

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

VISTAR HOLDINGS LIMITED

熒德控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8535)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Vistar Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 September		
	2020	2019	% Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	129,246	111,461	15.96
Gross profit	25,423	19,126	32.92
Profit attributable to shareholders of the Company	9,936	5,434	82.85
Basic earnings per share (HK cents)	0.83 cents	0.45 cents	84.44

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 September 2020 (the “**Reporting Period**”) together with the comparative unaudited figures for the six months ended 30 September 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
	<i>Notes</i>				
Revenue	6	71,921	54,160	129,246	111,461
Cost of revenue		<u>(56,450)</u>	<u>(44,678)</u>	<u>(103,823)</u>	<u>(92,335)</u>
Gross profit		15,471	9,482	25,423	19,126
Other income and gains	7	115	9	169	19
(Impairment losses)/reversal of impairment losses of trade receivables and contract assets, net		(425)	288	(1,113)	711
Administrative and other operating expenses	8	(6,309)	(6,890)	(12,430)	(13,277)
Finance costs	9	<u>(107)</u>	<u>(18)</u>	<u>(162)</u>	<u>(38)</u>
Profit before income tax		8,745	2,871	11,887	6,541
Income tax	10	<u>(1,519)</u>	<u>(597)</u>	<u>(1,951)</u>	<u>(1,107)</u>
Profit and total comprehensive income for the period attributable to equity holders of the Company		<u>7,226</u>	<u>2,274</u>	<u>9,936</u>	<u>5,434</u>
Earnings per share					
– Basic and Diluted (<i>HK cents</i>)	11	<u>0.60 cents</u>	<u>0.19 cents</u>	<u>0.83 cents</u>	<u>0.45 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>13</i>	10,289	6,273
Intangible assets		293	390
Deferred tax assets		961	961
		<u>11,543</u>	<u>7,624</u>
Current assets			
Trade and other receivables	<i>14</i>	41,795	33,571
Contract assets	<i>15</i>	107,553	108,959
Pledged deposits		6,981	7,524
Pledged bank deposits		4,117	4,477
Cash and cash equivalents		51,326	26,885
		<u>211,772</u>	<u>181,416</u>
Current liabilities			
Trade and other payables	<i>16</i>	84,025	65,805
Contract liabilities	<i>15</i>	684	503
Lease liabilities		2,811	2,035
Bank borrowings, secured	<i>17</i>	347	861
Income tax payable		1,968	17
		<u>89,835</u>	<u>69,221</u>
Net current assets		<u>121,937</u>	112,195
Total assets less current liabilities		<u>133,480</u>	119,819
Non-current liabilities			
Lease liabilities		5,688	1,963
Total non-current liabilities		<u>5,688</u>	1,963
Net assets		<u>127,792</u>	117,856
Capital and reserves			
Share capital	<i>18</i>	12,000	12,000
Reserves		115,792	105,856
Total equity		<u>127,792</u>	<u>117,856</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED 30 SEPTEMBER 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2020 (Audited)	12,000	28,841	38,860	24	38,131	117,856
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,936</u>	<u>9,936</u>
At 30 September 2020 (Unaudited)	<u>12,000</u>	<u>28,841</u>	<u>38,860</u>	<u>24</u>	<u>48,067</u>	<u>127,792</u>
At 31 March 2019 and 1 April 2019 (Audited)	12,000	28,841	38,860	24	28,536	108,261
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,434</u>	<u>5,434</u>
At 30 September 2019 (Unaudited)	<u>12,000</u>	<u>28,841</u>	<u>38,860</u>	<u>24</u>	<u>33,970</u>	<u>113,695</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	(Unaudited) Six months ended 30 September 2020 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000
Operating activities		
Profit before income tax	11,887	6,541
Adjustments for:		
Depreciation on property, plant and equipment	1,740	708
Gain on termination of lease	(97)	–
Loss on disposal of property, plant and equipment	283	–
Bank interest income	(5)	(19)
Provision/(Reversal) of impairment of trade receivables	1,113	(711)
Finance costs	162	38
	<hr/>	<hr/>
Operating profit before working capital changes	15,083	6,557
Increase in trade and other receivables	(9,277)	(1,655)
Decrease/(increase) in contract assets	1,346	(11,408)
Decrease/(increase) in pledged deposits	543	(1,477)
Decrease/(increase) in pledged bank deposits	360	(3,883)
Increase/(decrease) in trade and other payable	18,220	(9,560)
Increase/(decrease) in contract liabilities	181	(272)
	<hr/>	<hr/>
Cash generated from/(used in) operating activities	26,456	(21,698)
Income tax paid	–	–
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	26,456	(21,698)
	<hr/>	<hr/>
Investing activities		
Purchase of property, plant and equipment	(214)	(569)
Interest received	5	19
	<hr/>	<hr/>
Net cash used in investing activities	(209)	(550)
	<hr/>	<hr/>

	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Financing activities		
Repayments of bank borrowings	(514)	(498)
Capital element of finance lease payments	(1,130)	–
Repayment of finance leases	–	(38)
Interest paid on bank borrowings	(10)	(33)
Interest paid on obligations under finance leases	–	(5)
Interest paid on lease liabilities	(152)	–
	<hr/>	<hr/>
Net cash used in financing activities	(1,806)	(574)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	24,441	(22,822)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	26,885	62,280
	<hr/>	<hr/>
Cash and cash equivalents at end of year	51,326	39,458
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	51,326	39,458
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

Vistar Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 27 June 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 12 February 2018 (the “**Listing**”). The Company's registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands. Its principal place of business is located at Unit 2, 13/F, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (“**the Group**”) are engaged in the provision of installation, alteration and addition works and maintenance services of electrical and mechanical engineering systems in Hong Kong. As at 30 September 2020, the particulars of the Company’s subsidiaries are set as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Guardian Team Limited (“ GTL ”)	Incorporated in the British Virgin Islands on 6 June 2017 Limited liability company	Hong Kong	1 share of US\$1	100%	–	Investment holding
Guardian Fire Engineers and Consultants, Limited (“ GFE ”)	Incorporated in Hong Kong on 1 August 1972 Limited liability company	Hong Kong	HK\$2,500,000	–	100%	Installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong
Guardian Engineering Limited (“ GEL ”)	Incorporated in Hong Kong on 15 May 2000 Limited liability company	Hong Kong	HK\$100,000	–	100%	Installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong

2. BASIS OF PREPARATION

(a) Statement of compliance

This interim condensed consolidated financial statements for the six months ended 30 September 2020 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The condensed consolidated interim financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with HKFRSs issued by the HKICPA.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

- (i) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2020:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

The Group adopted the new and amended standard. The directors made assessment on the application of the above amendments and determined that they will have no material impact on the consolidated financial statements.

¹ Effective for annual periods beginning on or after 1 January 2020

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”. Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Conceptual Framework for Financial Reporting 2018 (the “**New Framework**”) and the Amendments to References to the Conceptual Framework in HKFRS Standards.

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

- (ii) The following revised HKFRSs, that have been issued but are not yet effective potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	COVID-19-Related rent concessions ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after a date to be determined

Amendments to HKFRS 16 – COVID-19-Related rent concessions

The amendments provide lessees with an exemption from the requirement to determine whether a COVID-19-Related rent concession is a lease modification and require lessees that apply the exemption to account for COVID-19-Related rent concessions as if they were not lease modification.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments affect requirements in HKAS 1 for the presentation of liabilities. Specifically, they clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the Reporting Period. Classification is unaffected by the expectations of the entity or events after the reporting date.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the application of these amendments will have no material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Amounts due from/to customers of contract work are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and amounts due from/to customers of contract work requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of the Group on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors, suppliers or vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers or vendors. Recognition of variations and claims also requires estimation and judgment by the management.

Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

(b) Impairment of receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

5. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Installation work – supply and carrying out installation work;
- Alteration and addition services – provision of alteration and addition services on existing system of customers; and
- Maintenance services – provision of repair and maintenance services.

The Group's chief operating decision-makers made decision according to the segment performance which is evaluated based on reportable segment profit or loss, without the allocation of other income and gains, reversal of impairment losses/impairment losses of trade receivables and contract assets, administrative and other operating expenses and finance costs.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly reviewed by the chief operating decision-makers, the directors are of the opinion that the disclosure of such information is not necessary.

Moreover, as the directors consider the Group's revenue (determined based on the location of customers) and results are all materially derived in Hong Kong and no material Group's consolidated assets are located outside Hong Kong, geographical segment information is therefore not presented.

(a) **Business segments**

For the six months ended 30 September 2020 (unaudited)

	Installation work HK\$'000	Alteration and addition services HK\$'000	Maintenance services HK\$'000	Total HK\$'000
Segment revenue				
Revenue from external customers	<u>72,446</u>	<u>54,296</u>	<u>2,504</u>	<u>129,246</u>
Segment profit/(loss)	<u>15,871</u>	<u>9,855</u>	<u>(303)</u>	<u>25,423</u>
Other income and gains				169
Impairment losses of trade receivables and contract assets, net				(1,113)
Administrative and other operating expenses				(12,430)
Finance costs				<u>(162)</u>
Profit before income tax				<u>11,887</u>
Income tax				<u>(1,951)</u>
Profit after tax				<u>9,936</u>

For the six months ended 30 September 2019 (unaudited)

	Installation work HK\$'000	Alteration and addition services HK\$'000	Maintenance services HK\$'000	Total HK\$'000
Segment revenue				
Revenue from external customers	<u>55,466</u>	<u>53,132</u>	<u>2,863</u>	<u>111,461</u>
Segment profit	<u>8,751</u>	<u>10,293</u>	<u>82</u>	19,126
Other income and gains				19
Reversal of impairment losses of trade receivables and contract assets, net				711
Administrative and other operating expenses				(13,277)
Finance costs				<u>(38)</u>
Profit before income tax				<u>6,541</u>
Income tax				<u>(1,107)</u>
Profit after tax				<u>5,434</u>

6. REVENUE

Revenue mainly represents income from provision of installation work, alteration and addition services and maintenances services during the Reporting Period.

Disaggregation of the Group's revenue from contracts with customers

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Revenue from installation work	44,740	26,041	72,446	55,466
Revenue from alteration and additions services	25,933	26,689	54,296	53,132
Revenue from maintenance services	1,248	1,430	2,504	2,863
	<u>71,921</u>	<u>54,160</u>	<u>129,246</u>	<u>111,461</u>

The chief operating decision-maker has been identified as the board of Directors (the “**Board**”) of the Company. The Board regards the Group's business as three single operating segments and reviews financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information on geographical is presented.

7. OTHER INCOME AND GAINS

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Bank interest income	4	9	5	19
Exchange gain	1	–	1	–
Gain of termination of lease	97	–	97	–
Others	13	–	66	–
	<u>115</u>	<u>9</u>	<u>169</u>	<u>19</u>

8. ADMINISTRATION AND OTHER OPERATING EXPENSES

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Staff costs, including Directors' emoluments	2,806	3,539	6,432	7,015
Travelling expenses	324	282	526	571
Depreciation and amortisation	148	311	255	656
Depreciation of right-of-use assets	663	–	1,158	–
Legal and professional fee	441	793	816	1,240
Audit fee	200	220	400	440
Entertainment	502	445	849	665
Operating lease rental on land and buildings	30	404	61	804
Operating lease rental on equipment	–	35	–	73
Repair and maintenance	21	32	56	57
Insurance	184	4	337	150
Others	990	825	1,540	1,606
	6,309	6,890	12,430	13,277

9. FINANCE COSTS

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Interest on finance leases	–	3	–	5
Interest on bank and other borrowings	4	15	10	33
Interest on lease liabilities	103	–	152	–
	107	18	162	38

10. INCOME TAX EXPENSES

Under the two-tiered profits tax rates regime, the profits tax rate for the first \$2 million of assessable profits will be lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance (IRO)) for corporations. Assessable profits above \$2 million will continue to be subject to the rate of 16.5% for corporations for the current period (2019: 16.5%).

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Current income tax				
– Hong Kong Profit tax	1,519	597	1,951	1,107
Deferred income tax	–	–	–	–
Income tax expenses	<u>1,519</u>	<u>597</u>	<u>1,951</u>	<u>1,107</u>

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the following data.

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company (<i>HK\$'000</i>)	7,226	2,274	9,936	5,434
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>)	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Basic earnings per share (<i>HK cent</i>)	<u>0.60 cents</u>	<u>0.19 cents</u>	<u>0.83 cents</u>	<u>0.45 cents</u>

Diluted earnings per share is equal to the basic earnings per share as there was not dilutive potential shares.

12. DIVIDENDS

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
Cost						
At 1 April 2020	5,140	1,001	2,854	2,535	799	12,329
Additions	6,796	134	–	80	–	7,010
Disposals	(1,667)	(601)	–	–	–	(2,268)
Modification of lease assets	(152)	–	–	–	–	(152)
	<u>10,117</u>	<u>534</u>	<u>2,854</u>	<u>2,615</u>	<u>799</u>	<u>16,919</u>
At 30 September 2020	<u>10,117</u>	<u>534</u>	<u>2,854</u>	<u>2,615</u>	<u>799</u>	<u>16,919</u>
Accumulated depreciation						
At 1 April 2020	1,295	573	2,216	1,683	289	6,056
Charge for the period	1,158	95	146	160	84	1,643
Write-off on disposals	(751)	(318)	–	–	–	(1,069)
	<u>1,702</u>	<u>350</u>	<u>2,362</u>	<u>1,843</u>	<u>373</u>	<u>6,630</u>
At 30 September 2020	<u>1,702</u>	<u>350</u>	<u>2,362</u>	<u>1,843</u>	<u>373</u>	<u>6,630</u>
Net book value						
At 30 September 2020	<u>8,415</u>	<u>184</u>	<u>492</u>	<u>772</u>	<u>426</u>	<u>10,289</u>
At 31 March 2020 (audited)	<u>3,845</u>	<u>428</u>	<u>638</u>	<u>852</u>	<u>510</u>	<u>6,273</u>

During the six months ended 30 September 2020, the Group acquired assets with aggregate cost of approximately HK\$7,010,000 (31 March 2020: approximately HK\$2,669,000).

The Group incurred depreciation expenses for the six months ended 30 September 2020 of approximately HK\$1,643,000 (31 March 2020: approximately HK\$2,350,000) and was recorded.

14. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Trade receivables	42,543	37,213
Less: Provision for impairment	(6,964)	(6,238)
Trade receivables, net	35,579	30,975
Deposits, prepayments and other receivables	6,216	2,596
	41,795	33,571

The ageing analysis of trade receivables, net of impairment and based on past due date, as at the end of each of the Reporting Periods, is as follows:

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i> (Restated)
Current	12,075	8,142
1 – 60 days	16,178	12,015
61 – 90 days	775	4,221
91 – 180 days	1,737	4,790
181 – 365 days	4,814	1,807
	35,579	30,975

The credit period granted to customers is normally 14 days.

During the six months ended 30 September 2019 and 30 September 2020, no trade receivable was written off as uncollectible. As at 31 March 2020 and 30 September 2020, the trade receivables were impaired with HK\$6,238,000 and HK\$6,964,000 respectively.

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	(Unaudited) 30 September 2020 HK\$'000	(Audited) 31 March 2020 HK\$'000
Contract assets		
Arising from performance under installation work and alteration and addition services (<i>Note (i)</i>)	90,630	90,929
Retention receivables	18,036	18,756
	108,666	109,685
Less: Provision for impairment (<i>Note (ii)</i>)	(1,113)	(726)
Contract assets, net	107,553	108,959

Notes:

- (i) Invoices on revenue from installation work and alteration and addition services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.
- (ii) The Group recognised impairment of contract assets for the period ended 30 September 2020 and 31 March 2020 based on the accounting policy on trade receivables and contract assets set out as follow:

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables and contracts assets have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

(b) **Contract liabilities**

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Contract liabilities		
Billing in advance of performance under installation work and alteration and addition services	<u>684</u>	<u>503</u>

16. TRADE AND OTHER PAYABLES

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	70,184	52,437
Retention payables (<i>Note (b)</i>)	7,707	8,454
Other payables, accruals and deposits received	<u>6,134</u>	<u>4,914</u>
	<u>84,025</u>	<u>65,805</u>

Notes:

- (a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The ageing analysis of trade payables, based on invoice date, as of the end of each of the Reporting Periods is as follows:

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
0 -30 days	43,408	31,829
31 – 60 days	2,636	7,891
61 – 90 days	5,246	1,756
Over 90 days	<u>18,894</u>	<u>10,961</u>
	<u>70,184</u>	<u>52,437</u>

- (b) Retention monies are retained by the Group when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months.

17. BANK BORROWINGS, SECURED

	(Unaudited) 30 September 2020 HK\$'000	(Audited) 31 March 2020 HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause (<i>Note (a)</i>)		
– Bank loans due for repayment within one year	347	861
	<u>347</u>	<u>861</u>

Notes:

- (a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 30 September 2020 granted under banking facilities is 3% (31 March 2020: 3%) per annum.
- (b) As at the end of the Reporting Period, unless stated otherwise, the Group's bank facilities are secured by corporate guarantee of the Company upon the Listing.

As at 30 September 2020, the Group's bank borrowings were scheduled to repay as of the end of the Reporting Period as follows:

	(Unaudited) 30 September 2020 HK\$'000	(Audited) 31 March 2020 HK\$'000
On demand or within one year	347	861
More than one year, but not exceeding two years	–	–
More than two years, but not exceeding five years	–	–
	<u>347</u>	<u>861</u>

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

18. SHARE CAPITAL

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Authorised:		
3,800,000,000 Ordinary shares of HK\$0.01 each	<u>38,000</u>	<u>38,000</u>
Ordinary shares, issued and fully paid:		
1,200,000,000 Ordinary shares of HK\$0.01 each	<u>12,000</u>	<u>12,000</u>

19. SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was approved and adopted by the Company on 24 January 2018.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of the granting of the option; (ii) the average 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 the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders’ meetings.

20. CAPITAL COMMITMENTS

As at 30 September 2020 and 31 March 2020, the Group did not have any significant capital commitments.

21. RELATED PARTY TRANSACTIONS

- (a) Save for those disclosed elsewhere in these consolidated financial statements, the Group has the following significant transactions with related parties:

Related party identity and Relationship	Type of transaction	Note	(Unaudited)	(Audited)
			30 September 2020	31 March 2020
			HK\$'000	HK\$'000
Vistar Alliance Limited (“Vistar Alliance”), a related company	Lease payment	(i)	<u>289</u>	<u>526</u>

Note:

- (i) Pursuant to the sale and purchase agreement entered into between GFE and Vistar Alliance dated 11 December 2017, GFE agrees to sell and Vistar Alliance agrees to purchase the Group’s leasehold land and buildings at a consideration of HK\$13.3 million which was completed on 15 January 2018. Vistar Alliance is owned by Mr. Poon Ken Ching Keung and Mr. Poon Ching Tong Tommy.

GFE and Vistar Alliance also entered into a lease agreement dated 22 January 2018, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a term of not more than three years from the date of the lease agreement at a monthly rental of HK\$43,800.

GFE and Vistar Alliance further entered into a lease agreement dated 20 February 2020, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a term of two years from 1 April 2020 to 31 March 2022 at a monthly rental of HK\$48,000.

The terms of the above transactions were based on those agreed between the Group and the related companies and the director.

(b) Compensation of key management personnel of the Group

Key management includes directors (executive, non-executive and independent non-executive) and the senior management staff of the Group. The compensation paid or payable to key management personnel for employee services is disclosed as follow:

	(Unaudited) Three months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Three months ended 30 September 2019 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2020 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 <i>HK\$'000</i>
Independent non-executive directors' fees	90	70	180	152
Salaries, discretionary bonus, allowances and benefits in kind	1,357	1,145	2,719	2,279
Contributions to retirement benefits scheme	30	15	61	33
	<u>1,477</u>	<u>1,230</u>	<u>2,960</u>	<u>2,464</u>

22. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts. Details of these guarantees as of the end of the Reporting Period are as follows:

	(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	<u>35,076</u>	<u>35,238</u>

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of Reporting Period.

As at the end of the Reporting Period or during the Reporting Period, unless stated otherwise, the Group's bonding lines granted by the financial institutions are secured by:

- (i) the Group's bank deposits;
- (ii) Corporate guarantee of GFE and Vistar Holdings Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a registered electrical and mechanical (“E&M”) engineering service contractor in Hong Kong with a full range of E&M licenses including installation, alteration and addition works, inspection, testing and maintenance qualifications of fire prevention systems, water and plumbing systems, ventilating systems and certain electrical works.

With the Group’s extensive history and proud achievements, it has developed a reputation and expertise in the installation and design of fire service systems for buildings under construction or re-development; alteration and addition services on existing fire service systems; and repair and maintenance services of fire service systems for built premises. The Group is consistently positioned as one of the leaders in this field in Hong Kong.

The Group developed a strong operating platform including well-experienced project management and engineering teams; well-equipped infrastructure with adequate working capital to compliment operational needs; sophisticated operating manual and stringent control procedures to ensure resources are efficiently utilised and business are conducted safely and ethically. In addition, the Group has well-established external networks with customers, suppliers, and regulators to form the most effective partnerships during project execution and to negotiate the best terms for the Group.

During the six months ended 30 September 2020, the Group recorded revenue amounting to HK\$129.25 million, representing an increase of HK\$17.79 million or 15.96%, as compared with HK\$111.46 million for the six months ended 30 September 2019.

Profit attributable to equity holders of the Company for the Reporting Period was HK\$9.94 million, representing an increase of HK\$4.51 million or 83.06%, as compared with HK\$5.43 million for the six months ended 30 September 2019. Moreover, there was an increase of the gross profit contribution of HK\$6.29 million to HK\$25.42 million (2019: HK\$19.13 million) due to a reduction of cost of revenue on installation work by fully utilising prefabrication technology at workshop and putting in place a more stringent control in general and administrative expenses.

Looking back to year 2019, the social unrest has severely impacted the economy in Hong Kong. Stepping into 2020, the outbreak of COVID-19 caused a global disruption in business operations and to the economy. It was an extremely challenging year for our Group with combined effect of the continued trade frictions between the United States and China, the social unrest situation in Hong Kong and the outbreak and rapid spread of COVID-19.

In view of the difficulties in operation, our Group will strive to improve its project management and operational efficiency by investing in construction related technologies such as building information modelling systems (BIM). In addition, since early this year, we have fully implemented the operation of prefabrication workshop which improved our contribution margin significantly driven by cost savings from the utilisation of the prefabrication technology. The Group has also exercised tightened measures to reduce general and administrative expenses in lieu of the market conditions.

Looking forward, the Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. With the launch of different revitalizing economy scheme by the government and institutional support globally, these catalysts will help stabilise the economy and fuel its eventual recovery. As such, we continue to focus on applying our core competencies to raise customer satisfaction and ensure sustainable growth and profitability of its business. We are confident to achieve a sustained growth and will further strengthen the Group's market position in the industry of installation work, alteration and addition services and maintenance services in constructions.

Financial Review

Revenue

The Group's revenue for the Reporting Period amounted to approximately HK\$129.25 million which represented an increase of approximately HK\$17.79 million or 15.96% from approximately HK\$111.46 million for the six months ended 30 September 2019.

The increase in total revenue was mainly due to an increase from installation work and alteration and addition services with its periodic revenue amounted to approximately HK\$72.45 million and HK\$54.30 million respectively. Such increase in total revenue was mainly contributed by incremental revenue on installation work performed as more project staff were employed during the Reporting Period.

Cost of Revenue

The Group's cost of revenue increased from approximately HK\$92.34 million for the six months ended 30 September 2019 to approximately HK\$103.82 million for the Reporting Period, representing an increase of approximately HK\$11.48 million or 12.43%. Such increase resulted from the savings in cost of revenue of installation projects by fully utilizing the prefabrication technology operated at workshop.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$6.29 million or 32.88% from approximately HK\$19.13 million for the six months ended 30 September 2019 to approximately HK\$25.42 million for the Reporting Period. The gross profit margin increased from 17.16% for the six months ended 30 September 2019 to 19.67% for the Reporting Period. The increase in overall gross profit contribution was due to fully utilising the prefabrication technology operated at workshop and thus lead to the reduction of cost of revenue in installation works during the Reporting Period.

Administrative and other Operating Expenses

Administrative and other operating expenses mainly include the salaries and benefits of administrative and management staff, rental expenses, insurance cost, legal and professional fees, depreciation expense of plant and equipment and of right-of use assets and other expenses.

Our administrative and other operating expenses decreased by approximately HK\$0.85 million or 6.4% from approximately HK\$13.28 million for the six months ended 30 September 2019 to approximately HK\$12.43 million for the Reporting Period. The decrease was mainly due to the subsidy obtained from the government's "Employment Support Scheme" and a reduction in legal and professional fees through negotiation.

Finance Costs

Finance costs of the Group are approximately HK\$0.16 million for the six months ended 30 September 2020 (2019: HK\$0.04 million). Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases and interest on lease liabilities. The increase in Group's finance costs for the Reporting Period was due to the adoption of HKFRS 16 Leases resulted in increase in the interest expenses.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$0.84 million or 75.68% from approximately HK\$1.11 million for the six months ended 30 September 2019 to approximately HK\$1.95 million for the Reporting Period. The increase was mainly due to the increase in taxable profit for the Reporting Period.

Profit for the period attributable to equity holders of the Company

The Group profit attributable to equity holders of the Company was approximately HK\$9.94 million for the Reporting Period (2019: HK\$5.43 million). An increase of 83.06% of profit attributable to equity holders of the Company when compared to six months ended 30 September 2019.

The increase in profit was mainly contributed by incremental revenue on installation work performed as more project staffs were employed during the Reporting Period. Moreover, the savings in cost of revenue for installation projects by utilizing the prefabrication technology operated at workshop were satisfactory and encouraging.

Liquidity, financial resources and capital structure

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 September 2020, the Group had cash and bank balances of approximately HK\$51.33 million (31 March 2020: HK\$26.89 million).

As at 30 September 2020, the Group's total equity attributable to shareholders of the Company amounted to approximately HK\$127.79 million (31 March 2020: HK\$117.86 million). As of the same date, the Group's total debt, comprising bank borrowings, liability of the finance lease obligations amounted to approximately HK\$0.47 million (31 March 2020: HK\$4.86 million).

The shares of the Company were successfully listed on GEM of the Stock Exchange on 12 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2020, the Company's issued share capital was HK\$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK\$0.01 each.

BORROWINGS AND GEARING RATIO

As 30 September 2020, the Group had borrowings of approximately HK\$0.47 million which was denominated in Hong Kong Dollars (31 March 2020: HK\$1.03 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2020, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 0.37% (31 March 2020: 0.87%).

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

CAPITAL COMMITMENTS

As at 30 September 2020 and 2019, the Group did not have any significant capital commitments.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2020, the Group did not have any charges on the Group's assets (30 September 2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as of 30 September 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (2019: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (30 September 2019: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had 131 employees in total (2019: 114). The staff costs of the Group including directors' emoluments, management, administrative and operational staff for the six months ended 30 September 2020 were approximately HK\$6.43 million (2019: HK\$7.02 million).

The Group recognises that human resource is an important factor contributing to its success, therefore qualified and experienced personnel are recruited for executing, reviewing and restructuring our existing business operations, as well as exploring potential investment opportunities.

Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. A remuneration committee was set up to review and optimize the Group's emolument policy and structure for all Directors and senior management of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group faces several risk and uncertainty factors that may affect the operating results and business prospects. There may be other risks and uncertainties in addition to those listed below, which are not known to the Group or which may not be material under current business circumstances but might have an impact to the Group in the future.

- The state of economic, political and legal environment in Hong Kong may adversely affect our business, performance and financial condition;
- We operate in a highly competitive industry and face competition during project tendering process, and we may not be successful in competing against our competitors;

- As our revenue is mainly derived from projects which are not recurring in nature, a significant decrease in the number of our projects would affect our operations and financial results;
- We make estimations of our project costs in our tenders. Any failure to accurately estimate the costs involved in the implementation of any project and delay in completion of any project may lead to cost overruns or even result in losses in our projects;
- We rely on subcontractors in completing installation work and alternation and addition work. Any delay or defects on their part would adversely affect our operations and financial results;
- Our customers pay us by way of progress payment and hold retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period;
- We require various registrations, licences and qualifications to operate our business in Hong Kong. Any expiry, withdrawal, revocation, downgrading of and/or failure to renew such registrations, licences and qualifications would adversely affect our business, financial condition and results of operations; and
- Our business is susceptible to fluctuations of production costs including staff salaries, subcontracting cost, price of raw materials and utilities cost and such fluctuations may materially and adversely affect our profitability and results of operations.

USE OF PROCEEDS FROM THE SHARE OFFER

The total net proceeds (the “**Net Proceeds**”) from the share offer (the “**Share Offer**”) through the listing of the shares of the Company (the “**Listing**”) on GEM of The Stock Exchange of Hong Kong Limited on 12 February 2018 (the “**Listing Date**”) was approximately HK\$24.12 million. As at 30 September 2020, the unutilised net proceeds from the Share Offer (the “**Unutilised Net Proceeds**”) was fully utilised.

A table showing the planned usage of the Net Proceeds, the actual utilisation of the Net Proceeds from the Listing Date up to 31 March 2019, 31 March 2020 and 30 September 2020, respectively, the remaining unutilised Net Proceeds up to 31 March 2019, 31 March 2020 and 30 September 2020, respectively is set out below. The Company used the Net Proceeds in the same manner and proportions as described in the prospectus of the Company dated 31 January 2018 related to the Listing (the “**Prospectus**”).

Uses	Planned use of Net Proceeds <i>HK\$ million</i>	Actual use of	Unutilised	Actual use of	Unutilised	Actual use of	Unutilised
		Net Proceeds from the Listing Date to 31 March 2019 <i>HK\$ million</i>	Net Proceeds as at 31 March 2019 <i>HK\$ million</i>	Net Proceeds from the Listing Date to 31 March 2020 <i>HK\$ million</i>	Net Proceeds as at 31 March 2020 <i>HK\$ million</i>	Net Proceeds from the Listing Date to 30 September 2020 <i>HK\$ million</i>	Net Proceeds as at 30 September 2020 <i>HK\$ million</i>
Used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system	8.88	4.23	4.65	8.82	0.06	8.88	-
Used for expanding our manpower for project execution	3.84	2.45	1.39	3.84	-	3.84	-
Used for expansion to the dealership network for building management system and automatic fire alarm system	1.30	-	1.30	0.80	0.50	1.30	-
Used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop	4.92	2.81	2.11	4.68	0.24	4.92	-
Used for developing a three dimensional (“3D”) design system and an enterprise resource planning system (the “ERP system”) to enhance our project planning, management and implementation	3.04	0.78	2.26	2.14	0.90	3.04	-
Used for additional working capital and other general corporate purposes	2.14	1.20	0.94	2.14	-	2.14	-
Total	24.12	11.47	12.65	22.42	1.7	24.12	-

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the Reporting Period that requires disclosure.

OTHER INFORMATION

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Number of Shares Held <i>(Note 1)</i>	Percentage of Issued Share Capital <i>(Note 2)</i>
Mr. Poon Ken Ching Keung ("Mr. Ken Poon") <i>(Notes 3 and 5)</i>	Interest in a controlled corporation	508,500,000	42.38%
Mr. Ng Kwok Wai <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%
Ms. Lee To Yin <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%
Ms. Poon Kam Yee Odilia ("Ms. Odilia Poon") <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 30 September 2020.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited (“**Success Step**”). Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced Limited (“**Legend Advanced**”) as described in note 5 below.

Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 shares of the Company which Success Step is deemed to be interested in.

- (4) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus.

Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, and Mr. Poon Ching Tong Tommy (“**Mr. Tommy Poon**”) is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2020, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long position in the shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held <i>(Note 1)</i>	Percentage of Issued Share Capital <i>(Note 2)</i>
Success Step <i>(Notes 3 and 5)</i>	Beneficial owner	418,500,000	34.88%
	Holder of equity derivative	90,000,000	7.50%
		508,500,000	42.38%
Noble Capital <i>(Notes 4 and 5)</i>	Beneficial owner	391,500,000	32.63%
	Holder of equity derivative	90,000,000	7.50%
		481,500,000	40.13%
Mr. Tommy Poon <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	481,500,000	40.13%
Legend Advanced <i>(Note 6)</i>	Beneficial owner	90,000,000	7.50%
Ms. Deng Anna Man Li <i>(Note 7)</i>	Interest of spouse	508,500,000	42.38%
Mr. Roberts Christopher John <i>(Note 8)</i>	Interest of spouse	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 30 September 2020.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below.
- (4) Mr. Tommy Poon holds the entire issued share capital of Noble Capital. Noble Capital, in turn, directly holds 319,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital and Mr. Tommy Poon is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the shares of the Company held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the shares of the Company held by Ms. Odilia Poon.

Save as disclosed above, as at 30 September 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “A. Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Reporting Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the Reporting Period.

INTERESTS OF THE COMPLIANCE ADVISER

Innovax Capital Limited was appointed as compliance adviser of the Company from 31 August 2019. None of the compliance adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules. Pursuant to the Compliance Adviser Agreement dated 20 August 2019, services of Innovax Capital Limited as compliance adviser have ended on 30 June 2020.

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules for the Reporting Period, except the deviation from code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Ken Poon is the chairman and the chief executive officer of the Company. Mr. Poon has been the key leadership figure of the Group for over 29 years of experience in the fire services and water pump installation services in Hong Kong. Mr. Ken Poon has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group’s best interest for Mr. Poon to continue performing the two roles, in order to maintain effective management and business development.

Having considered the above factor, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate and that the Company has complied with the principles and applicable code provision of the CG Code during the Reporting Period.

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 24 January 2018 with its terms of reference in compliance with Rules 5.28 of the GEM Listing Rules, and paragraphs C.3.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan, Stephen, all being independent non-executive Directors. Mr. Yung Chung Hing currently serves as the chairman of the Audit Committee.

The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits. The Audit Committee has reviewed the interim results of the Group for the Reporting Period and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

REVIEW OF THIS INTERIM RESULTS ANNOUNCEMENT

The interim results announcement has been reviewed by the Audit Committee.

By Order of the Board
Vistar Holdings Limited
Poon Ken Ching Keung
Chairman and Chief Executive Officer

Hong Kong, 9 November 2020

As at the date of this announcement, the executive Directors are Mr. Poon Ken Ching Keung (Chairman), Mr. Ng Kwok Wai and Ms. Lee To Yin and the non-executive Director is Ms. Poon Kam Yee, Odilia and the independent non-executive Directors are Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan, Stephen.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.vistarholdings.com.