

VISTAR HOLDINGS LIMITED

熒德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8535

2019

INTERIM REPORT



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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Poon Ken Ching Keung

(Chairman and Chief Executive Officer)

Mr. Poon Ching Tong Tommy

(resigned on 31 October 2019)

Mr. Ng Kwok Wai

Ms. Lee To Yin *(appointed on 31 October 2019)*

Non-executive Director

Ms. Poon Kam Yee Odilia

Independent Non-Executive Directors

Dr. Wong Kam Din*

Mr. Yung Chung Hing

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

(appointed on 2 September 2019)

AUDIT COMMITTEE

Mr. Yung Chung Hing *(Chairman)*

Dr. Wong Kam Din*

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

(appointed on 2 September 2019)

REMUNERATION COMMITTEE

Mr. Chan Shu Yan Stephen *(Chairman)*

(appointed on 2 September 2019)

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

Mr. Chan Shu Yan Stephen

(appointed on 2 September 2019)

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 *(terminated on 31 August 2019)*

7/F, Tower One, Lippo Centre

89 Queensway, Hong Kong

Innovax Capital Limited *(appointed on 1 September 2019)*

Room 2002, 20/F, Chinachem Century Tower,

178 Gloucester Road, Wanchai, 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

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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 54, 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

* Dr. Wong Kam Din has passed away on 6 June 2019.

FINANCIAL RESULTS

The board of directors (the “Board”) of Vistar Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Revenue	6	54,160	90,702	111,461	183,465
Cost of revenue		(44,678)	(78,896)	(92,335)	(153,049)
Gross profit		9,482	11,806	19,126	30,416
Other income and gains	7	396	103	730	255
Administrative and other operating expenses	8	(6,989)	(6,483)	(13,277)	(12,276)
Finance costs	9	(18)	(48)	(38)	(82)
Profit before income tax		2,871	5,378	6,541	18,313
Income tax	10	(597)	(1,020)	(1,107)	(3,470)
Profit and total comprehensive income for the period attributable to owners of the Company		2,274	4,358	5,434	14,843
Earnings per share					
– Basic and Diluted (HK cents)	11	0.19 cents	0.36 cents	0.45 cents	1.24 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Notes	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Non-current assets			
Property, plant and equipment	13	3,010	3,052
Intangible assets		488	585
Deferred tax assets		1,148	1,148
		<u>4,646</u>	<u>4,785</u>
Current assets			
Trade and other receivables	14	30,701	28,726
Contract assets	15	100,261	88,462
Pledged deposits		6,816	5,339
Pledged bank deposits		4,373	490
Cash and cash equivalents		39,458	62,280
		<u>181,609</u>	<u>185,297</u>
Total current assets			
Current liabilities			
Trade and other payables	16	68,525	78,085
Contract liabilities	15	1,257	1,529
Obligations under finance leases		79	77
Bank borrowings, secured	17	1,367	1,865
Income tax payable		1,206	99
		<u>72,434</u>	<u>81,655</u>
Total current liabilities			
Net current assets		<u>109,175</u>	<u>103,642</u>
Total assets less current liabilities		<u>113,821</u>	<u>108,427</u>
Non-current liabilities			
Obligations under finance leases		126	166
Total non-current liabilities		<u>126</u>	<u>166</u>
Net assets		<u>113,695</u>	<u>108,261</u>
Capital and reserves			
Share capital	18	12,000	12,000
Reserves		101,695	96,261
Total equity		<u>113,695</u>	<u>108,261</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Legal reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2019 (Audited)	12,000	28,841	38,860	24	28,536	108,261
Profit and total comprehensive income for the period	–	–	–	–	5,434	5,434
At 30 September 2019 (Unaudited)	12,000	28,841	38,860	24	33,970	113,695
At 31 March 2018 as originally presented (Audited)	12,000	28,841	38,860	24	8,709	88,434
Initial application of HKFRS 9	–	–	–	–	(3,119)	(3,119)
Restated at 1 April 2018	12,000	28,841	38,860	24	5,590	85,315
Profit and total comprehensive income for the period	–	–	–	–	14,843	14,843
At 30 September 2018 (Unaudited)	12,000	28,841	38,860	24	20,433	100,158

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Operating activities		
Profit before income tax	6,541	18,313
Adjustments for:		
Depreciation and amortisation	708	534
Gain on disposal of property, plant and equipment	–	(33)
Bank interest income	(19)	(2)
Reversal of impairment of trade receivables and contract assets	(711)	–
Finance costs	38	60
	<hr/>	<hr/>
Operating profit before working capital changes	6,557	18,872
(Increase)/decrease in trade and other receivables	(1,655)	4,313
Increase in amounts due from customers of contract work	–	(30,730)
Increase in contract assets	(11,408)	–
(Increase)/decrease in pledged deposits	(1,477)	2,571
Increase in pledged bank deposits	(3,883)	(4,004)
(Decrease)/increase in trade and other payable	(9,560)	12,528
Increase in amounts due to customers of contract work	–	21,010
Decrease in contract liabilities	(272)	–
	<hr/>	<hr/>
Cash (used in)/generated from operating activities	(21,698)	24,560
Income tax paid	–	(2,690)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(21,698)	21,870
	<hr/>	<hr/>
Investing activities		
Purchase of property, plant and equipment	(569)	(1,412)
Proceeds from disposal of property, plant and equipment	–	25
Interest received	19	3
	<hr/>	<hr/>
Net cash used in investing activities	(550)	(1,384)
	<hr/>	<hr/>
Financing activities		
Repayments of bank borrowings	(498)	(1,384)
Repayments of finance leases	(38)	–
Interest paid on bank borrowings	(33)	(60)
Interest paid on obligations under finance leases	(5)	–
Increase in amount due to related company	–	308
	<hr/>	<hr/>
Net cash used in financing activities	(574)	(1,136)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(22,822)	19,350
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	62,280	45,799
	<hr/>	<hr/>
Cash and cash equivalents at end of period	39,458	65,149
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	39,458	65,149
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (“the Group”) are engaged in the provision of installation, alteration and addition works and maintenance services of electrical and mechanical engineering systems in Hong Kong. As at 30 September 2019, 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. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(i) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2019:

Annual Improvements Project	Annual Improvements 2015 – 2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases (New Standard)
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments (new interpretation)

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

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

(i) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2019: (continued)

HKFRS 16, “Leases”

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of lease assets and lease liabilities primarily arising from leases of premises and properties in relation to the Group’s various businesses.

As at 30 September 2019, the Group has non-cancellable operating lease commitments of HK\$3.17 million. This will result in the recognition of an asset and a liability for future payments, and the Group expects there will not be any material effect on the profit or loss. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory to the Group’s annual reporting period beginning on or after 1 January 2019. At this stage, the Group has assessed its impact and it is considered immaterial by our directors and we adopted the standard after its effective date. The directors of the Company made their own judgement/assessment and apply practical expedients not to make adjustments on the changes in financial figures but certain disclosures are required.

Impacts on condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019 (extract)

	Results without application of HKFRS 16 HK\$’000	As reported HK\$’000	(Decrease)/ increase in profit for the period HK\$’000
Administrative and other operating expenses	(13,277)	(12,421)	856
Interest on leased assets	–	(53)	(53)
Depreciation on leased assets	–	(864)	(864)
Finance costs	(38)	(38)	–
Income tax expenses	(1,107)	(1,107)	–
Profit and total comprehensive income for the period attributable to owners of the Company	5,434	5,373	(61)

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

(i) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2019: (continued)

HKFRS 16, “Leases” (continued)

Impacts on condensed consolidated statement of financial position as at 30 September 2019 (extract)

	As reported without application of HKFRS 16 HK\$'000	Application of HKFRS 16 HK\$'000	As reported after application of HKFRS 16 HK\$'000
Non-current assets			
Right of use assets	–	3,039	3,039
Current liability			
Lease liability	–	1,395	1,395
Non-current liability			
Lease liability	–	1,705	1,705
Equity			
Reserves	101,695	(61)	101,634

(ii) The following new standards and revision to standards effective for the first time for the financial reporting period beginning on or after 1 January 2020 have been issued, but are not effective and have not been early adopted by the Group:

HKFRS 17	Insurance Contract (New Standard)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

(a) *Construction contract*

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

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

(b) *Impairment of receivables*

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

5. SEGMENT REPORTING

Information reported to the executive directors of the company, being identified as the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance.

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.

(a) Business segments

For the six months ended 30 September 2019 (unaudited)

	Installation work HK\$'000	Alteration and addition services HK\$'000	Maintenance services HK\$'000	Total HK\$'000
Segment revenue				
Revenue from external customers	55,466	53,132	2,863	111,461
Segment profit	8,751	10,293	82	19,126
Other income and gains				730
Unallocated corporate expenses				(13,277)
Finance costs				(38)
Profit before income tax				6,541
Income tax				(1,107)
Profit after tax				5,434

5. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the period ended 30 September 2018 (unaudited)

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	129,374	50,783	3,308	183,465
Segment profit	19,200	10,864	352	30,416
Other income and gains				255
Unallocated corporate expenses				(12,276)
Finance costs				(82)
Profit before income tax				18,313
Income tax				(3,470)
Profit after tax				14,843

6. REVENUE

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

Disaggregation of the Group's revenue from contracts with customers

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 <i>HK\$'000</i>
Revenue from installation work	26,041	70,699	55,466	129,374
Revenue from alteration and addition services	26,689	18,893	53,132	50,783
Revenue from maintenance services	1,430	1,110	2,863	3,308
	54,160	90,702	111,461	183,465

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

7. OTHER INCOME AND GAINS

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Bank interest income	9	–	19	3
Gain on disposal of property, plant and equipment	–	33	–	33
Reversal of impairment of trade receivables and contract assets, net	387	–	711	–
Others	–	70	–	219
	396	103	730	255

8. ADMINISTRATION AND OTHER OPERATING EXPENSES

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Staff costs, including Directors' emoluments	3,539	3,226	7,015	6,233
Travelling expenses	282	329	571	823
Depreciation and amortisation	311	358	656	534
Legal and professional fee	793	1,619	1,240	2,050
Entertainment	445	506	665	883
Operating lease rental on land and buildings	404	386	804	757
Operating lease rental on equipment	35	–	73	–
Repair and maintenance	32	58	57	84
Insurance	4	1	150	121
Other	1,144	–	2,046	791
	6,989	6,483	13,277	12,276

9. FINANCE COSTS

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Interest on finance leases	3	6	5	6
Interest on bank and other borrowings	15	42	33	76
	18	48	38	82

10. INCOME TAX EXPENSES

Under the two-tiered profits tax rates regime, the profits tax rate for the first HK\$2 million of assessable profits will be lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance (IRO)) for corporations. Assessable profits above HK\$2 million will continue to be subject to the rate of 16.5% for corporations for the current period (2018: 16.5%).

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

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 <i>HK\$'000</i>
Current income tax – Hong Kong Profit tax	597	1,020	1,107	3,470
Income tax expenses	597	1,020	1,107	3,470

11. EARNINGS PER SHARE

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

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 <i>HK\$'000</i>	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 <i>HK\$'000</i>
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	2,274	4,358	5,434	14,843
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>)	1,200,000	1,200,000	1,200,000	1,200,000
Basic earnings per share (<i>HK cent</i>)	0.19 cents	0.36 cents	0.45 cents	1.24 cents

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential shares.

12. DIVIDENDS

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machineries HK\$'000	Total HK\$'000
Unaudited						
Cost						
At 1 April 2019	–	915	2,732	2,845	266	6,758
Addition	–	87	75	–	407	569
At 30 September 2019	–	1,002	2,807	2,845	673	7,327
Accumulated depreciation						
At 1 April 2019	–	295	1,945	1,311	155	3,706
Charge for the period	–	158	124	277	52	611
At 30 September 2019	–	453	2,069	1,588	207	4,317
Net carrying value						
At 30 September 2019	–	549	738	1,257	466	3,010
At 31 March 2019 (Audited)	–	620	787	1,534	111	3,052

As at 30 September 2019, a motor vehicle with carrying amount of HK\$206,500 (31 March 2019: HK\$245,000) was held under finance lease.

During the six months ended 30 September 2019, the Group acquired assets with aggregate cost of approximately HK\$569,000 (31 March 2019: approximately HK\$2,669,000).

The depreciation expenses for the six months ended 30 September 2019 was approximately HK\$611,000 (31 March 2019: approximately HK\$864,000) which were recorded in administrative expenses.

14. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Trade receivables, net	29,483	25,786
Deposits, prepayments and other receivables	1,218	2,940
	30,701	28,726

In the condensed consolidated statements of financial position, retention receivables were classified as current assets based on operating cycle. 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:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Within 30 days	13,590	10,204
31 – 60 days	3,987	3,111
61 – 90 days	4,778	9,631
91 – 180 days	5,534	2,201
181 – 365 days	1,594	550
Over 365 days	–	89
	29,483	25,786

The credit period granted to customers is normally 14 days.

During the six months ended 30 September 2018 and 30 September 2019, no trade receivable was written off as uncollectible. As at 31 March 2019 and 30 September 2019, the trade receivables were impaired with HK\$2,567,000 and HK\$2,247,000 respectively.

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Contract assets		
Arising from performance under installation work and alteration and addition services	81,296	70,400
Retention receivables (<i>Note (i)</i>)	24,224	23,712
	<hr/>	<hr/>
	105,520	94,112
Less: Provision for impairment	(5,259)	(5,650)
	<hr/>	<hr/>
Contract assets, net	100,261	88,462

Notes:

- (i) Invoices on revenue from installation work and alteration and addition services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

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 30 September 2019, retention receivables were aged within 1 year, except that the retention receivables in the amounts of HK\$5,032,000 were aged over 1 year.

(b) Contract liabilities

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Contract liabilities		
Billings in advance of performance under installation work and alteration and addition services	1,257	1,529
	<hr/>	<hr/>

16. TRADE AND OTHER PAYABLES

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Trade payables (<i>Note (a)</i>)	53,666	62,224
Retention payables (<i>Note (b)</i>)	8,832	10,218
Other payables, accruals and deposits received	6,027	5,643
	68,525	78,085

Notes:

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

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

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
0 – 30 days	25,823	37,150
31 – 60 days	46	10,817
61 – 90 days	10,758	2,189
Over 90 days	17,039	12,068
	53,666	62,224

- (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 30 September 2019 and 31 March 2019, retention payables were aged within 1 year, except that the retention payables in the amount of HK\$4,284,000 as at 30 September 2019 and HK\$5,779,000 as at 31 March 2019 are aged over 1 year.

17. BANK BORROWINGS, SECURED

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause (<i>Note (a)</i>)		
– Bank loans due for repayment within one year	1,020	1,004
– Bank loans due for repayment after one year (<i>Note (b)</i>)	347	861
	<hr/> 1,367	<hr/> 1,865

Notes:

- (a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 30 September 2019 granted under banking facilities is 3.125% (31 March 2019: 3.1%) per annum.
- (b) The current liabilities as at 31 March 2019 and 30 September 2019 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) As at the end of the reporting period, unless stated otherwise, the Group's bank facilities are secured by corporate guarantee of the Company upon the Listing.

As at 30 September 2019, the Group's bank borrowings were scheduled to repay as of the end of the reporting period as follows:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
On demand or within one year	1,020	1,004
More than one year, but not exceeding two years	347	861
	<hr/> 1,367	<hr/> 1,865

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

18. SHARE CAPITAL

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Authorised:		
3,800,000,000 Ordinary shares of HK\$0.01 each	38,000	38,000
Ordinary shares, issued and fully paid:		
1,200,000,000 Ordinary shares of HK\$0.01 each	12,000	12,000

19. SHARE OPTION SCHEME

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

The Scheme is effective for a period of 10 years commencing on 12 February 2018, the listing date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

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

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

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

20. 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 for the two reporting periods and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Within one year	1,438	960
In the second to fifth year, inclusive	1,735	1,623
	3,173	2,583

21. CAPITAL COMMITMENTS

As at 30 September 2019 and 31 March 2019, the Group did not have any significant capital commitments.

22. 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	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Vistar Alliance Limited ("Vistar Alliance"), a related company	Rental expenses	131	131	263	263

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 transaction were based on those agreed between the Group and the related company and the director.

22. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

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

	(Unaudited) Three months ended 30 September 2019 HK\$'000	(Unaudited) Three months ended 30 September 2018 HK\$'000	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Unaudited) Six months ended 30 September 2018 HK\$'000
Independent non-executive directors fees	70	90	152	180
Salaries, discretionary bonus, allowances and benefits in kind	1,145	1,215	2,279	2,413
Contributions to retirement benefits scheme	15	18	33	36
	1,230	1,323	2,464	2,629

23. GUARANTEES

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

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	31,634	14,652

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 the reporting period.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a registered fire service installation contractor in Hong Kong and is qualified to undertake work in respect of the installation, maintenance, repair or inspection of fire safety systems. The Group is principally engaged in the provision of E&M engineering services and specialises in the 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 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 profit attributable to equity holders of the Company decreased to HK\$5.43 million for the six months ended 30 September 2019 (this "Reporting Period") as compared to the profit attributable to equity holders of the Company HK\$14.84 million for the six months ended 30 September 2018. The Board considers that such decrease in profit was mainly due to decreased revenue from installation services as the Group has completed a significant portion of installation projects contracted in previous years and recognised the associated revenue prior to the beginning of this Reporting Period. In addition, certain alteration and addition projects and a few newly secured sizeable installation projects have experienced delays of the commencement date to a later period due to various factors outside of the Group's control including the current social unrest in Hong Kong.

On the brighter side, recent Government Policy Address Public Consultation indicates that the Government of HKSAR intends to speed up the construction process of public housing. The Group will proactively participate in tender bidding for these projects on top of potential private projects in the pipeline. In addition, the pre-fabrication factory to customise input materials used in our installation projects in order to facilitate and manage the flow and quality of materials supply to streamline our operations, is in full operation commencing this Reporting Period. We expect benefits driven by material cost savings and wastage control to be materialised in the near future.

Looking ahead, the Group will continue to leverage on its competitive advantages including comprehensive range of licences and qualification in fire systems related services, experienced and well-trained workforce, and strong network and business relationships with our peers in the industry, suppliers and subcontractors, in order to negotiate higher bidding prices and reduced materials and subcontracting cost to improve overall profitability performance.

Financial Review

Revenue

The Group' revenue for the six months ended 30 September 2019 amounted to approximately HK\$111.46 million which represented a decrease of approximately HK\$72.01 million or 39.24% from approximately HK\$183.47 million for the last corresponding period ended 30 September 2018.

The decrease in revenue from installation services as the Group has completed a significant portion of installation projects contracted in previous years and recognised the associated revenue prior to the beginning of this Reporting Period. In addition, certain alteration and addition projects and a few newly secured sizeable installation projects have experienced delays of the commencement date to a later period due to various factors outside of the Group's control including the current social unrest in Hong Kong.

Cost of Revenue

The Group's cost of revenue decreased from approximately HK\$153.05 million for the six months ended 30 September 2018 to approximately HK\$92.34 million for the six months ended 30 September 2019, representing a decrease of approximately HK\$60.71 million or 39.67%. Such decrease was in line with the decrease in revenue compared to the corresponding last period.

As a significant portion of installation projects were completed in the previous year, costs were incurred for patching minor defects pending for inspection by Fire Services Department, handover of our installation to clients and for securing future variation revenue of nearly completed projects. On the other hand, the newly awarded projects were only at its initial stage and so it did not incur much cost of revenue for the Reporting Period.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$11.29 million or 37.11% from approximately HK\$30.42 million for the six months ended 30 September 2018 to approximately HK\$19.13 million for the six months ended 30 September 2019. The gross profit margin increased from 16.58% for the six months ended 30 September 2018 to 17.16% for the six months ended 30 September 2019. The overall gross profit margin remained stable for both the six months ended 30 September 2018 and 2019. In respect of the revenue segment of installation, in comparison with the six months ended 30 September 2018, the gross profit margin for the Reporting Period was higher. It was due to the fact that the gross profit margin on variation order revenue secured was normally higher than the usual installation revenue segment. On the other hand, the gross profits margin on alteration and addition works and maintenance remained stable for both the six months ended 30 September 2018 and 2019. Moreover, revenue mix between installation services, alteration and addition works and maintenance of fire service systems also contributed to the gross profit margin fluctuation as their individual margins differed from each other.

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 expenses and other expenses.

Our administrative and other operating expenses increased by approximately HK\$1.00 million or 8.14% from approximately HK\$12.28 million for the six months ended 30 September 2018 to approximately HK\$13.28 million for the six months ended 30 September 2019.

Finance Costs

Finance costs of the Group were approximately HK\$38,000 for the six months ended 30 September 2019 (2018: HK\$82,000). Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The reduction of finance cost for the six months ended 30 September 2019 was mainly due to the fully settlement a bank loan during the Reporting Period.

Income Tax Expense

Income tax expense of the Group decreased by approximately HK\$2.36 million or 68.01% from approximately HK\$3.47 million for the six months ended 30 September 2018 to approximately HK\$1.11 million for the six months ended 30 September 2019. The decrease was mainly due to the decrease in taxable profit for the six months ended 30 September 2019.

Profit for the period attributable to owners of the Company

The Group's profit attributable to shareholders was approximately HK\$5.43 million for the six months ended 30 September 2019 (2018: HK\$14.84 million), representing a decrease of 63.41%.

Such decrease in profit was mainly due to decrease in revenue from installation services as the Group has completed a significant portion of installation projects contracted in previous years and recognised the associated revenue prior to the beginning of this Reporting Period. In addition, certain alteration and addition projects and a few newly secured sizeable installation projects have experienced delays of the commencement date to a later period due to various factors outside of the Group's control including the current social unrest in Hong Kong.

Liquidity, financial resources and capital structure

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

As at 30 September 2019, the Group had cash and bank balances of approximately HK\$39.46 million (31 March 2019: HK\$62.28 million). As at 30 September 2019, the Group's total equity attributable to shareholders of the Company amounted to approximately HK\$113.70 million (31 March 2019: HK\$108.26 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\$1.57 million (31 March 2019: HK\$2.11 million).

On 12 February 2018, the Company was listed on GEM by way of public offer and completed the public offer of 300,000,000 shares by offer price of 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 public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 30 September 2019, the Group had borrowings of approximately HK\$3.04 million which was denominated in Hong Kong Dollars (31 March 2019: HK\$4.52 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2019, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 2.67% (31 March 2019: 4.18%).

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

As at 30 September 2019, 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 30 September 2019 and 2018, the Group did not have any significant capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 September 2019.

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

During the six months ended 30 September 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (2018: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had 114 employees in total (2018: 92). The staff costs of the Group including directors' emoluments, management, administrative and operational staff for the six months ended 30 September 2019 were approximately HK\$7.02 million (2018: HK\$6.16 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 optimise the Group's emolument policy and structure for all Directors and senior management of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

USE OF PROCEEDS

The net proceeds from the Listing amounted to approximately HK\$24.12 million, which was based on the final offer price of HK\$0.17 per share (after deducting the underwriting fees and other expenses related to the Listing). Accordingly, the Company had adjusted the use of net proceeds from the Listing in the same manner and proportion as mentioned in the prospectus of the Company dated 31 January 2018 (the "Prospectus"). After the Listing, a part of these proceeds has 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 30 September 2019 is set out below:

	Adjusted use of net proceeds up to 30 September 2019 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2019 <i>HK\$ million</i>
Used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system	8.88	8.82
Used for expanding our manpower for project execution	3.84	3.84
Used for expansion to the dealership network for building management system and automatic fire alarm system (<i>Note 1</i>)	1.30	0.40
Used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop	4.92	3.90
Used for developing a 3D design system and an ERP system to enhance our project planning, management and implementation (<i>Note 2</i>)	3.04	1.44
Used for additional working capital and other general corporate purposes	2.14	2.00
Total	24.12	20.40

Notes:

1. We are still negotiating on the terms of the dealership arrangement with the suppliers of building management system and automatic fire alarm system. In the meantime, the Group had assigned selected technicians to attend trainings provided by these suppliers during the prior fiscal year.
2. The Group has successfully migrated part of the business functions to a new financial reporting module it had purchased as part of the ERP system infrastructure. The implementation of the 3D design system is mainly driven by the system upgrades of our clients. Given a delay in our clients' system upgrades, the implementation of the development of the 3D design system has accordingly been delayed.

The unutilised net proceeds from the Listing have been placed with a licensed bank in Hong Kong.

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.

The Directors will continuously evaluate the Group's business objectives and will consider to change or modify plans against the changing market condition to ensure the business growth of the Group.

EVENTS AFTER THE REPORTING PERIOD

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

OTHER INFORMATION

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

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares

Name of Director/Chief Executive	Capacity/ Nature of Interest	Number of Shares Held (Note 1)	Percentage of issued share capital (Note 2)
Mr. Poon Ken Ching Keung ("Mr. Ken Poon") (Notes 3 and 6)	Interest in a controlled corporation	508,500,000	42.38%
Mr. Poon Ching Tong Tommy ("Mr. Tommy Poon") (Notes 4 and 6)	Settlor and beneficiary of a discretionary trust	481,500,000	40.13%
Mr. Ng Kwok Wai (Notes 5 and 6)	Interest in a controlled corporation	90,000,000	7.50%
Ms. Poon Kam Yee Odilia ("Ms. Odilia Poon") (Notes 5 and 6)	Interest in a controlled corporation	90,000,000	7.50%

Notes:

- All interests stated are long positions.
- The calculation is based on the total number of 1,200,000,000 Shares in issue as at 30 September 2019.
- Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited ("Success Step"). Success Step, in turn, directly holds 418,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced Limited ("Legend Advanced") as described in note 6 below.

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

- Unity Trust Limited ("Unity Trust"), the trustee of the Alderhill Trust, holds the entire issued share capital of Alderhill Holdings Limited. Alderhill Holdings Limited, in turn, holds the entire issued share capital of Noble Capital Concept Limited ("Noble Capital"). The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members.

Noble Capital, in turn, directly holds 391,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 6 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.

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

Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Alderhill Holdings Limited, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2019, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long position in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held (Note 1)	Percentage of issued share capital (Note 2)
Success Step (Notes 3 and 5)	Beneficial owner	418,500,000	34.88%
	Holder of equity derivative	90,000,000	7.50%
		508,500,000	42.38%
Noble Capital (Notes 4 and 5)	Beneficial owner	391,500,000	32.63%
	Holder of equity derivative	90,000,000	7.50%
		481,500,000	40.13%
Alderhill Holdings Limited (Notes 4 and 5)	Interest in a controlled corporation	481,500,000	40.13%
Unity Trust (Notes 4 and 5)	Trustee of trust	481,500,000	40.13%
Legend Advanced (Note 6)	Beneficial owner	90,000,000	7.50%
Ms. Deng Anna Man Li (Note 7)	Interest of spouse	508,500,000	42.38%
Mr. Roberts Christopher John (Note 8)	Interest of spouse	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 30 September 2019.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below.

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

- (4) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Alderhill Holdings Limited. Alderhill Holdings Limited, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, directly holds 391,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in the Prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Alderhill Holdings Limited, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 Shares.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the Shares held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the Shares held by Ms. Odilia Poon.

Save as disclosed above, as at 30 September 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “A. Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” above, had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2019.

Competition and Conflict of Interests

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the six months ended 30 September 2019.

Directors’ Securities Transactions

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the six months ended 30 September 2019.

Share Option Scheme

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

No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

Interests of the Compliance Adviser

On 21 August 2019, the Company announced that the compliance adviser agreement between the Company and its former compliance adviser, Kingsway Capital Limited, was terminated upon mutual agreement with effect from 31 August 2019. It was further announced that Innovax Capital Limited has been appointed with effect from 1 September 2019 as the compliance adviser and entered into a compliance adviser agreement with the Company. As notified by the compliance advisers, neither the compliance advisers nor their respective directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2019, except the deviation from CG Code provision A.2.1.

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

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

Having considered the above factor, the Board considers that the Company has complied with the principles and applicable code provision of the CG Code.

Following the passing away of an independent non-executive Director, namely Dr. Wong Kam Din on 6 June 2019, the Company only has two independent non-executive Directors, thus the number of independent non-executive Directors falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. The Company also fails to comply with the requirement set out in Rule 5.28 of the GEM Listing Rules with regard to the minimum number of members of the audit committee. In addition, the number of independent non-executive Directors of the remuneration committee and nomination committee of the Company have fallen below a majority as required under Rule 5.34 and code provision A.5.1 of the CG Code.

On 2 September 2019, the Company announced that Mr. Chan Shu Yan Stephen (“Mr. Chan”) has been appointed as an independent non-executive Director with effect from 2 September 2019. The board composition recently consists of three independent non-executive Directors. Following the appointment of Mr. Chan as an independent non-executive Director, with effect from the same date, he has been appointed as the Chairman of the remuneration committee of the Company, and a member of each of the audit committee of the Company and the nomination committee of the Company to achieve a majority as required under Rule 5.34 and code provision A.5.1 of the CG Code.

On 30 October 2019, the Company announced that Mr. Poon Ching Tong, Tommy has resigned as an executive Director with effect from 31 October 2019 in order to devote more time to his other business engagements.

On the same date, the Company also announced that Ms. Lee To Yin has been appointed as an executive Director with effect from 31 October 2019. She is the Director of GFE, the principal operating subsidiary of our Group, since 1 February 2005. She has over 40 years of experience in accounting, administration and human resources management attained from previous posts in her career history. She joined GFE in April 1982 and since then has held different posts within the company. It ranges from overseeing the financials for the whole company to general administrative management.

AUDIT COMMITTEE

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

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. The audit committee has reviewed the interim results of the Group for the six months ended 30 September 2019 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

REVIEW OF THIS INTERIM RESULTS ANNOUNCEMENT

The interim results announcement and unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 has been reviewed by the audit committee of the Company.

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

Hong Kong, 11 November 2019

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