024, the capital structure of the Group consisted of equity of approximately HK\$272.9 million (31 March 2024: HK\$266.5 million) and borrowings of approximately HK\$7.8 million (31 March 2024: HK\$7.8 million). For details of the borrowings, please refer to the paragraph headed "Bank borrowings" below.

As at 30 September 2024, the Company had 479,600,000 (31 March 2024: 479,600,000) ordinary shares in issue and the Company's issued share capital was HK\$4,796,000 (31 March 2024: HK\$4,796,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, our cash and cash equivalents were approximately HK\$34.1 million (31 March 2024: HK\$35.6 million). The Group also had pledged bank deposits of approximately HK\$21.6 million (31 March 2024: HK\$19.9 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 30 September 2024, the current ratio of the Group was approximately 7.2 times (31 March 2024: 6.1 times).

Bank Borrowings

The Group generally meets its working capital requirement by cash flows generated from its operation and borrowings. The maturity and interest rate profile of the Group's borrowings are set out below.

(a) The maturity of borrowings is as follows:

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Within 1 year	7,830	7,830

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

	At 30 September 2024 (unaudited)	At 31 March 2024 (audited)
Short-term bank loans	4.96%	5.13%

Gearing Ratio

As at 30 September 2024, the Group's gearing ratio was approximately 2.9% (31 March 2024: 2.9%), 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 2024, the Group had net current assets of approximately HK\$225.8 million (31 March 2024: HK\$214.1 million). The increase in net current assets position was mainly attributable to the 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 lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures

There was no capital expenditures incurred for the Current Period (six months ended 30 September 2023: Nil).

Interim Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: 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 ended 30 September 2024 and 2023. 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 2024, the Group had a total of 22 employees (31 March 2024: 21). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2024 were approximately HK\$9.0 million (six months ended 30 September 2023: HK\$9.3 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

During the six months ended 30 September 2024, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

As at 30 September 2024, the Group did not have any capital commitments contracted but not provided for.

Contingent Liabilities

As at 30 September 2024, the Group had given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK\$21.6 million (31 March 2024: HK\$19.9 million).

The performance bonds were pledged by restricted bank deposits amounting to approximately HK\$21.6 million (31 March 2024: HK\$19.9 million). The performance bonds as at 30 September 2024 will be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 September 2024, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK\$7.8 million (31 March 2024: HK\$7.8 million) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK\$8.2 million (31 March 2024: HK\$8.1 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Significant Investments

The Group has no significant investment held as at 30 September 2024.

Future Plans for Material Investments or Capital Assets

The Group did not have other plans for material investments and capital assets as at 30 September 2024.

FUTURE PROSPECTS

Given the current challenges in the property market and high interest rates, the government has taken a careful approach to private residential land sales. Consequently, the Group has noticed a decline in the number of available foundation contract tenders from the private sector. This has led to increased competition in the foundation industry.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to persisting uncertainty in the economy and the property market environment. In addition, the industry is facing challenges due to a shortage of skilled labour and inflationary pressures, which are driving up project costs and cutting into profit margins. As a result, the construction market is expected to remain highly competitive as contractors vie for a limited number of development projects, resulting in shrinking profit margins. Despite these challenges, the government's strategy to increase the public housing supply such as the launch of more projects in the Northern Metropolis, is expected to have a positive impact on the industry. We will continue to focus on "design and build" projects and maintaining a strong financial position to meet the requirements of future potential projects.

The Group is in the process of multiple tender submissions for foundation projects. The Group will continue to submit tender for targeted and sizeable projects and to strengthen costs control measures in order to generate stable revenue and to reduce direct costs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2024, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
Mr. Chow Kwok Chun	Interest in a controlled corporation	Long position	150,000,000	31.3	1

Note:

- The 150,000,000 shares are held through Vic Group Holdings Limited ("VGH"), which is wholly-owned by Mr. Chow Kwok Chun.

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

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

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2024, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
VGH	Beneficial owner	Long position	150,000,000	31.3	1
Ms. Hon Yuk Hung	Interest of spouse	Long position	150,000,000	31.3	2

Note:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.
2. Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 September 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Board is of the opinion that, save for the deviation from code provision C.2.1 of the CG Code described below, the Company was in compliance with the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the Current Period.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH MODEL CODE

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 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 2024.

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 2024 and up to the date of this interim report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of Directors, as notified to the Company during the six month period ended 30 September 2024 is set out below:

- (1) Mr. Chan Wai Kin was appointed as an independent non-executive director of China Tontine Wines Group Limited (stock code: 389), a company listed on the Main Board of the Stock Exchange on 30 September 2024.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was conditionally adopted by the written resolutions of the Company's then shareholders passed on 30 November 2017. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme. As of the date of this report, the Scheme has a remaining life of approximately three years.

Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 40,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 40,000,000 share options to subscribe for the Shares, representing approximately 8.3% of the issued share capital of the Company. The total number of shares available for grant under the Scheme as at 1 April 2024 and 30 June 2024 were 40,000,000 shares.

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

The Company is aware that amendments were made to Chapter 17 of the Listing Rules, which came into effect on 1 January 2023, which include, among others, revising the scope of eligible participants of share option schemes and setting out the minimum vesting period requirements. The Company will only grant the share options in compliance with the amended Chapter 17 of the Listing Rules. Going forward, the Company will consider to amend the Scheme so as to comply with the new requirements under Chapter 17 of the Listing Rules, in any event not later than the refreshment or expiry of the scheme mandate; or to adopt a new share option scheme that comply with the requirements under the amended Chapter 17 of the Listing Rules.

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 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float under the Listing Rules during the six months ended 30 September 2024 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. Tse Ka Ching Justin (chairman), Mr. Ip Ka Ki and Mr. Chan Wai Kit.

The Group's unaudited condensed consolidated interim financial information for the six months ended 30 September 2024 have not been audited by the Company's independent auditor, but have been reviewed by the Audit Committee. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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

Hong Kong, 28 November 2024