VISTAR HOLDINGS LIMITED
滎德控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8535

ANNUAL REPORT 2017/18

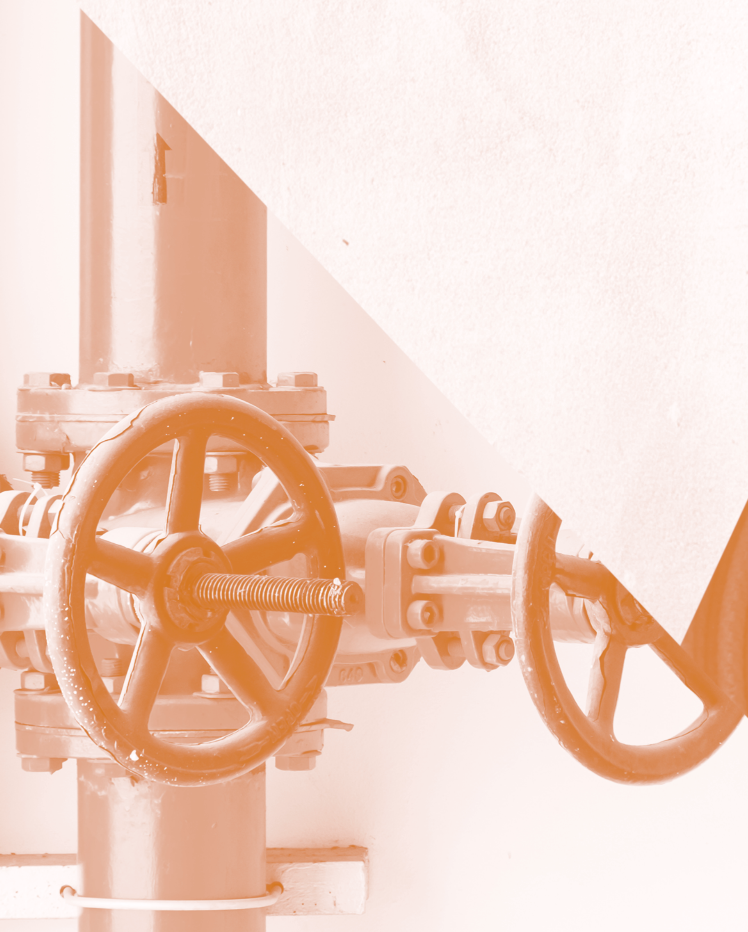
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 report, for which the directors (the "Directors") of Vistar Holdings Limited (the "Company") 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 report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Poon Ken Ching Keung
(Chairman and Chief Executive Officer)
Mr. Poon Ching Tong Tommy
Mr. Ng Kwok Wai

Non-executive Director

Ms. Poon Kam Yee Odilia

Independent Non-Executive Directors

Dr. Wong Kam Din
Mr. Yung Chung Hing
Mr. Lam Chung Wai

AUDIT COMMITTEE

Mr. Yung Chung Hing *(Chairman)*
Dr. Wong Kam Din
Mr. Lam Chung Wai

REMUNERATION COMMITTEE

Dr. Wong Kam Din *(Chairman)*
Mr. Poon Ken Ching Keung
Mr. Yung Chung Hing

NOMINATION COMMITTEE

Mr. Poon Ken Ching Keung *(Chairman)*
Dr. Wong Kam Din
Mr. Lam Chung Wai

COMPANY SECRETARY

Mr. Or Sek Hey Seky

AUTHORISED REPRESENTATIVES

Mr. Poon Ken Ching Keung
Mr. Or Sek Hey Seky

COMPLIANCE OFFICER

Mr. Poon Ken Ching Keung

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2, 13/F., Tak King Industrial Building
27 Lee Chung Street
Chai Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

COMPANY WEBSITE ADDRESS

www.vistarholdings.com

STOCK CODE

8535

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of Directors (the "Directors") of Vistar Holdings Limited (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively referred to as the "Group" or "We") for the year ended 31 March 2018 after its successful listing (the "Listing") on GEM on 12 February 2018 (the "Listing Date").

OVERVIEW

The Listing marked a significant milestone of our business development for our Group and I would like to thank the professional parties and our staff involved in the Listing. The net proceeds raised allow for the expansion of our Group through purchasing of additional site equipment and further strengthening our manpower. I believe the public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. I also believe that our internal control and corporate governance practices have been further enhanced.

During the year ended 31 March 2018, the revenue of the Group increased to approximately HK$279.76 million from approximately HK$161.17 million for the year ended 31 March 2017. Our revenue increment was mainly due to (i) more contracts secured before year ended 31 March 2018 and contracts signed during the reporting period for which works were also performed during the year; and (ii) the inclusion of the operating results on acquisition of Guardian Engineering Limited ("GEL") during the year.

The Group's profit attributable to shareholders was approximately HK$18.73 million for the year ended 31 March 2018 (2017: HK$14.99 million). An increase of 25% of profit attributable to shareholders when compared to the previous year. The reason for increase was mainly due to (i) significantly higher amount of contracts secured and the works performed during the reporting period; and (ii) the inclusion of the operating results on acquisition of Guardian Engineering Limited ("GEL") since 3 August 2017. The profit and revenue contributed by GEL for current year was HK$4.01 million and HK$53.20 million respectively; and (iii) an exceptional gain on disposal of property of approximately HK$12.13 million.

PROSPECT

According to an independent market research report prepared by an external consultant, due to the fact that the rising standard for building safety and quality of works, increasing supply of land and expedited urban renewal would continue to boost the needs for automatic fire alarm systems, water and gas suppression systems and fire equipment, the estimated gross value of fire safety services in Hong Kong is forecasted to reach HK$24,942.0 million in 2021, at a compound annual growth rate 12.2% from 2016 to 2021. For details, please refer to the section headed "Industry Overview" in the prospectus of the Company dated 31 January 2018 (the"Prospectus").

In light of growing business opportunities, the Group plans to further expand and increase its operational capacity to capitalise on such change in demand. To achieve this, the Group will continue to identify suitable business opportunities with potential customers and has also committed to undertake new installation, alteration and addition and maintenance projects.

Looking forward, our Group is confident about the outlook and the prospects of the construction industry and will keep on focusing on competing for sizeable fire service projects in Hong Kong. With the Listing of the Company in 2018, more resources will be available for our further expansion.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our dedicated employees for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to my fellow board members, management team, staff members, business partners and most importantly, our shareholders and customers for their support to our Group.

Vistar Holdings Limited
Poon Ken Ching Keung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The Group maintained its position as one of the leading electrical and mechanical ("E&M") engineering companies in Hong Kong, specializing in installation, alteration and addition works and maintenance of fire service systems. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

The Group holds a full range of E&M licences and qualifications, and implements effective and stringent tendering strategies in managing its risks and returns. In addition, the Group has comprehensive operating and control procedures, strong networks of well-established customers and suppliers, and an experienced workforce to support all of its operations. As a result, the Group is confident in securing and undertaking sizeable and desirable E&M engineering projects in Hong Kong in the years ahead.

Looking forward, the Group faces a variety of business opportunities and challenges, but will continue to focus on applying its core competencies to improve customer satisfaction and ensure sustainable growth and profitability of its business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2018 amounted to approximately HK$279.76 million which represented an increase of approximately HK$118.59 million or 73.58% from approximately HK$161.17 million for the year ended 31 March 2017. Our revenue increment was mainly due to (i) more contracts secured before year ended 31 March 2018 and contracts signed during the reporting period for which works were also performed during the year; and (ii) the inclusion of the operating results on acquisition of GEL during the year.

Cost of Revenue

The Group's cost of revenue increased from approximately HK$135.34 million for the year ended 31 March 2017 to approximately HK$233.97 million for the year ended 31 March 2018, representing an increase of approximately HK$98.63 million or 72.87%. Such increase was mainly due to higher material costs and subcontracting charges for the year ended 31 March 2018, parallel to the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$19.97 million or 77.32% from approximately HK$25.82 million for the year ended 31 March 2017 to approximately HK$45.79 million for the year ended 31 March 2018. During the year ended 31 March 2018, the gross profit margin increased slightly from 16.02% for the year ended 31 March 2017 to 16.37% for the year ended 31 March 2018. The gross profit margin is considered stable for both years.

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 other expenses. Our Administrative and other Operating expenses increased by approximately HK$10.71 million or 122.64% from approximately HK$8.74 million for the year ended 31 March 2017 to approximately HK$19.45 million for the year ended 31 March 2018. The increase in administrative and other operating expenses was mainly due to (a) the inclusion of such expenses HK$4.97 million on acquisition of Guardian Engineering Limited since 3 August 2017 and (b) incidental administrative and other operating expenses related to IPO.

Listing expenses

The Group incurred listing expenses in the amount of approximately HK$16.72 million for the year ended 31 March 2018 (31 March 2017: HK$Nil). These expenses are non-recurring in nature and outside of the Group's ordinary business operations.

Finance costs

Finance costs of the Group are approximately HK$0.11 million for the year ended 31 March 2018 (2017: HK$0.15 million). Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The Group's finance costs remained stable for both years.

Income tax

Income tax for the Group increased by approximately HK$1.66 million or 54.76% from approximately HK$3.04 million for the year ended 31 March 2017 to approximately HK$4.7 million for the year ended 31 March 2018. The increase was mainly due to the increase in taxable profit for the year ended 31 March 2018.

Profit for the year attributable to shareholders of the Company

The Group profit attributable to shareholders was approximately HK$18.73 million for the year ended 31 March 2018 (2017: HK$14.99 million). An increase of 25% of profit attributable to shareholders when compared to last year. The reason for increase was mainly due to (i) significantly higher amount of contracts secured and the works performed during the reporting period; (ii) the inclusion of the operating results on acquisition of GEL since 3 August 2017. The profit contributed by GEL for current year was HK$4.01 million; and (iii) an exceptional gain on disposal of property of approximately HK$12.13 million.

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 31 March 2018, the Group had cash and bank balances of approximately HK$45.80 million (2017: HK$19.46 million).

As at 31 March 2018, the Group's total equity attributable to shareholders of the Company amounted to approximately HK$88.43 million (2017: HK$38.86 million). As of the same date, the Group's total debt, comprising bank borrowings and liability of the finance lease obligations, amounted to approximately HK$6.46 million (2017: HK$2.41 million).

On 12 February 2018, the Company was listed on GEM by way of placement and public offer and completed the share offer of 300,000,000 shares at HK$0.17 per share. The net proceeds from the Listing amounted to approximately HK$24.12 million. The Directors believe that with the new capital from the share offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 31 March 2018, the Group had borrowings of approximately HK$6.46 million which was denominated in Hong Kong Dollars (2017: HK$1.91 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2018, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 7.30% (2017: 6.20%).

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 STRUCTURE

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 31 March 2018, 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.

CAPITAL COMMITMENTS

As at 31 March 2018 and 2017, the Group did not have any significant capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 31 March 2018.

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

During the year ended 31 March 2018, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (2017: HK$Nil) except disclosed otherwise.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: HK$ Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 89 employees in total. The staff costs of the Group including directors' emoluments, management, administrative and operational staff for the year ended 31 March 2018 were approximately HK$22.81 million (2017: HK$14.89 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.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 24 January 2018. For further details, please refer to the section headed "E. Share Option Scheme" in Appendix V of the Prospectus.

No share option has been granted under the Share Option Scheme since its adoption.

EVENTS AFTER THE REPORTING PERIOD

The Board did not aware of any events after the reporting period that requires disclosure.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement of business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2018 is set out below:

Business strategies	Implementation plan
Expand and increase our capacity to provide installation and maintenance services for fire safety system	For providing performance bonds amounting to approximately HK$8.0 million for the two coming pipeline projects in Kwun Tong and Shau Kei Wan
Expand our manpower for project execution	• Recruit two project managers for project execution • Recruit two assistant engineers for project execution • Recruit four technicians for project execution • Recruit one administration clerk for administration and operation • Recruit one safety officer for safety supervision
Expand to the dealership network for building management system and automatic fire alarm system	• Recruit one project manager for project execution • Recruit one assistant engineer for project execution • Recruit one technician for project execution
Develop central pre-fabrication workshop	• Identify and rent premise for constructing a workshop in Hong Kong, enter into tenancy agreement and pay rental deposit

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK$24.12 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of net proceeds from the Listing as at 31 March 2018 is set out below:

	Adjusted Planned use of net proceeds up to 31 March 2018 HK$ million	Actual use of net proceeds up to 31 March 2018 HK$ million
Used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system	8.88	–
Used for expanding our manpower for project execution	3.84	–
Used for expansion to the dealership network for building management system and automatic fire alarm system	1.30	–
Used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop	4.92	0.17
Used for developing a 3D design system and an ERP system to enhance our project planning, management and implementation	3.04	–
Used for additional working capital and other general corporate purposes	2.14	–
Total	24.12	0.17

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Poon Ken Ching Keung (潘正強) ("Mr. Ken Poon"), aged 60, being one of our controlling shareholders of the Company, was appointed as the chief executive officer of our Company and the Chairman of our Company on 17 July 2017. Mr. Ken Poon is responsible for our Group's overall management, corporate development, and strategic planning. He graduated from the University of Regina in Canada with a bachelor's degree in Administration in May 1981. He obtained his professional qualification as a certified management accountant in October 1985 from the Society of Management Accountants of Alberta, Canada. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department of Hong Kong since July 1981. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department.

Mr. Ken Poon has over 29 years of experience in the fire services and water pump installation services. From 1981 to 1983, Mr. Ken Poon served as the assistant to deputy general manager of a subsidiary of the Company Guardian Fire Engineers and Consultants, Limited ("GFE"), during which he was responsible for project planning and general management. He was a controller of Kart Gardens International Inc., (a company primarily engaged in providing entertainment motor racing facilities), from 1984 to 1987 and regional financial controller of Canadian Telecommunication Group Inc., Alberta Canada (a company primarily engaged in telecommunication services) from 1987 to 1988. During both periods, he was responsible for operations and financial reporting. From January 1989 to March 1990, Mr. Ken Poon was employed as a controller of the Calgary Distribution Centre for Core – Mark Distributors, Inc. (a company primarily engaged in distribution of retail products), during which he was responsible for accounting and control procedures for improving the accuracy of financial information. From 1990 to 1991, he was responsible for corporate planning, marketing, and office administration as corporate controller of Liquidation World Inc. Canada (a company primarily engaged in the re-sell of discontinued products). As director and deputy general manager of GFE from 1991 to 2011, he was responsible for project management and office administration. From 2011 until present, he served as managing director, responsible for overall project management, administration, and internal control. Mr. Ken Poon is the elder brother of Mr. Tommy Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

Mr. Ken Poon has been managing our Group's overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors, our Board considers that no one individual has unfettered power of chief-executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

Mr. Poon Ching Tong Tommy (潘正棠) ("Mr. Tommy Poon"), aged 51, being one of our Controlling Shareholders, was appointed our executive Director on 27 June 2017. He is responsible for overseeing and managing the projects of our Group. He has also been a director of GFE Since July 1991. He graduated from the University of Toronto in Canada with a bachelor's degree in Applied Science in June 1989.

He then graduated from the University of London's external program with a Master of Science in Financial Management in December 1998. Mr. Tommy Poon is a Hong Kong Registered Professional Engineer, and has been registered as a Chartered Engineer of the United Kingdom in March 1998. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department since 7 May 1994. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department and an electrical worker (Grade C) registered with Electrical and Mechanical Services Department.

Mr. Tommy Poon has over 25 years of experience in electrical, mechanical, and building services engineering work. As of 2006, Mr. Tommy Poon was a technical director of our Group responsible for managing and overseeing our projects. Prior to 2007, Mr. Tommy Poon served as project manager, senior engineer, and engineer in construction and maintenance projects of our Group during which he was responsible for on-site coordination, since he joined the Group in July 2001 as engineer. Mr. Tommy Poon is the youngest brother of Mr. Ken Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

Mr. Ng Kwok Wai (吳國威), aged 50, was appointed as our senior project manager on 1 April 2016 and appointed as our executive Director on 27 June 2017. He has been responsible for project management and project operations of our Group. He has also been a director of GFE since April 2016. Mr. Ng Kwok Wai obtained his high school diploma in Yu Chun Keung Memorial College in December 1985.

Mr. Ng Kwok Wai has over 20 years of experience of engineering work in Fire Services and Water Pump Installation. Mr. Ng Kwok Wai was appointed as assistant project manager for General Engineering (China) Co. Ltd. (a company primarily engaged in engineering services) from December 1996 to May 1997, during which he was responsible for the supervision of site works. From July 1997, Mr. Ng Kwok Wai was appointed as project manager of Mansion Fire Engineering Company Ltd. (a company primarily engaged in fire engineering). Since 10 March 1998, he has been project manager of GFE, where he has also been responsible for the supervision of projects.

NON-EXECUTIVE DIRECTOR

Ms. Poon Kam Yee Odilia (潘錦儀) ("Ms. Odilia Poon"), aged 57, was appointed as a non-executive Director of strategic planning of our Group. She has also been a director of GFE since December 1986. She graduated from the University of East Asia Macau, Macau, with a bachelor's degree in Business Administration in September 1985. She later received a master degree of Science, majoring in Business Studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Ms. Odilia Poon has over 30 years of experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served with Rothmans (Far East) Limited (a company primarily engaged in the tobacco business) with her last position as the marketing manager. She then joined Tait (HK) Limited (a company primarily engaged in marketing and distribution) from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. (a company primarily engaged in the sale of soft drinks) and during August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong Limited (a company primarily engaged in selling of beer). From May 1999 to April 2005, she served Hudson Global Resources (HK) Limited (a company primarily engaged in recruitment) with her last role as a country manager. From April 2005 to October 2005, she was with Agilent Technologies Hong Kong Limited (a company primarily engaged in distribution of professional equipment) as the staffing manager. She then joined Talent2 Shanghai Co., Limited (a company primarily engaged in human resources business process outsourcing) and held the positions of operations director of the recruitment managed services division and the managing director in China from November 2005 to July 2013. From January 2014 to June 2017, she has been serving as a director in Motiva Consulting Limited (a company primarily engaged in recruitment) where she has been overseeing the overall management of the company. She has been a non-executive director of Luk Hing Entertainment Group Holdings Limited (a company primarily engaged in entertainment services), which is listed on GEM (stock code 8052), since 2 March 2016, and director of The Chapman Consulting Group Limited (a company primarily engaged in human resources) since 3 August 2015. Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Tommy Poon, our executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Kam Din (王金殿), aged 59, was appointed as an independent non-executive director of our Group on 24 January 2018. He graduated with an Associateship in Building Technology and Management in November 1986 from The Hong Kong Polytechnic (now Hong Kong Polytechnic University), and obtained a PhD in July 1993 from Loughborough University of Technology in the United Kingdom. Dr. Wong Kam Din obtained his full membership of the Institution of the Civil Engineering Surveyors of Hong Kong in 1984, and a full membership of the Hong Kong Computer Society in 1992. He was elected as a member of the Association of Project Managers in 1993. Dr. Wong Kam Din was also admitted at a full member of the Chartered Institute of Building of Hong Kong in 1987 and a full member of the Hong Kong Institution of Engineers in 1992.

Dr. Wong Kam Din has over 40 years of experience in architecture, quantity surveying, project management, and building engineering. He has worked as an architectural assistant for Y.K. Auyeng and Associates (a company primarily engaged in Architecture) from December 1976 to October 1977. From November 1977 to November 1982, he then worked as an quantity surveying assistant in the Construction Department of Henderson Real Estate Agency Limited (a company primarily engaged in real estate agency) and was promoted to quantity surveyor. From December 1982 to September 1987, he served as the Planning and Computing Engineer to the Planning and Computing Consultant in High – Point CTMS (Far East) limited (a company primarily engaged in project promotion and consultancy). He served as director of Construct IT (Hong Kong) Limited (a company primarily engaged in information technology construction). Since September 1987, he has assumed various lecturing and research positions with the Building and Real Estate Department of the Hong Kong Polytechnic University from Assistant Lecturer, to Associate Professor and Senior Teaching Fellow.

Dr. Wong Kam Din has contributed widely to academic research and teaching in the field of construction IT, project management and contract administration in the professional community and society with his expertise. He received the Bronze Bauhinia Star (BBS) Award in July 2006 from the Hong Kong Government due to his contributions of professional and community services in Hong Kong.

Mr. Yung Chung Hing (翁宗興), aged 57, was appointed as an independent non-executive director of our Group on 24 January 2018. Mr. Yung Chung Hing obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic (now Hong Kong Polytechnic University) in November 1984 and a Master degree of Business Administration from University of Hong Kong in November 1991. Mr. Yung Chung Hing has been an associate member of the Charted Institute of Management Accountant since 27 January 1998 in the United Kingdom and an associate member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in Hong Kong since 19 April 1988.

Mr. Yung Chung Hing has over 27 years of experience in financial management. He served at the Hong Kong Land Property Company Limited (a company primarily engaged in property development) from April 1986 to June 1995, with his last position as the Group Cash Manager and Chief Money Dealer of the company. From 1995 to 2012, Mr. Yung Chung Hing served with the Hong Kong Land Group Limited (a company primarily engaged in property development) as assistant treasurer. During January 2013 to January 2015, he was the corporate finance manager (treasury) with the Hospital Authority. Within this period, he was the deputizing senior manager of financial control and operations for six months. From June 2016 to Jun 2017, he has been the general manager of Technic Essential Insurance and Reinsurance Brokers Ltd (a company primarily engaged in insurance brokerage). Since June 2017, he has been serving as a Technical Representative of AMG Wealth Management Limited (a company primarily engaged in private wealth management services).

Mr. Lam Chung Wai (林仲煒), aged 38, was appointed as an independent non-executive director of our Group on 24 January 2018. Mr. Lam Chung Wai graduated from the University of Hong Kong with a bachelor's degree in Laws in July 2001. He then obtained his Postgraduate Certificate in Laws in July 2002. Mr. Lam Chung Wai obtained his Hong Kong Bar Association membership in September 2002 and has qualified as a Barrister-at-law since then.

Mr. Lam Chung Wai has been practicing as a Barrister-at-law since September 2002. From 2007, Mr. Lam Chung Wai has been serving as a member of the incorporated management committee of Li Ka Shing College of Tung Wah Group of Hospitals. Mr. Lam Chung Wai has also been an accredited professional mediator of the Mainland – Hong Kong Joint Mediation Centre since 6 December 2016. He has been serving as a part time lecturer at the Department of Professional Legal Education in 2016 and 2017.

SENIOR MANAGEMENT

Mr. Ng Kam Por, Garry (吳錦波), aged 55, is the financial controller of the Group. He is principally responsible for supervision of the Group's financial reporting, financial control, treasury and company secretarial matters. Mr. Ng joined the Group in December 2017.

Mr. Ng has about 30 years of experience in the areas of auditing, taxation, financial management and company secretarial. Prior to joining the Company, Mr. Ng worked in an international audit firm, Inland Revenue Department, and held senior financial position as financial controller in several companies including listed companies. Before joining the Company, Mr. Ng is a company secretary of a Main Board listed company from November 2015 to March 2017.

Mr. Ng obtained a Master Degree of Corporate Governance from The Open University of Hong Kong in November 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.

Mr. Or Sek Hey Seky (柯錫熙), aged 37, was appointed as our company secretary on 24 January 2018 and the authorised representative of our Company. He graduated from The University of Western Ontario with a Degree of Bachelor of Administrative and Commercial Studies in June 2003 and a Diploma in Accounting in October 2003. He was admitted as Chartered Accountant of the Institute of Chartered Accountants of Ontario in May 2009 and admitted as Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2017.

Mr. Or Sek Hey Seky has more than 13 years of experience in the accounting and finance industry. Since May 2016, he has been the Vice President of AE Majoris Advisory Company Limited (a company principally engaged in corporate advisory and consulting services). From July 2011 to May 2016, he worked at Goldman Sachs (Asia) L.L.C. (a company primarily engaged in financial services) with his last position being Associate in the Controllers Department. From August 2009 to April 2011, Mr. Or Sek Hey Seky worked at Excelsior Capital Asia (HK) Limited (a company primarily engaged in direct investment) as fund accountant, and from September 2004 to March 2009, he worked at Deloitte Touche Tohmatsu (a company primarily engaged in the provision of auditing services) in Toronto with his last position being a senior staff accountant in the Assurance & Advisory Practice.

Mr. Yu Fat Shing (余發成), aged 45, was appointed as our project manager since 1 April 2016. He obtained a Higher Diploma in Building Services Engineering from the City Polytechnic of Hong Kong (now the City University of Hong Kong) in November 1993. He then graduated from the Hong Kong Polytechnic University in November 2000 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Yu Fat Shing has over 20 years of experience in engineering work in fire services and water pump installation. From 1993 to 1995, Mr. Yu worked as assistant engineer in Johnson Controls Hong Kong Limited (a company primarily engaged in providing efficient energy solutions) during which he was responsible for programming and testing fire detection system. He then served as Engineer at MansionFire Engineering Co. Ltd and Mansion Fire Services Co. Ltd (both companies primarily engaged in providing fire service systems) from 1995 to 2004, where he was responsible for fire services installation and maintenance. From 2004 to 2016, Mr. Yu has served at our Group with his last position as project engineer. Since 2016, he has been serving at GFE as project manager, during which he was responsible for the overall management and supervision of contract works.

Mr. Lee Siu Ki (李兆琪), aged 32, was appointed as our project manager on 1 April 2016. He obtained a higher diploma in Building Services Engineering from the Hong Kong Institute of Vocational Education in July 2007. He then obtained a training certificate in Safe Use of Abrasive Wheels in April 2008 from the Occupational Safety and Health Council of Hong Kong, and further obtained a certificate of completion of a 42-hour Construction Safety Supervisor Course in August 2008 from the Construction Industry Council Training Academy of Hong Kong. Mr. Lee Siu Ki then graduated from the City University of Hong Kong in February 2012 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Lee Siu Ki has over 10 years of experience for engineering work in Fire Services and Water Pump Installation. On 1 June 2007, he joined GFE as assistant engineer, where he was responsible for on-site coordination and inspection until 31 March 2012. From 1 April 2012 to 31 March 2016, he was responsible for progress monitoring and site supervision. He has been project manager since 1 April 2016 and has been responsible for overall management, checking, and supervision of contract works.

Mr. Lo Chi Kok (盧自覺), aged 53, has been appointed as our drafting department manager since 18 April 1988. He obtained his Diploma in Electrical Engineering in July 1986 from the Haking Wong Technical Institute of the Vocational Training Council. He is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department.

Mr. Lo Chi Kok has over 30 years of experience in engineering, design, and technical hardware production. As our drafting department manager, he has been responsible for overseeing the preparation and design of fire services layout shop drawings and details, progress programmes, and submission schedules. From October 1986 to March 1988, he served as a technician with Micro Electronics Limited (a company primarily engaged in semi-conductor manufacturing), where he was responsible for the repair and maintenance of semi-conductor bonder equipment of the production line.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established E&M engineering service provider in Hong Kong and engaged in the provision of installation, alteration and addition works and maintenance of fire service systems to our customers. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

LISTING ON GEM

The Company was incorporated with limited liability in the Cayman Islands on 27 June 2017. The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the placement and public offer of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, reorganization and corporate structure" to the Prospectus.

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange on 12 February 2018. Success Step Management Limited ("Success Step"), Mr. Ken Poon, Noble Capital Concept Limited ("Noble Capital"), Alderhill Holdings Limited ("Trust Holding Company"), Unity Trust Limited ("Unity Trust") and Mr. Tommy Poon (together, the "Controlling Shareholders") are the controlling shareholders within the meaning of the GEM Listing Rules.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income of this report. The state of affairs of the Group as at 31 March 2018 are set out in the consolidated statement of financial position. On 31 December 2017, the Company declared a special dividend of HK$10,000,000 to its shareholders. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Group for the year ended 31 March 2018 are set out page 110 of this report.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 March 2018 are set out in note 27 to the consolidated financial statements of this report.

RESERVES

Details of movements of the reserves of the Group and the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements of this report, respectively.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares were listed on GEM of the Stock Exchange on 12 February 2018, during the financial year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of our Group during the year ended 31 March 2018 are set out in note 16 to the consolidated financial statements of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2018, the Company's distributable reserves, subject to solvent test, amounted to HK$11,886,000.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "Share Option Scheme") as set out in note 28 to the consolidated financial statements, no equity-linked agreements were entered into by our Group, or existed during the year ended 31 March 2018.

KEY RELATIONSHIPS WITH STAKEHOLDERS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

A majority of our five largest customers have long-standing business relationship with us for over ten years and we will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. Our Group's experience as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure projects are executive in accordance with their quality standard.

Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select our suppliers from the list based on their prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors and select them based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 March 2018, our largest customer accounted for approximately 21.89% (2017: 21.56%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 46.23% (2017: 52.10%).

For the year ended 31 March 2018, our largest supplier accounted for approximately 18.59% (2017: 14.05%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 47.35% (2017: 48.32%).

For the year ended 31 March 2018, our largest subcontractor amounted to approximately 14.19% (2017: 12.08%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 56.60% (2017: 51.64%).

None of the Directors, their close associates, or any shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2018.

MANAGEMENT CONTRACT

During the year ended 31 March 2018, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

ENVIRONMENTAL POLICY

Our Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the year ended 31 March 2018, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 March 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming Annual General Meeting ("AGM") of the Company will be held on 20 August 2018 at 24/F, Admiralty Centre, 18 Harbour Road, Hong Kong. For the purpose of determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 15 August 2018 to 19 August 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. no later than 4:00 p.m. on 15 August 2018.

TAX ALLOWANCES

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

DIRECTORS

The composition of the Board from the Listing Date up to the date of this report is set out as follow:

Executive Directors

Mr. Poon Ken Ching Keung *(Chairman)* (appointed on 27 June 2017)
Mr. Poon Ching Tong Tommy (appointed on 27 June 2017)
Mr. Ng Kwok Wai (appointed on 27 June 2017)

Non-Executive Director

Ms. Poon Kam Yee Odilia (appointed on 27 June 2017)

Independent Non-Executive Directors

Dr. Wong Kam Din (appointed on 24 January 2018)
Mr. Yung Chung Hing (appointed on 24 January 2018)
Mr. Lam Chung Wai (appointed on 24 January 2018)

Each director has entered into a service contract with the Company for initially a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

The Company has received an annual confirmation of independence from each Independent Non-Executive Directors ("INEDs") pursuant to the requirements under Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at date of this report.

DIRECTORS' SERVICE CONTRACT

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least three month's notice in writing.

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by our Group within one year without payment compensation, other than the statutory compensation.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, each Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing date, the Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

DIRECTORS' INTERESTS IN CONTRACT

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected the Directors had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2018.

DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in note 15 to the consolidated financial statements in this report.

REMUNERATION POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Share Option Scheme.

DIRECTORS' INTEREST IN COMPETING INTERESTS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the Controlling Shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2018.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, All Controlling Shareholders have entered into the deed of non-competition undertakings ("Deed of Noncompetition Undertakings") in favour of the Company (for its own and on behalf of all members of the Group) on 26 January 2018, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that during the period that the Deed of Non-competition Undertakings remains effective, each of the Controlling Shareholders shall not, and shall procure that none of his/her/its associates (except any member of the Group), directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with the Group's existing business activity and any business activities which may be undertaken by the Group from time to time and/or which any member of the Group may undertake in Hong Kong from time to time. Details of the Deed of Non-competition Undertakings have been set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 March 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the reporting period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Kingsway Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 14 July 2017, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Pursuant to the lease agreement (the "Lease Agreement") entered into between Vistar Alliance Limited owned as to 50% by Mr. Ken Poon and 50% by Mr. Tommy Poon, respectively (the "Lessor") and GFE (the "Lessee") dated 22 January 2018, the Lessor has agreed to lease Workshop 2 on 13th Floor, Tak King Industrial Building, No 27 Lee Chung Street, Chai Wan, Hong Kong (the "Premises") of approximately 2,937 square feet to the Lessee for a term of not more than three years commencing from 16 January 2018 and up to 31 March 2020 at a monthly rental of HK$43,800.

The related party transactions entered into by our Group are set out in note 34 to the consolidated financial statements of this report.

The related party transactions do not constitute connected transactions of the Company for the year ended 31 March 2018. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 28 to 38 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

DONATIONS

Total donations made by our Group for charitable and other purposes during the year amounted to HK$10,000 (2017: HK$15,000).

AUDITOR

The consolidated financial statements for the reporting period have been audited by BDO Limited ("BDO"). BDO shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditor of the Company will be proposed at the forthcoming AGM. There is no change in auditor since the date of the Listing.

DISCLOSURE OF INTERESTS

A. Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the company

As the Shares were listed on the GEM of the Stock Exchange on the 12 February 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 31 March 2018.

Immediately after the Listing, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM of the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, will be as follows:

Name of director	Capacity/Nature	Number of shares held/ interested	Percentage of shareholding
Mr. Ken Poon	Interest of a controlled corporation	508,500,000	42.38%
Mr. Tommy Poon	Settlor and beneficiary of a Discretionary trust	481,500,000	40.13%
Mr. Ng Kwok Wai	Interest of a controlled corporation	90,000,000	7.50%
Ms. Odilia Poon	Interest of a controlled corporation	90,000,000	7.50%

B. Substantial shareholders' interest and short positions in shares and underlying shares

As the Shares were listed on the GEM of the Stock Exchange on 12 February 2018, the Company was not required to keep any register under Part XV of the SFO as at 31 March 2018.

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), immediately after the Listing, will have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Name of associated corporation	Capacity/Nature	Number of shares held/ interested	Percentage of shareholding
Success Step	Our Company	Beneficial owner	418,500,000	34.88%
		Holder of equity derivative	90,000,000	7.50%
			508,500,000	42.38%
Noble Capital	Our Company	Beneficial owner	391,500,000	32.63%
		Holder of equity derivative	90,000,000	7.50%
			481,500,000	40.13%
Trust Holding Company	Our Company	Interest in a controlled corporation	481,500,000	40.13%
Unity Trust	Our Company	Trustee of trust	481,500,000	40.13%
Legend Advanced Limited	Our Company	Beneficial owner	90,000,000	7.50%
Ms. Deng Anna Man Li	Our Company	Interest of spouse	508,500,000	42.38%
Ms. Lau Sze Mun Charmaine	Our Company	Interest of spouse	481,500,000	40.13%
Mr. Roberts Christopher John	Our Company	Interest of spouse	90,000,000	7.50%

On behalf of the Board
Vistar Holdings Limited
Poon Ken Ching Keung
Chairman and Executive Director

Hong Kong, 20 June 2018

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rule, the Board is pleased to present hereby the corporate governance report of the Company for the reporting period.

The Directors and the management of our Group recognise the significance of sound corporate governance to the long-term and continuing development of our Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the shareholders of the Company (the "Shareholders").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 of the GEM Listing Rules. Save as disclosed below, the Directors consider that since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions set out in the Code.

BOARD OF DIRECTORS

Responsibilities of the Board

The key responsibilities of the Board include formulation of our Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of our Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include:

(a) to develop and review our Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review our Group's compliance with the Code and disclosure in the corporate governance report.

COMPOSITION OF THE BOARD

Our Board currently consists of seven directors, comprising three executive directors, namely Mr. Ken Poon, Mr. Tommy Poon and Mr. Ng Kwok Wai, one non-executive director, namely Ms. Poon Kam Yee Odilia ("Ms. Odilia Poon") and three INEDs, namely Dr. Wong Kam Din, Mr. Yung Chung Hing and Mr. Lam Chung Wai.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Pursuant to the code provision A.5.6 of the Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Relationships between members of the Board

Mr. Tommy Poon is the younger brother of Mr. Ken Poon. They are the executive directors with the meaning ascribed thereto under the GEM Listing Rules. Ms. Odilia Poon was appointed as a non-executive director and she is also the sister of Mr. Ken Poon and Mr. Tommy Poon, our executive directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Save as disclosed above, the Directors have no financial, business, family or other material or relevant relationship with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ken Poon has been managing our Group's overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three INEDs, our Board considers that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

BOARD MEETINGS

Pursuant to code provision A.1.1 of the Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting. During the year ended 31 March 2018, two Board meetings were held on 24 January 2018 and 12 February 2018. The individual attendance record of the Board meeting is set out as follows:

Number of Meetings and Directors' Attendance

Name of Director	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Poon Ken Ching Keung	2/2
Mr. Poon Ching Tong Tommy	2/2
Mr. Ng Kwok Wai	2/2
Non-Executive Director	
Ms. Poon Kam Yee Odilia	2/2
Independent Non-Executive Directors	
Dr. Wong Kam Din	2/2
Mr. Yung Chung Hing	2/2
Mr. Lam Chung Wai	2/2

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this report.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company established its nomination committee. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of our Group. Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Directors giving to the other not less than three months' notice in writing in accordance with the terms of the contract. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

In accordance with Article 108(a) of the Articles of Association of the Company, at each AGM, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an AGM at least once every three years. Notwithstanding the foregoing, all directors shall retire from office and re-elect at AGM.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Our Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the Code, our Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of our Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the Code, during the year ended 31 March 2018, all Directors had participated in continuous professional development in the following manner:

Name of Director	Attending training on Director's responsibilities provided by the Company's legal consultant	Reading materials issued during the training session
Executive Directors		
Mr. Poon Ken Ching Keung	✓	✓
Mr. Poon Ching Tong Tommy	✓	✓
Mr. Ng Kwok Wai	✓	✓
Non-executive director		
Ms. Poon Kam Yee Odilia	✓	✓
Independent non-executive Directors		
Dr. Wong Kam Din	✓	✓
Mr. Yung Chung Hing	✓	✓
Mr. Lam Chung Wai	✓	✓

BOARD COMMITTEES

Our Group has established three committees, namely audit committee, remuneration committee and nomination committee on 24 January 2018 in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on our Group's website (www.vistarholdings.com) and the website of the Stock Exchange.

AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the Code. The audit committee consists of three members, namely Dr. Wong Kam Din, Mr. Yung Chung Hing and Mr. Lam Chung Wai, all being INEDs. Mr. Yung Chung Hing currently serves as the chairman of the audit committee.

The 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.

With reference to the terms of reference, the primary duties of the audit committee, among others, are as follow:

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services;

(d) to monitor the integrity of financial statements and the annual report and accounts, half- year report and quarterly reports, and to review significant financial reporting judgments contained in them;

(e) to discuss the internal control system with management of our Group to ensure that the management of our Group has performed its duty to have an effective internal control system; and

(f) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board and monitor our Group's policies and practices on compliance with legal and regulatory requirements.

The members of the audit committee should meet at least twice a year. Due to the fact that the Company was listed on 12 February 2018, the audit committee has only held one meeting during the year ended 31 March 2018.

Our Group's audited annual results in respect of the year ended 31 March 2018 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditors during the year ended 31 March 2018.

REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with paragraph B.1.2 of the Code. The remuneration committee consists of three members, namely Mr. Ken Poon, the executive Director and Chief Executive Officer, Mr. Yung Chung Hing and Dr. Wong Kam Din, being the independent non-executive Directors. Dr. Wong Kam Din currently serves as the chairman of the remuneration committee.

The remuneration committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of remuneration committee, the primary duties, among others, are as follow:

(a) to formulate remuneration policy for the approval of the Board;

(b) to make recommendations to the Board on our Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of our Group;

(e) to make recommendations to the Board on the remuneration of non-executive Directors;

(f) to review and approve compensation payable to executive Directors and senior management of our Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the remuneration committee should meet at least once a year. Due to the fact that the Company was listed on 12 February 2018, the remuneration committee had not held any meeting during the year ended 31 March 2018. The first meeting of the remuneration committee was scheduled on 20 June 2018.

NOMINATION COMMITTEE

A nomination committee has been established with its terms of reference in compliance with paragraph A.5.2 of the Code. The nomination committee of our Group comprises Mr. Ken Poon, the executive Director and Chairman, Dr. Wong Kam Din and Mr. Lam Chung Wai, the independent non-executive Directors. Mr. Ken Poon currently serves as the chairman of the nomination committee.

The nomination committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of nomination committee, the primary duties, among others, are as follow:

(a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;

(b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;

(c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;

(e) to assess the independence of independent non-executive Directors and review the independent non-executive Directors' confirmations on their independence; and make disclosure of its review results in the corporate governance report;

(f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of our Group; and

(g) regularly review the contribution required from a Director to perform his/her responsibilities to our Group, and whether he/she is spending sufficient time performing them.

The members of the nomination committee should meet at least once a year. Due to the fact that the Company was listed on 12 February 2018, nomination committee meeting had not held any meeting during the Reporting Period. The first meeting of the nomination committee was scheduled on 20 June 2018.

AUDITORS' REMUNERATION

Apart from provision of annual audit services for the ended 31 March 2018, BDO Limited, the Company's auditor, was also the reporting accountant of the Company in relation to the Listing of the Company.

For the year ended 31 March 2018, the remuneration paid or payable to BDO Limited in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK$'000)
Audit services:	
2018 annual audit	858
Acting as reporting accountant in relation to the Listing	2,668
Non-audit services	–
	3,526

COMPANY SECRETARY

Mr. Or Sek Hey Seky was appointed as the company secretary of the Company on 24 January 2018. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information. During the reporting period, Mr. Or Sek Hey Seky has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Ken Poon, an executive director, Chief Executive Officer and one of the Controlling Shareholders of our Group, was appointed as the compliance officer of the Company on 27 June 2017. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, conducts a review of the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on an annual basis. It also considers and reviews the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

During the year, the Board has engaged independent professionals to conduct a periodic review on the risk management policy, assessment of risk factor, internal control system and operation process, and constructive and positive results were noted.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

In specific, the risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risk including the impact extent and possibility of occurrence.
- Risk response – choose a proper risk response method and develop a risk mitigation strategy.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
- Risk management report – summarise results of risk assessment and analysis and internal audit, formulate and report an action plan.

The risk management and internal control mechanism also includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The captioned mechanism has been designed to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standard.

In addition, the Company's Internal Audit Function monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are in place. It has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by management or the Audit Committee. The Internal Audit Function adopts a risk-based audit approach. All audit reports are circulated to the Audit Committee and key management. The Internal Audit Function is also responsible for following up the implementation of recommendations and corrective actions.

During the year under review, the Audit Committee, as delegated by the Board, discussed the risk management and internal control systems for the financial year under review with Management to ensure that Management has performed its duty to have an effective risk management and internal control systems in place. The Board ensured that the resources, staff qualifications and experience, training programmes and the budget of the Group's accounting, internal control and financial reporting functions were adequate. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

Procedures and internal controls for the handling and dissemination of inside information

The Group has complied with the relevant applicable requirements of the SFO and the GEM Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided for in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of our Group that give a true and fair view of the state of affairs, results and cash flows of our Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditors, BDO, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report on pages 48 to 109 of this report.

SHAREHOLDERS' RIGHTS

The AGM is an opportunity for the Board and the Shareholders to communicate directly and exchange views concerning the affairs and overall performance of our Group, and its future developments.

At the AGM, the Directors (including the INEDs) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address the queries of the Shareholders concerning the audit procedures and the auditors' report.

The first AGM of the Company is being schedule on 20 August 2018, the notice of which shall be sent to the Shareholders in accordance with the Articles of Association of the Company, the GEM Listing Rules and other applicable laws and regulations.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association of the Company, and the applicable legislation and regulation, in particular the GEM Listing Rules:

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this report).

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 2, 13/F., Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong, by post for the attention of the Board and/or the Company Secretary. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Investor Relations

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.vistarholdings.com and meetings with investors and Shareholders. News update of our Group's business development and operation are also available on the Company's website.

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the listing of the Shares on the GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

1. OUR REPORT

This report is the first "Environmental, Social and Governance Report" ("ESG report") published by the Group, which discloses the performance and effectiveness of the implemented social responsibility for the reporting period.

1.1. Scope of Reporting

The Group is an established electrical and mechanical ("E&M") engineering service provider in Hong Kong, specialising in installation, alteration and addition works, and maintenance of fire service systems. Unless specified, this ESG Report encompasses the most significant environmental, social and governance impacts contributed by the Group operations in Hong Kong.

1.2. Reporting Standard

This report is prepared in accordance with the Appendix 20 of the GEM Listing rules, Environmental, Social and Governance Reporting Guide, (the "Guide") issued by the Stock Exchange. This ESG report was complied with the "comply or explain" provisions and all recommended disclosures of the Guide.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

2.1. Environmental

2.1.1. Emission

(A) *Policy and Initiative:*

The Group has been upholding and executing environmental management for fulfilling the social responsibility of the role as corporate citizen. To build and maintain a sustainable green living, a comprehensive environmental management system has been established in compliance with government laws and regulations for improvement of environmental performance and prevention of environmental pollution.

Mitigation of Greenhouse gas Emissions

It is an indisputable fact that global warming concerns are becoming more severe day by day. The Group is, therefore, striving to adopt the best measures for reduction of greenhouse gas emission incurred by business operations and combating climate change.

The Group has adopted carbon reduction measures during the reporting period:

- Maximise the use of local suppliers and reduce overseas procurement in order to reduce greenhouse gas emission incurred by transportation

- Engage the majority of the Group's construction projects in "BEAM Plus" certification, in order to reduce the environmental impacts incurred by the building over its entire life cycle

- Plan the gradual replacement of traditional diesel vehicles by electric vehicles for reduction of carbon emissions

Mitigation of Wastes

From the perspective of waste management, the Group's management persists in the green principle of 3R: Reducing, Reusing, and Recycling, and has implemented a series of green measures for mitigating the environment impacts, for example, reusing of the used envelopes, returning of the old toner cartridges and ink cartridges to recycling companies for reuse, as well as providing waste classification boxes for processing of the recyclables.

For construction projects, the Group strictly abides by the laws and regulations from the Environmental Protection Department of HKSAR regarding waste disposal, as well as the requirements set by the main contractor and client. At the same time, the Group persists on the 3R waste management principles and has established guidelines for classification of hazardous and non-hazardous wastes, as well as the guideline for handling of hazardous, also request the Group's employees to strictly abide and implement.

Mitigation of Other Emission

The core business of the Group in installation of fire service system is mainly manual operation. From the perspective in minimising the use of machinery exhaust gas generated from the Group's daily operations is not significant. In spite of this, the Group has taken effective measures, for example, arrangement of floor cleaning by employees after completion of all processes, for minimizing dust and ashes and prevention of air pollution. For discharge of sewage, the instrument and equipment currently used in the Company's business would not generate any industrial wastewater; also, the Group promotes the awareness of water conservation for minimising the generation of domestic sewage.

(B) *Compliance:*

The Group strictly complied with the relevant laws and regulations. During the reporting period, there was no prosecution about violations of laws nor complaint relating to environment. Pursuant to the requirements of the Guide, the Group identified and recorded the emission sources of GHG and solid wastes generated from business operations. Please make reference of the relevant data in "Sustainability Performance Overview" at the end of this section.

2.1.2. Use of Resources

(A) *Policy and Measures:*

The Group is applying stringent management of major resources consumed in the daily operations such as electricity, water and office paper. The Group actively considers and adopts different methods to reduce the use of existing resources, such as reallocation of resources, streamlining of procedures and re-engineering of processes. Being a service provider, the Group's products and the required deliverables have already packed by the suppliers, consequently the Group's service delivery does not involve the packaging of finished products.

Energy Conservation Measures

As a responsible social enterprise, the Group always adheres to the business philosophy of "Green construction and Energy conservation". In respond to the Energy Conservation Plan of the Environment Bureau, the Group has participated in the Energy Saving Charter on Indoor Temperature, and pledged to maintain the indoor temperature between 22-25°C for reduction of electricity consumption. Meanwhile, the Group continues to access and evaluate the latest environmental news and trends for optimizing existing services, and thereby reducing environmental pollution.

The Group's office has taken the following energy conservation measures to reduce energy consumption.

- Control the air-conditioning system and maintain office indoor temperature at 22-25°C
- Turn off unnecessary air-conditioning and lighting systems during non-office hours
- Post signage such as "Please turn off all lights after work", etc. in the office

Water Conservation Measures

The Group is striving to reduce the consumption of water resources during business operations. Throughout the areas where water is used, the Group has posted the signage of "water saving" for propagating and enhancing employees' environmental awareness. The Group also encourages the stakeholders to better utilize water whenever possible in order to foster a culture of conserving water resources.

Conservation Measures for Other Resources

The Group has established an enterprise resource planning (ERP) system. With the aid of electronic filing system, majority of the Group's internal data is stored in servers, thereby minimizing unnecessary printing of paper. The Group also encourages employees to communicate via electronic network and has put recycling bins in offices to facilitate recycling or reusing of papers. By adopting the above control measures, the paper consumption could be reduced, and ultimately achieve paperless office operation.

Pursuant to the requirements of the Guide, the Group recorded different kinds of resource consumption during business operations. Please make reference of the relevant data in "Sustainability Performance Overview" at the end of this section.

2.1.3. The Environment and Natural Resources

(A) Policy and Measures:

The Group is striving to integrate environmental protection measures into its daily working environment, and has set the goals of reducing both environmental pollution and consumption of natural resources. The Group has maintained the certification of ISO 14001 environmental management system for consecutive years, which manifested the Group's efforts dedicated to the green operation. Apart from the regular review and adjustment made to existing measures, the Group also appointed external consultants to assess the relevant environment matters for ensuring the compliance of the Group's environmental management strategy.

On the other hand, the Group provides trainings to instill the knowledge of environmental protection including conservation of water and electricity, reasonable use of resources, waste classification for handling, etc. on which support the effective implementation of the Group's environmental protection measures.

For procurement, the Group is actively advocating green procurement strategies, for example, prioritizing to the use of refrigerators and other electrical appliances with energy efficiency labels; using various environmentally friendly materials such as reusable ink cartridges, recycled papers and secondhanded furniture, so as to avoid consumption of excessive resources.

2.2. Social

2.2.1. Employment

(A) *Policy and Measures:*

Equal Opportunity, Diversity, Anti-Discrimination

The success of the Group's business relies on the continuous efforts and dedicated service of all staff. The Group recognises the importance of talent acquisition, retention and development for maintaining the Group's competitiveness in the market. The Group adheres to the principles of "anti-discrimination" and "diversity" and is dedicated to establishing a caring, tolerant, fair and non-discriminatory working environment.

Recruitment and Promotion

The Group has a set of clear, transparent and comprehensive procedures for talent requisition and employee promotion that emphasises the principles of fair and equal opportunity. The assessment criteria are based on the qualifications, personal competence and working experience of the job applicants irrespective of their genders, ages, nationalities, religions or sexual orientations, etc.. The Group adopts exit interview to collect feedback from resigned employees for continuous improvement.

Remuneration and Dismissal

The Group has established a pay structure and annual remuneration review system. The Group assesses and reviews salaries of different positions regularly by making reference to market situations, the Group's business performance and employee's annual appraisal, etc.. The Group also establishes a rigorous and prudent dismissal process in accordance with *Hong Kong Employment Ordinance*. The Group may terminate employment with employee who commits serious dereliction of duty, or severe violation of local laws and regulations, or the Group's rules and regulations.

Working Hours and Rest Periods

The Group is dedicated to improving the fringe benefit of employees, and formulates employee benefits in accordance with the requirements of the *Hong Kong Employment Ordinance*, for example, employee's compensation, maternity leave and other holidays with pay. In addition, the Group offers transportation allowances and arrange flexible working hours for colleagues living in remote areas. Furthermore, for supporting talent development, the Group provides training allowances and examination leaves to encourage employees in lifelong learning for enhancement of their knowledge and skills as well as attainment of professional qualifications.

(B) *Compliance:*

The Group strictly complies with the relevant laws and regulations. During the reporting period, there was no prosecution about violations of laws nor complaints relating to employment.

2.2.2. Health and Safety

(A) *Policy and Measures:*

The Group is fully aware of the importance of occupational health and safety to the construction industries. Therefore, the Group is striving to establish the best working environment for precious employees. The Group formulates a set of safety plans in accordance with laws and regulations, including hazard identification, risk assessment and control, in order to mitigate occupational safety and health risks that may exist in business operations.

Risk Assessment

In order to lower the occurrence rate of accidents, the Group has developed occupational health and safety plan in advance of each project. Through conducting risk assessment at work, the Group identifies the level of risk and its possibility of occurrence. This determines the safety measures to be strengthened, for example, provision of the essential occupational safety equipment, facilities, tools and safety training to employees.

Occupational Health and Safety Inspection

In order to review the Group's occupational health and safety performance effectively, the Group has arranged designated staff to be accountable for the company's occupational health and safety affairs; conducting safety inspections of site equipment and site environment regularly and corrective measures against the identified risks. The Group also appoints a third-party organization to conduct annual assessment for assuring the quality and effectiveness of the safety management measures.

Safety Training

The Group is actively promoting safety culture in the workplace. To maintain employees' vigilant of workplace health and safety, the Group regularly provides employees with training in occupational health and safety, and shares all latest information relevant to health and safety for employees' reference.

(B) *Compliance:*

The Group strictly complies with the relevant laws and regulations. During the period, there was no prosecution about violation of laws nor complaint relating to occupational health and safety.

2.2.3. Development and Training

(A) *Policy and Measures:*

In the rapid change of technological development, the Group believes that the new skills and knowledge will help to maintain the competitiveness of the Group, and therefore advocates lifelong learning and fosters a continuous learning culture. To further enhance the value of the team and the professionalism of employees, the Group establishes career development and training plans for employees and encourage them to participate in various training seminars and courses.

Induction Training

For facilitating new employee's adaption to the Group's work culture and environment, the Group organises training courses for new employees, including introduction of company background, facilities and briefing of employee handbook, etc. The Group also arranges experienced staff who guide new employees and share to them with the specified knowledge and skills of the job position, safety operation procedures and relevant experience.

Career Skill Development

The Group is dedicated to establishing a professional technical team. Therefore, the Group organises various internal courses (supplemented by external courses if necessary) to raise employees' professional knowledge, techniques and skills. Also, the Group has a mechanism to subsidize employees for attendance of external training courses, such as professional qualification trainings, workshops or seminars.

2.2.4. Labour Standard

(A) *Policy and Measures:*

As a responsible employer, the Group prohibits the employment of any child labour and illegal workers. In view of this, the Group will check the identity, age and nationality of the applicant.

The Group prohibits any form of forced labour in accordance with legislations. The Group is committed not to detaining employees' personal documents, nor collecting deposits upon recruitment, nor withholding wages, nor forcing overtime work, nor forcing work by means of loans, threat, illegal restriction of personal freedom, etc. In addition, the Group strictly abides by the terms of employment contracts.

(B) *Compliance:*

The Group strictly complies with the relevant laws and regulations. During the reporting period, there was no prosecution about violation of law or complaint regarding child labour or forced labour.

2.2.5. Supply Chain Management

(A) *Policy and Initiative:*

The steady growth of the Group's business relies on the long-term partnership with suppliers. Supplier is one of the important stakeholders in the Group's business value chain. In order to promote business and cooperation with suppliers, the Group has established flexible procurement process and standard for coping with different needs along the entire supply chain.

Supplier Appointment

The Group has sourcing process in place to ensure all potential suppliers and subcontractors are able to trade on a fair and equal basis. The tender evaluation committee of the Group is established and composed of representatives from the relevant departments, who work together for screening and evaluating various aspects of new suppliers/subcontractors, such as supplier's reputation, and testing performance of its products. Moreover, the delivery time of the supplied product is one of the factors for evaluation of new supplier.

Sustainable Supply Chain

Being a responsible corporate citizen, the Group is collaborating with the suppliers for minimising the environmental and social impacts incurred from the business operations. For effective supervision of suppliers and evaluation of their performance in fulfilment of social responsibilities, the Group has established a comprehensive system to evaluate annually the delivered service, product quality, safety and environmental performance, labour standards and financial status of the approved supplier/subcontractor.

2.2.6. Product Responsibility

(A) *Policy and Measures:*

The Group is dedicated to provision of E&M engineering services to customers. In view of the business operation, the Group strictly complies with all applicable laws and regulations as well as industry quality standards. The Group has also attained the certification of ISO 9001 quality management system, which demonstrates the Group's commitment of operating business with the highest quality standards and ensuring compliance with local and international regulations.

Quality Assurance

Customer satisfaction is always the key to the Group's success. The Group is striving to enhance business performance and fulfilment of customers' expectations. The Group has formulated employee's code of practices for enhancement of customer satisfaction. For collection of customer opinions, the Group has developed customer satisfaction review for evaluating the performance of customer service. Meanwhile, the Group's management team is improving services against the requirements of customer feedbacks. In event of anomalies in quality and safety aspects of the delivered service, the Group will immediately conduct investigation to find out the cause, and adopt appropriate measure to minimise its impact.

Protection of consumers' information and privacy

In respect of customer personal data and confidential documents, the Group preserves them properly and strictly complies with the Hong Kong Personal Data (Privacy) Ordinance. During the reporting period, the Group did not receive any complaint regarding the breach of customer's privacy or loss of customer's information.

Protection of Intellectual Property Rights

The Group is highly emphasising the protection of intellectual property rights. For maintaining a fair and competitive environment, the Group complies with relevant industry standards and specifications. During the procurement process, the Group only purchases genuine products.

Fair Promotion

The Group encourages the use of better promotion practices, and prohibits the advertisements to disclose descriptions, claims or illustrations that are not true. In accordance with the relevant legislations and code of practices, the Group formulates the sales and promotion campaigns to ensure they are truthful, fair and reasonable, and free of misleading elements for protection of the consumers' interests.

(B) *Compliance:*

The Group strictly complies with the relevant laws and regulations. During the period, there was no prosecution about violation of law nor complaint regarding health and safety, advertisement, labelling and privacy of the delivered products and services.

2.2.7. Anti-Corruption

(A) *Policy and Measures:*

The Group is committed to build up a corporate culture with integrity and business ethics, and provides employees and partners with a clear code of conduct in describing the norms and handling guidelines for receiving gifts and hospitality, as well as during business transaction, and financial management, etc.

Preventive measures

For promoting the corporate culture on integrity and anti-corruption, the Group adopts the "Code of Conduct for Business Activities". The Group's employee handbook also covers the Group's rules for prevention of bribery and the procedures for handling conflicts of interest. The Group will discipline those employees who violate the code. The Group does not tolerate any form of illegal practices and will follow the legislations to file these cases to the judiciaries for adjudication.

Whistle-blowing Channels

For acting against incidents like corruption and fraud, the Group has established a whistle-blowing policy that allows employees and other stakeholders to report any suspicious misconduct or illegal activity to the Group in a confidential manner, such as mailboxes, e-mails and telephone calls. The Group will actively investigate and handle the case reported through the whistleblowing channel. Whistle-blowing is adopting the confidential means to ensure that the employees are not retaliated or harassed.

(B) *Compliance:*

The Group strictly complies with the relevant laws and regulations. During the period, there was no prosecution about violation of law nor complaint regarding bribery, extortion, fraud and money laundering.

2.2.8. Community Investment

(A) *Policy and Measures:*

Being a responsible corporate citizen, the Group is dedicated to donation to the responsible community. Even though the Group does not have a policy on charitable donations, donations have been arranged to the charities. During the reporting period, the Group donated HK$10,000 to The Rotary Club of Hong Kong City North.

Nurturing Young Talent

Youth is the pillar of the future society and the Group is striving to nurture the young generation. Since 2013, the Group has been joining the Trainee Subsidy Scheme – "Student to work program" to assist the youths for development of their strengths and talents. In addition, the Group cooperated with vocational training institutions and human resources consultancy agencies for provision of internship opportunities to students. Through these working experiences, the students could develop their talents and better plan for their future career paths.

SUSTAINABILITY PERFORMANCE OVERVIEW

Environmental

Emissions	Unit	
Solid Waste		
Hazardous Waste	Kg	0
Hazardous Waste Intensity	Kg per production unit	NA
Non-hazardous Waste	Kg	2,559.40
	Kg per production unit	28.76
Greenhouse Gases Emissions and Intensity		
Total GHG Emissions	tonnes of CO_2e	73.93
Direct (Scope 1) Emissions	tonnes of CO_2e	40.05
Energy Indirect (Scope 2) Emissions	tonnes of CO_2e	33.88
Emission Intensity	tonnes of CO_2e per employee	0.83
Energy used		
Electricity	kWh	46,077.00
Electricity Intensity	kWh per employee	517.72
Unleaded Petrol (Mobile Source)	Litre	14,262.67
Unleaded Petrol Intensity	Litre per employee	160.25
Diesel Oil (Mobile Source)	Litre	2,857.34
Diesel Oil Intensity	Litre per employee	32.10
Water	m^3	59.00
Water Intensity	m^3 per employee	0.66

Remark: For packaging materials, they are not consumed in large quantity during the Group's business operation. According to KPI A2.5 "Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced." of the Guide set by HKEX, this requirement is not applicable to the Group.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF VISTAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vistar Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 109, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Revenue recognition of provision of construction works and amounts due from/to customers of contract work

– Refer to Notes 5, 6, 8 and 19 to the consolidated financial statements.

The Group is engaged in the provision of installation, alteration and addition works of electrical and mechanical engineering systems in Hong Kong (the "Construction Works"). As at 31 March 2018, the Group recorded amounts due from customers of contract work and amounts due to customers of contract work of HK$50,196,000 and HK$1,246,000 respectively. The Group recognised revenue on provision of the Construction Works of HK$277,216,000 for the year ended 31 March 2018.

The Group recognises revenue of provision of the Construction Works and amounts due from/to customers of contract work according to the Group's management's estimation of the total outcome of the construction contracts as well as the percentage of completion of the Construction Works which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract are determined based on budget of the contract which was prepared by the management. Management is required to exercise significant judgement in their assessment of the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within forecast timescales.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating the estimation of revenue and profit recognised on provision of the Construction Works, on a sample basis, by:

- Comparing the contract sum and budgeted costs to respective signed contracts and approved budgets;
- Obtaining an understanding from management and project managers about how the approved budgets were prepared and the respective stages of completion were determined;
- Assessing the reasonableness of key judgements inherent in the approved budgets;
- Checking the existence and valuation of variations to correspondences with customers; and
- Checking the management's assessment on the Group's ability to deliver contracts within budgeted timescales by comparing the progress of the contracts against the terms stipulated in the contracts.

(ii) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and

(iii) Checking the accuracy of the amounts due from/to customers of contract work by comparing the amount of progress billings, on a sample basis, to billings issued to customers.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lam Siu Fung
Practising Certificate no. P05308

Hong Kong
20 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	8	**279,760**	161,167
Cost of revenue		**(233,966)**	(135,342)
Gross profit		**45,794**	25,825
Other income and gains	9	**13,914**	1,084
Administrative and other operating expenses		**(19,450)**	(8,736)
Listing expenses		**(16,719)**	–
Finance costs	11	**(106)**	(149)
Profit before income tax	10	**23,433**	18,024
Income tax	12(a)	**(4,700)**	(3,037)
Profit and total comprehensive income for the year		**18,733**	14,987
Earnings per share – Basic and Diluted (HK cents)	14	**1.99 cents**	1.67 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,247**	1,359
Deferred tax assets	12(b)	**73**	–
		1,320	1,359
Current assets			
Trade and other receivables	17	**51,965**	32,071
Amounts due from customers of contract work	19	**50,196**	43,641
Amounts due from directors	20(a)	**–**	28,784
Pledged deposits	21	**4,004**	5,601
Pledged bank deposits	22	**360**	8,231
Cash and cash equivalents		**45,799**	19,455
Total current assets		**152,324**	137,783
Current liabilities			
Trade and other payables	23	**53,227**	54,043
Amounts due to customers of contract work	19	**1,246**	1,879
Obligations under finance leases	24	**–**	212
Bank borrowings, secured	25	**6,460**	1,911
Amount due to a director of a subsidiary	20(b)	**–**	4,300
Amount due to a related company	26	**–**	33,154
Income tax payable		**4,277**	4,498
Total current liabilities		**65,210**	99,997
Net current assets		**87,114**	37,786
Total assets less current liabilities		**88,434**	39,145
Non-current liabilities			
Obligations under finance leases	24	**–**	285
Total non-current liabilities		**–**	285
Net assets		**88,434**	38,860
Capital and reserves			
Share capital	27	**12,000**	–
Reserves	30	**76,434**	38,860
Total equity		**88,434**	38,860

On behalf of the board of directors

Mr. Poon Ken Ching Keung
Executive Director

Mr. Ng Kwok Wai
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital (Note 27) HK$'000	Share premium (Note 30(a)) HK$'000	Other reserve (Note 30(b)) HK$'000	Legal reserve (Note 30(c)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	–	–	2,500	24	21,349	23,873
Profit and total comprehensive income for the year	–	–	–	–	14,987	14,987
At 31 March 2017 and 1 April 2017	–	–	2,500	24	36,336	38,860
Profit and total comprehensive income for the year	–	–	–	–	18,733	18,733
Transactions with owners						
Dividend declared (Note 13)	**–**	**–**	**–**	**–**	**(10,000)**	**(10,000)**
Effect of group reorganisation (Note 30(b))	**–**	**–**	**36,360**	**–**	**(36,360)**	**–**
Capitalisation issue of ordinary shares (Note 27(e))	**9,000**	**(9,000)**	**–**	**–**	**–**	**–**
Issue of ordinary shares upon listing of the Company's shares (Note 27(f))	**3,000**	**48,000**	**–**	**–**	**–**	**51,000**
Expenses incurred in connection with the issue of new ordinary shares (Note 27(f))	**–**	**(10,159)**	**–**	**–**	**–**	**(10,159)**
Total transactions with owners	**12,000**	**28,841**	**36,360**	**–**	**(46,360)**	**30,841**
At 31 March 2018	**12,000**	**28,841**	**38,860**	**24**	**8,709**	**88,434**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 **HK$'000**	2017 HK$'000
Operating activities		
Profit before income tax	**23,433**	18,024
Adjustments for:		
Depreciation on property, plant and equipment	**684**	872
Gain on disposal of property, plant and equipment	**(12,128)**	(119)
Bank interest income	**(15)**	(7)
Investment income	**–**	(50)
Reversal of impairment of trade receivables	**(822)**	–
Gain on disposal of financial assets at fair value through profit or loss	**–**	(54)
Finance costs	**106**	149
Operating profit before working capital changes	**11,258**	18,815
Increase in trade and other receivables	**(4,100)**	(14,916)
Increase in amounts due from customers of contract work	**(6,555)**	(18,725)
Decrease/(increase) in pledged deposits	**1,597**	(3,106)
Decrease in pledged bank deposits	**7,871**	1,513
Decrease in trade and other payables	**(30,079)**	(713)
(Decrease)/increase in amounts due to customers of contract work	**(633)**	1,539
Increase/(decrease) in amount due to a related company	**1,241**	(1,843)
Cash used in operating activities	**(19,400)**	(17,436)
Income tax paid	**(5,248)**	(232)
Net cash used in operating activities	**(24,648)**	(17,668)
Investing activities		
Net cash inflows from acquisition of a subsidiary (Note 32)	**7,970**	–
Purchase of property, plant and equipment	**(578)**	(761)
Proceeds from disposal of property, plant and equipment	**1**	150
Decrease in amounts due from directors	**3,097**	4,299
Investment income received	**–**	50
Proceeds from sale of financial assets at fair value through profit or loss	**–**	1,746
Interest received	**15**	7
Net cash generated from investing activities	**10,505**	5,491

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Financing activities		
New bank borrowings obtained	**3,000**	–
Repayments of bank borrowings	**(2,071)**	(1,163)
Capital element of finance lease payments	**(497)**	(332)
Interest paid on bank borrowings	**(87)**	(124)
Interest paid on obligations under finance leases	**(19)**	(25)
Increase in bank overdrafts	**3,620**	–
Proceeds from new shares issued	**40,841**	–
Decrease in amount due to a director of a subsidiary	**(4,300)**	–
Net cash generated from/(used in) financing activities	**40,487**	(1,644)
Net increase/(decrease) in cash and cash equivalents	**26,344**	(13,821)
Cash and cash equivalents at beginning of year	**19,455**	33,276
Cash and cash equivalents at end of year	**45,799**	19,455
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**45,799**	19,455

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 31 March 2018, 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, alteration and addition works, and maintenance services of electrical and mechanical engineering systems in Hong Kong
Guardian Engineering Limited ("GEL"), acquired on 3 August 2017 (Note 32)	Incorporated in Hong Kong on 15 May 2000 Limited liability company	Hong Kong	HK$100,000	–	100%	Installation, alteration and addition works, and maintenance services of electrical and mechanical engineering systems in Hong Kong

2. REORGANISATION AND BASIS OF PRESENTATION

In connection with the Listing, the Company underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure and the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus of the Company dated 31 January 2018.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of GFE has not resulted in any change in economic substance and does not involve business combination. Accordingly, the consolidated financial statements have been prepared on a combined basis using the predecessor carrying amounts as if the steps of the Reorganisation for the purposes of establishment of the Company and the insertion of a new holding company at the top of GFE had been completed at the beginning of the year ended 31 March 2017.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2017 and 2018 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout those years except for the business combination as set out in Note 32. The consolidated statement of financial position of the Group as at 31 March 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates except for the business combination as set out in Note 32. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs – effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, Note 40.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets and there were no debt instruments measured at fair value.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 April 2017 *(Continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group did not have any interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of the above amendments will have no material impact on the consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company are in the process of assessing on the financial impact on the consolidated financial statements resulting from the adoption of HKFRS 9. Based on analysis of the Group's financial instruments as at 31 March 2018, the directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on the Group's financial assets measured at amortised costs including the trade and other receivables. The credit losses will be recognised in profit or loss. The directors of the Company concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of the Group's financial assets measured at amortised costs, with reference to the historical credit loss experience of trade and other receivables and the estimates of future economic conditions.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

The Group will adopt 1 January 2018 as the date of initial application for the adoption of HKFRS 9 and will apply the limited exemption in paragraph 7.2.15 of HKFRS 9 relating to transition for classification and measurement and impairment, and accordingly will not restate comparatives in the year ending 31 March 2019. The Group expects to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company are in the process of assessing the impact on the consolidated financial statements resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard for contracts from (i) provision of installation work, alteration and addition services; and (ii) maintenance services of electrical and mechanical engineering systems in Hong Kong, in which the revenue recognition will be accounted for in accordance with the timing of satisfaction of each of the performance obligations, and more disclosures relating to revenue are required.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

While the Group continues to assess the impact of the new revenue standard, the directors of the Company do not anticipate the adoption of HKFRS 15 would significantly affect the timing of the revenue recognition upon its initial adoption because the directors are of the view that the Group's inputs are expected to be proportionate, in material aspect, to the progress in satisfying the performance obligation in rendering the services with reference to the Group's typical contracts.

Based on the current assessment of the Group, the initial adoption of HKFRS 15 would not have a significant impact on the Group's financial performance and position.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 33 below.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases *(Continued)*

As set out in Note 33 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 March 2018 amounted to approximately HK$1,544,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

Based on the current assessment of the Group, the initial adoption of HKFRS 16 would not have a significant impact on the Group's financial performance and position.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

4. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of combination and consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Basis of combination of financial statements of the Company and subsidiaries resulting from the Reorganisation during the year was accounted for as further explained in Note 2 above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of combination and consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold land and buildings	Over the shorter of lease terms or 50 years
Leasehold improvements	Over the shorter of lease terms or 3 years
Furniture and equipment	4 to 5 years
Motor vehicles	4 years
Machineries	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain and loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leasing *(Continued)*

(i) The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolong decline in fair value of an investment below its cost.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in profit or loss.

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Construction contracts

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probably that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract work represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract work represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract work provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the consolidated statement of financial position under "Trade and other receivables".

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) When the outcome of construction contracts can be estimated reliably, revenue from construction works (installation work and alteration and addition services) is recognised according to the percentage of completion of individual contract at the end of the reporting period.

(ii) Revenue from maintenance and other services is recognised when services are rendered.

(iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.

(i) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. 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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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.

7. 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 fire prevention system installation work;

– Alteration and addition services – provision of alteration and addition services on existing fire prevention system of customers; and

– Maintenance services – provision of repair and maintenance services on fire prevention systems of customers.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated income and gains, finance costs, as well as corporate expenses are excluded from such measurement.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to 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 not considered necessary.

7. SEGMENT REPORTING *(Continued)*

(a) Business segment

For the year ended 31 March 2018

	Installation work HK$'000	Alteration and addition services HK$'000	Maintenance services HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	185,028	92,188	2,544	279,760
Segment profit	25,567	19,824	403	45,794
Other income and gains				13,914
Unallocated staff costs				(8,775)
Unallocated corporate expenses				(10,675)
Listing expenses				(16,719)
Finance costs				(106)
Profit before income tax				23,433
Other segment information				
Unallocated bank interest income				15
Unallocated depreciation				684
Unallocated interest expenses				106
Unallocated income tax				4,700
Unallocated capital expenditures				747
Reversal of impairment of trade receivables				822

7. SEGMENT REPORTING *(Continued)*

(a) Business segment *(Continued)*

For the year ended 31 march 2017

	Installation work HK$'000	Alteration and addition services HK$'000	Maintenance services HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	116,224	40,554	4,389	161,167
Segment profit	17,287	8,414	124	25,825
Other income and gains				1,084
Unallocated staff costs				(4,458)
Unallocated corporate expenses				(4,278)
Finance costs				(149)
Profit before income tax				18,024
Other segment information				
Unallocated bank interest income				7
Unallocated depreciation				872
Unallocated interest expenses				149
Unallocated income tax				3,037
Unallocated capital expenditures				891

7. SEGMENT REPORTING *(Continued)*

(b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2018 **HK$'000**	2017 HK$'000
Installation work:		
Customer I	**61,226**	N/A[1]
Customer II	**N/A[1]**	34,745

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year.

8. REVENUE

An analysis of revenue from the Group's principal activities, which is also the Group's turnover, is as follows:

	2018 **HK$'000**	2017 HK$'000
Revenue from installation work	**185,028**	116,224
Revenue from alteration and addition services	**92,188**	40,554
Revenue from maintenance services	**2,544**	4,389
	279,760	161,167

9. OTHER INCOME AND GAINS

	2018 **HK$'000**	2017 HK$'000
Handling fee income	**190**	797
Bank interest income	**15**	7
Net exchange gains	**295**	–
Investment income	**–**	50
Gain on disposal of financial assets at fair value through profit or loss	**–**	54
Gain on disposal of property, plant and equipment	**12,128**	119
Rental income	**19**	57
Reversal of impairment of trade receivables	**822**	–
Others	**445**	–
	13,914	1,084

10. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting) the followings:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	**898**	2
Depreciation in respect of:		
– Owned assets	**430**	419
– Leased assets	**254**	453
	684	872
Employee benefit expenses (including directors' emoluments (Note 15))		
– Salaries, allowances and other benefits	**21,937**	14,227
– Contribution to defined contribution retirement plan	**876**	658
	22,813	14,885
Operating lease payments in respect of:		
– Land and buildings	**641**	565
– Equipment	**121**	114
	762	679
Net exchange (gains)/losses	**(295)**	4

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings (Note)		
– Bank loans	**87**	124
Interest element of finance lease payments	**19**	25
	106	149

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2017 and 2018, all agreements of bank borrowings contain a repayment on demand clause.

12. INCOME TAX AND DEFERRED TAX

(a) The amounts of income tax in the consolidated statement of comprehensive income represent:

	2018 HK$'000	2017 HK$'000
Current tax		
– Hong Kong profits tax	**4,704**	2,871
– Macau complementary tax	**–**	166
– Under-provision for prior years	**73**	–
Deferred tax	**(77)**	–
	4,700	3,037

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the reporting period.

Macau complementary tax is calculated at progressive rates up to 12% (2017: 12%) on estimated taxable profits arising in Macau for the reporting period.

The income tax for the reporting period can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**23,433**	18,024
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	**3,867**	2,961
Tax effect of revenue not taxable for tax purposes	**(2,066)**	(130)
Tax effect of expenses not deductible for tax purposes	**2,886**	226
Under-provision for prior years	**73**	–
Tax relief	**(60)**	(20)
Income tax	**4,700**	3,037

12. INCOME TAX AND DEFERRED TAX *(Continued)*

(b) Details of the deferred tax assets recognised and movements during the reporting periods are as follows:

	Depreciation allowances HK$'000
As at 1 April 2016 and 31 March 2017	–
Acquisition of a subsidiary (Note 32)	(4)
Credit to profit or loss	77
As at 31 March 2018	73

13. DIVIDEND

	2018 **HK$'000**	2017 HK$'000
Special dividend	**10,000**	–

On 31 December 2017, the Company declared a special dividend of HK$10,000,000 to its shareholders. The directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

14. BASIC AND DILUTED EARNINGS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Earnings		
Profit for the year	**18,733**	14,987

	2018 **Number'000**	2017 Number'000
Number of shares		
Weighted average number of ordinary share	**939,450**	900,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2016.

Diluted earnings per share were the same as the basic earnings per shares as the Group had no potential dilutive ordinary shares during the years ended 31 March 2017 and 2018.

15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the reporting period are set out below:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. Poon Ken Ching Keung	–	1,025	–	18	1,043
Mr. Poon Ching Tong Tommy	–	655	–	29	684
Mr. Ng Kwok Wai	–	759	–	18	777
Total	–	2,439	–	65	2,504
Non-executive director					
Ms. Poon Kam Yee Odilia	–	105	–	5	110
Independent non-executive directors					
Dr. Wong Kam Din	20	–	–	–	20
Mr. Yung Chung Hing	20	–	–	–	20
Mr. Lam Chung Wai	20	–	–	–	20
Total	60	–	–	–	60

15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 March 2017					
Executive directors					
Mr. Poon Ken Ching Keung	–	624	–	18	642
Mr. Poon Ching Tong Tommy	–	256	–	13	269
Mr. Ng Kwok Wai	–	523	–	18	541
Total	–	1,403	–	49	1,452
Non-executive director					
Ms. Poon Kam Yee Odilia	–	60	–	3	63

Notes:

(i) All executive directors and non-executive director were appointed as directors of the Company on 27 June 2017.

(ii) All independent non-executive directors were appointed as directors of the Company on 24 January 2018.

(iii) During the year ended 31 March 2017, remuneration of Mr. Poon Ken Ching Keung, Mr. Poon Ching Tong Tommy, Mr. Ng Kwok Wai and Ms. Poon Kam Yee Odilia were paid by GFE for their directorship of GFE.

During the years ended 31 March 2017 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years.

15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 2 (2017: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid non-director individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**1,492**	1,303
Contribution to pension scheme	**54**	54
	1,546	1,357

Remuneration of these individuals was within the following band:

	2018 **Number of** **individuals**	2017 Number of individuals
HK$Nil – HK$1,000,000	**3**	3

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2018 **Number of** **individuals**	2017 Number of individuals
HK$Nil – HK$1,000,000	**5**	3

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Total HK$'000
Cost						
At 1 April 2016	2,795	591	1,836	1,851	107	7,180
Additions	–	9	538	326	18	891
Disposals	–	–	–	(470)	–	(470)
At 31 March 2017 and 1 April 2017	2,795	600	2,374	1,707	125	7,601
Additions	–	265	243	70	–	578
Acquisition of a subsidiary (Note 32)	–	8	161	–	–	169
Disposals	(2,795)	(600)	(441)	(43)	–	(3,879)
At 31 March 2018	–	273	2,337	1,734	125	4,469
Accumulated depreciation						
At 1 April 2016	2,795	202	1,577	1,137	98	5,809
Charge for the year	–	197	212	453	10	872
Write-off on disposals	–	–	–	(439)	–	(439)
At 31 March 2017 and 1 April 2017	2,795	399	1,789	1,151	108	6,242
Charge for the year	–	158	266	254	6	684
Write-off on disposals	(2,795)	(466)	(400)	(43)	–	(3,704)
At 31 March 2018	–	91	1,655	1,362	114	3,222
Net carrying value						
At 31 March 2018	–	182	682	372	11	1,247
At 31 March 2017	–	201	585	556	17	1,359

The Group's leasehold land and buildings as at 31 March 2017 were situated in Hong Kong and were pledged as securities for the facilities of the Group granted by financial institutions (Note 35).

The Group's motor vehicles as at 31 March 2017 were held under finance leases.

17. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables, net	**30,081**	16,698
Retention receivables	**20,796**	13,406
Deposits, prepayments and other receivables	**1,088**	1,967
	51,965	32,071

The movement in the allowance for impairment of trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	**–**	–
Acquisition of a subsidiary (Note 32)	**2,084**	–
Reversal of impairment loss recognised in prior years	**(822)**	–
	1,262	–

The ageing analysis of trade receivables, net of impairment and based on invoice date, as at the end of each of the reporting periods, is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**21,969**	9,883
31 – 60 days	**4,609**	5,985
61 – 90 days	**1,584**	487
91 – 180 days	**550**	310
181 – 365 days	**725**	33
Over 365 days	**644**	–
	30,081	16,698

The credit period granted to customers is normally 14 days.

Retention monies are retained by customers based on progress of projects. Generally 50% of the retention receivables will be released upon issuance of certificate of practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contracts, which is usually 12 months.

As at 31 March 2018, retention receivables were aged within 1 year, except that the retention receivables in the amounts of HK$11,060,000 (2017: HK$2,523,000) are aged over 1 year.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**16,840**	7,498
Past due but not impaired		
Less than 60 days	**11,176**	8,823
61 – 90 days	**236**	40
91 – 180 days	**463**	304
181 – 365 days	**725**	33
Over 365 days	**641**	–
	13,241	9,200
	30,081	16,698

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no further impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 March 2018, retention receivables were neither past due nor impaired, except that the retention receivables in the amount of HK$5,724,000 (2017: HK$2,523,000) is past due but not impaired.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A reconciliation of the opening and closing fair value balance of the financial assets during the reporting period is set out below:

	2018 **HK$'000**	2017 HK$'000
Fund investments, at fair value		
At the beginning of the year	**–**	1,692
Disposal	**–**	(1,692)
At the end of the year	**–**	–

19. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Costs incurred to date plus recognised profits	238,385	140,800
Less: Progress billings to date	(189,435)	(99,038)
	48,950	41,762
Amounts due from customers of contract work	50,196	43,641
Amounts due to customers of contract work	(1,246)	(1,879)
	48,950	41,762

20. AMOUNTS DUE FROM/TO DIRECTORS OF THE COMPANY AND A DIRECTOR OF A SUBSIDIARY

(a) Amounts due from directors of the Company

Particulars of the amounts due from directors of the Company, disclosed pursuant to the Hong Kong Companies Ordinance, are as follows:

Name of directors	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000	Maximum outstanding amount during the year end 31 March 2018 HK$'000	2017 HK$'000
Mr. Poon Ken Ching Keung	–	26,189	26,189	38,306
Mr. Poon Ching Tong Tommy	–	2,595	2,855	2,595
	–	28,784		

(b) Amount due to a director of GFE, a subsidiary

Name of director	2018 HK$'000	2017 HK$'000
Ms. Leung To Hong	–	4,300

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

21. PLEDGED DEPOSITS

Pledged deposits are placed with financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. The Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure facilities of the Group granted by financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts (Note 35).

23. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables (Note (a))	**43,863**	35,653
Retention payables (Note (b))	**6,446**	3,958
Other payables, accruals and deposits received	**2,918**	14,432
	53,227	54,043

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:

	2018	2017
	HK$'000	HK$'000
0 – 30 days	**23,577**	13,587
31 – 60 days	**6,632**	3,596
61 – 90 days	**3,901**	5,158
Over 90 days	**9,753**	13,312
	43,863	35,653

(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. As at 31 March 2018, retention payables were aged within 1 year, except that the retention payables in the amount of HK$5,079,000 (2017: HK$2,975,000) is aged over 1 year.

24. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles and these leases were classified as finance leases. The lease obligations were secured by the underlying leased assets. The future lease payments under the finance leases are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2018			
Not later than one year	–	–	–
Later than one year but not later than five years	–	–	–
	–	–	–

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2017			
Not later than one year	228	16	212
Later than one year but not later than five years	295	10	285
	523	26	497

The present value of future lease payments is analysed as:

	2018 HK$'000	2017 HK$'000
Current liabilities	–	212
Non-current liabilities	–	285
	–	497

Note: The effective interest rates of the Group's obligations under finance leases as at 31 March 2017 ranged from 3.7% to 6.3% per annum.

25. BANK BORROWINGS, SECURED

	2018 HK$'000	2017 HK$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause (Note (a))		
– Bank loans due for repayment within one year	**975**	826
– Bank loans due for repayment after one year (Note (b))	**1,865**	1,085
– Bank overdrafts	**3,620**	–
	6,460	1,911

Notes:

(a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2018 granted under banking facilities ranged from 3% to 4.5% (2017: 4.5%) per annum.

(b) The current liabilities as at 31 March 2017 and 2018 include such bank loans that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

(c) Unless stated otherwise, the Group's bank facilities are secured by:

(i) personal guarantees of Mr. Poon Ken Ching Keung, a director of the Company and subsidiaries; and Mr. Tong Bill and Ms. Leung To Hong, the directors of subsidiaries on or during the years ended 31 March 2017 and 2018; and

(ii) loan guarantees issued by the Government of the Hong Kong Special Administrative Region.

During the year ended 31 March 2018, these guarantees have been released and replaced by corporate guarantee of the Company upon the Listing.

As at 31 March 2018, the Group's bank borrowings were scheduled to repay as of the end of the reporting period as follows:

	2018 HK$'000	2017 HK$'000
On demand or within one year	**4,595**	826
More than one year, but not exceeding two years	**1,005**	863
More than two years, but not exceeding five years	**860**	222
	6,460	1,911

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.

26. AMOUNT DUE TO A RELATED COMPANY

The amount due to GEL was unsecured, interest-free and repayable on demand. Mr. Poon Ken Ching Keung is a director and shareholder of GEL and GFE; Ms. Lee To Yin, a director of GEL, is a director and shareholder of GFE; and Ms. Poon Kam Yee Odilia, a shareholder of GEL, is a director and shareholder of GFE. The Group acquired GEL on 3 August 2017 and GEL has become a subsidiary of the Company thereafter.

27. SHARE CAPITAL

	Notes	**Number** '000	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
Initial authorised share capital upon incorporation	(a)	38,000	380
Increase in authorised share capital upon capitalisation	(d)	3,762,000	37,620
At 31 March 2018		3,800,000	38,000

	Notes	**Number** '000	**Amount** HK$'000
Ordinary shares, issued and fully paid:			
At 1 April 2017		–	–
Issue of 1 share upon incorporation	(a)	–	–
Issue of 999 additional shares	(b)	1	–
Issue of additional shares upon acquisition of a subsidiary	(c)	9	–
Issue of shares upon capitalisation	(e)	899,990	9,000
Issue of shares upon the Listing	(f)	300,000	3,000
At 31 March 2018		1,200,000	12,000

27. SHARE CAPITAL *(Continued)*

The movements in share capital above for the year ended 31 March 2018 arose from the Reorganisation and completion of the Listing on 12 February 2018 (the "Listing Date") as detailed below:

Notes:

(a) The Company was incorporated on 27 June 2017 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one fully paid ordinary share was allotted and issued to an initial subscriber, which was then transferred to Success Step Management Limited on 15 July 2017 at par value.

(b) On 15 July 2017, 464 shares, 435 shares and 100 shares were allotted and issued as fully paid at par value to Success Step Management Limited, Noble Capital Concept Limited and Legend Advanced Limited, respectively.

(c) As part of the Reorganisation, on 31 August 2017, a share sale agreement (the "GFE Share Sale Agreement") was entered into among the then shareholders of GFE (the "GFE Shareholders") as the vendors, the Company as the purchaser and GTL pursuant to which the GFE Shareholders agree to sell, and the Company agrees to purchase, the entire issued share capital, being 25,000 shares in GFE (the "GFE Acquisition").

The consideration of the GFE Acquisition was HK$38,860,000, which was determined based on the audited net asset value of GFE as at 31 March 2017. The Company settled the consideration of the GFE Acquisition by allotting and issuing 4,185 shares, 3,915 shares and 900 shares, credited as fully paid up, to Success Step Management Limited, Noble Capital Concept Limited and Legend Advanced Limited respectively, at the instruction of the GFE Shareholders. At the direction of the Company, the 25,000 shares in GFE were transferred by the vendors to GTL.

(d) Pursuant to the written resolutions of the shareholders dated 24 January 2018, the Company increased its authorised share capital from HK$380,000 to HK$38,000,000 by the creation of an additional 3,762,000,000 ordinary shares.

(e) Pursuant to written resolutions of the shareholders dated 24 January 2018, the directors were authorised to capitalise HK$8,999,900 from the amount to be standing to the credit of the share premium account of the Company upon the Listing and applied such amount to pay up in full at par of 899,990,000 ordinary shares.

(f) On 12 February 2018, 300,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.17 each, by way of placing and public offering, resulting in the gross proceeds of HK$51,000,000, of which the amount of HK$3,000,000 was credited to the Company's share capital and the remaining amount of HK$48,000,000, net of issuing expenses of approximately HK$10,159,000, were credited to share premium account.

28. 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.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries		**–**	–
Current assets			
Amounts due from subsidiaries		**36,982**	–
Cash and cash equivalents		**25,808**	–
Total current assets		**62,790**	–
Current liabilities			
Accruals		**44**	–
Total current liabilities		**44**	–
Net assets		**62,746**	–
Capital and reserves			
Share capital	27	**12,000**	–
Reserves	30	**50,746**	–
Total equity		**62,746**	–

On behalf of the board of directors

Mr. Poon Ken Ching Keung
Executive Director

Mr. Ng Kwok Wai
Executive Director

30. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

(a) Share premium account of the Company represents the excess of the proceeds received over the par value of the Company's shares issued.

(b) Other reserve account represents the difference between the consideration of the GFE Acquisition and the par value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation.

(c) In accordance with the provisions of the Macau Commercial Code, the Group is required to transfer a minimum of 25% of the annual net profit arising from its branch in Macau to legal reserve on the appropriation of profits to dividends until the reserve equals half of the Group's capital injection in the branch.

Details of the movements on the Company's reserves are as follows:

	Share premium HK$'000	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At date of incorporation	–	–	–	–
Effect of group reorganisation (Note 27(c))	–	38,860	–	38,860
Capitalisation issue of ordinary shares (Note 27(e))	(9,000)	–	–	(9,000)
Issue of ordinary shares upon listing of the Company's shares (Note 27(f))	48,000	–	–	48,000
Expenses incurred in connection with the issue of new ordinary shares (Note 27(f))	(10,159)	–	–	(10,159)
Dividend declared (Note 13)	–	–	(10,000)	(10,000)
Loss for the period	–	–	(6,955)	(6,955)
	28,841	38,860	(16,955)	50,746

31. PARTICULARS OF SUBSIDIARIES

Please refer to the Note 1 for the details of the Company's subsidiaries as at 31 March 2018.

32. BUSINESS COMBINATION DURING THE YEAR

On 3 August 2017 ("Acquisition date"), the Group entered into a share sale agreement with Mr. Poon Ken Ching Keung and Ms. Poon Kam Yee Odilia. Pursuant to the agreement, Mr. Poon Ken Ching Keung and Ms. Poon Kam Yee Odilia agreed to sell, and the Group agreed to purchase the entire issued share capital of GEL at a consideration of HK$331,000. The acquisition was made as one of the steps of the Reorganisation for the Listing of the Company. The identifiable assets and liabilities of GEL as at the Acquisition date were as follows:

	Carrying values and fair values HK$'000
Property, plant and equipment	169
Trade and other receivables	14,972
Amount due from a related company	6,386
Amount due from a related party	20
Bank balances and cash	8,301
Trade and other payables	(21,326)
Dividend payable	(7,937)
Income tax payable	(250)
Deferred tax liabilities	(4)
Net identifiable assets	331

	HK$'000
Cash consideration	331
Less: fair values of the identifiable assets and liabilities	(331)
Goodwill	–

The fair value of the trade and other receivables as at the Acquisition date amounted to HK$14,972,000. The gross contractual amount of trade and other receivables was HK$17,056,000, of which trade receivables of HK$2,084,000 are expected to be uncollectible.

Since the Acquisition date, GEL has contributed HK$53,203,000 and HK$4,010,000 to Group's revenue and profit respectively. Had the acquisition taken place on 1 April 2017, the Group's revenue and profit would have been HK$298,966,000 and HK$19,170,000 respectively.

32. BUSINESS COMBINATION DURING THE YEAR *(Continued)*

An analysis of the cash flows in respect of the acquisition of GEL is as follows:

	HK$'000
Cash consideration	(331)
Bank balances and cash acquired	8,301
Net cash inflows of cash and cash equivalents included in cash flows from investing activities	7,970

33. OPERATING LEASE COMMITMENTS

Operating leases – The Group as lessee

The Group leases office premises under operating lease arrangement. The leases run for an initial period of one to two years (2017: one to two years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**928**	44
In the second to fifth year, inclusive	**616**	–
	1,544	44

34. 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	Notes	2018 HK$'000	2017 HK$'000
Ying Fai Co., Limited ("Ying Fai"), a related company	Sub-contracting fee	(i)	**–**	7,200
Guarforce Engineering Consultant Ltd. ("GEC"), a related company	Handling fee income	(ii)	**–**	(797)
GEL, a related company	Rental income	(iii)	**(19)**	(57)
	Project expense	(iii)	**177**	653
	Sub-contracting fee	(iii)	**1,824**	6,834
Vistar Alliance Limited ("Vistar Alliance"), a related company	Disposal of leasehold land and buildings	(iv)	**13,300**	–
	Rental expenses	(iv)	**88**	–
Mr. Poon Ching Tong Tommy, a director of the Company	Rental expenses		**50**	120

(i) Ying Fai was a related company in which Mr. Tong Bill, a director of GFE, was a director. He ceased to be a director of GFE in February 2017.

(ii) GEC was a related company in which Ms. Lee To Yin, a director of GFE, was an administrator and a shareholder. She ceased to be an administrator and a shareholder of GEC in January 2017.

(iii) GEL was acquired by the Group on 3 August 2017 and has become a subsidiary of the Group since then. The related party transactions above represented the transaction amounts for the period from beginning of the year to the Acquisition date.

(iv) 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.

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

Remuneration of key management personnel, who are directors of the Company, during the reporting period were disclosed in Note 15.

35. 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:

	2018 **HK$'000**	2017 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**9,120**	29,641

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 leasehold land and buildings as at 31 March 2017 (Note 16);

(ii) the Group's deposits in financial institutions (Notes 21 and 22);

(iii) personal guarantees of Ms. Lee To Yin, Mr. Poon Ken Ching Keung, Mr. Tong Bill and Ms. Leung To Hong;

(iv) subordination agreement signed by Ms. Leung To Hong subordinating her loan to the Group in the amount of HK$5,000,000 to all amounts owed by GFE to a bank; and

(v) corporate guarantee of GFE.

Items (i), (iii) and (iv) have been released during the year ended 31 March 2018.

36. CAPITAL COMMITMENTS

As at 31 March 2018 and 2017, the Group did not have any significant capital commitments.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost (Note)		
Loans and receivables		
– Trade and other receivables	**51,365**	30,308
– Amounts due from directors	**–**	28,784
– Pledged deposits	**4,004**	5,601
– Pledged bank deposits	**360**	8,231
– Cash and cash equivalents	**45,799**	19,455
Financial liabilities		
Financial liabilities at amortised costs (Note)		
– Trade and other payables	**53,227**	54,043
– Obligations under finance leases	**–**	497
– Bank borrowings, secured	**6,460**	1,911
– Amount due to a director of a subsidiary	**–**	4,300
– Amount due to a related company	**–**	33,154

Note:

Financial instruments not measured at fair value

Above financial instruments which are measured at amortised costs are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from customers of contract work, pledged deposits, pledged bank deposits and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, it is the Group's policy to only deal with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties. At the end of the reporting period, the Group has a certain concentration of credit risk as 20% (2017: 34%) and 45% (2017: 77%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In respect of bank balances, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2018, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 35. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk.

All of the Group's bank borrowings as at 31 March 2018 bore interest at floating rates. Details of bank borrowings are disclosed in Note 25.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

(b) Interest rate risk *(Continued)*

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(decrease) in profit and retained profits	
	2018	2017
	HK$'000	HK$'000
Changes in interest rate		
+1%	**(54)**	(19)
-1%	**54**	19

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of the reporting period resembles that of the corresponding financial years or periods. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, borrowings and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2018						
Trade and other payables	**53,227**	**53,227**	**53,227**	**–**	**–**	**–**
Bank loans subject to repayment on demand clause	**6,460**	**6,460**	**6,460**	**–**	**–**	**–**
	59,687	**59,687**	**59,687**	**–**	**–**	**–**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2017						
Trade and other payables	54,043	54,043	54,043	–	–	–
Obligations under finance leases	497	523	228	156	139	–
Bank loans subject to repayment on demand clause	1,911	1,911	1,911	–	–	–
Amount due to a director of a subsidiary	4,300	4,300	4,300	–	–	–
Amount due to a related company	33,154	33,154	33,154	–	–	–
	93,905	93,931	93,636	156	139	–

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Bank loans subject to repayment on demand clause						
As at 31 March 2018	**6,460**	**6,816**	**4,897**	**1,047**	**872**	**–**
As at 31 March 2017	1,911	2,014	895	895	224	–

(d) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

(d) Capital management *(Continued)*

The gearing ratios as at the end of the reporting period were as follows:

	2018 HK$'000	2017 HK$'000
Bank borrowings, secured	**6,460**	1,911
Obligations under finance leases	**–**	497
Total debts	**6,460**	2,408
Total equity	**88,434**	38,860
Gearing ratio	**7.3%**	6.2%

39. MAJOR NON-CASH TRANSACTIONS

(a) Pursuant to a set-off agreement effective on 11 June 2017, GFE undertook the amount due to Mr. Poon Ken Ching Keung by GEL of HK$28,009,000. As a result, the amounts due with directors of the Company and the amount due to the then related company were reduced by the amount of HK$28,009,000 during the year ended 31 March 2018.

(b) On 31 December 2017, the Company proposed a special dividend of HK$10,000,000 to shareholders which was utilised to offset against the amount due with a director, Mr. Poon Ken Ching Keung, at the instruction of the Company's shareholders at that time.

(c) As detailed in Note 34(iv), the Group disposed of the leasehold land and buildings to Vistar Alliance. The net sale proceeds of HK$12,302,000 owed by Vistar Alliance were settled through the amount due with a director, Mr. Poon Ken Ching Keung.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCE ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

For the year ended 31 March 2018	Obligations under finance leases HK$'000	Interest payable on finance leases HK$'000	Interest payable on bank borrowings, secured HK$'000	Bank borrowings, secured HK$'000	Amount due to a director of a subsidiary HK$'000
At 1 April 2017	497	–	–	1,911	4,300
Changes from financing cash flows:					
Proceeds from new bank borrowings	–	–	–	3,000	–
Repayment of obligations under finance lease and bank borrowings, secured	(497)	–	–	(2,071)	–
Changes in amount due to a director of a subsidiary	–	–	–	–	(4,300)
Interest paid	–	(19)	(87)	–	–
Increase in bank overdrafts	–	–	–	3,620	–
Total changes from financing cash flows	(497)	(19)	(87)	4,549	(4,300)
Other changes:					
Finance costs	–	19	87	–	–
At 31 March 2018	–	–	–	6,460	–

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2018 were approved and authorised for issue by the board of directors on 20 June 2018.

THREE-YEAR FINANCIAL SUMMARY

	2018 HK$'000 Note (a)	2017 HK$'000 Note (b)	2016 HK$'000 Note (b)
For the year			
Revenue	**279,760**	161,167	122,849
Profit before taxation	**23,433**	18,024	10,262
Profit attributable to equity holders of the Company	**18,733**	14,987	8,721
Cashflows			
Net cash (used in)/generated from operating activities	**(24,648)**	(17,668)	18,159
At year end			
Total assets	**153,644**	139,142	123,732
Total liabilities	**65,210**	100,282	99,859
Total equity	**88,434**	38,860	23,873
Cash and bank balances	**45,799**	19,455	33,276
Per share data			
Earnings per share-basic (HK cents)	**1.99 cents**	1.67 cents	0.97 cents*

Notes:

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Prospectus dated 31 January 2018.

(c) No financial statements of the Group for the year ended 31 March 2015 and 2014 have been published.

The financial information for the year ended 31 March 2016 and 2017 were extracted from the Prospectus under section "FINANCIAL INFORMATION" for the Group and the financial information for the year ended 31 March 2018 were extracted from the consolidated financial statements in the annual report. The summary above does not form part of the audited consolidated financial statements in the annual report.

* Assuming the Reorganisation and the capitalisation issue had been effective on 1 April 2015.