

VISTAR HOLDINGS LIMITED

熒德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8535



2019
THIRD
QUARTERLY
REPORT

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.*

FINANCIAL HIGHLIGHTS

- During the nine months ended 31 December 2019 (“**Reporting period**”), the revenue of the Group decreased to approximately HK\$170.09 million from approximately HK\$276.53 million for the corresponding nine months ended 31 December 2018. A decrease in revenue was due to the completion of a significant portion of installation projects contracted in previous years and recognition of the associated revenue prior to the beginning of this Reporting period. Moreover, a few newly secured sizeable installations projects had been delayed due to various reasons at the property developer’s or main contractors’ level upstream to the Group, thereby creating a timing difference between the revenue recognition and overhead cost incurred.

Apart from installation projects, the Group’s revenue of alteration and addition works (“**A&A**”) decreased from approximately HK\$93.57 million for the nine months ended 31 December 2018 to approximately HK\$82.27 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$11.30 million or 12.08%. The significant decrease in A&A revenue was mainly due to the fact that certain A&A had been delayed owing to various factors out of the Group’s control including the current social unrest in Hong Kong.

- The Group's profit attributable to shareholders was approximately HK\$7.00 million for the nine months ended 31 December 2019 (2018: HK\$18.65 million). A decrease of 62.47% of profit attributable to shareholders was recorded as compared to the corresponding period in 2018.

The Board considers that such decrease in profit was mainly due to two factors:

- (i) A decrease in revenue from installation services as the Group had 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, a few newly secured sizeable installations projects had been delayed due to various reasons at the property's or main contractors' level upstream to the Group, thereby creating a timing difference between the revenue recognition and overhead cost incurred.
- (ii) Due to the current social unrest situation, there was a decrease in A&A revenue which impacted to overall profitability of the Group as A&A generally generates a high profit margin among all revenue segments the Group.

On the other hand, the current social unrest in Hong Kong also affected the gross profit margin of A&A which it decreased from 20.99% for the nine months ended 31 December 2018 to 16.95% for the nine months ended 31 December 2019. It also partially constitutes to lead the Group profit dropped down to HK\$7.00 million for the nine months ended 31 December 2019.

- The Board does not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

FINANCIAL RESULTS

The board of directors (the “**Board**”) of Vistar Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 31 December 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

		(Unaudited) Three months ended 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
	Notes				
Revenue	4	58,630	93,063	170,091	276,528
Cost of revenue		(50,488)	(81,146)	(142,824)	(234,196)
Gross profit		8,142	11,917	27,267	42,332
Other income and gains	5	576	8	1,222	191
Administrative and other operating expenses	6	(6,927)	(6,603)	(20,119)	(18,805)
Finance costs	7	(17)	(70)	(55)	(154)
Profit before income tax		1,774	5,252	8,315	23,564
Income tax		(204)	(1,440)	(1,311)	(4,910)
Profit and total comprehensive income for the period attributable to Shareholders of the Company		1,570	3,812	7,004	18,654
Earnings per share					
– Basic and Diluted (HK cents)	8	0.13 cents	0.32 cents	0.58 cents	1.55 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	Share capital HK\$'000	Share premium HK\$'000	Other & Legal reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2019 (Audited)	12,000	28,841	38,884	28,536	108,261
Profit and total comprehensive income for the year	-	-	-	7,004	7,004
At 31 December 2019 (Unaudited)	12,000	28,841	38,884	35,540	115,265
At 31 March 2018 as originally presented (Audited)	12,000	28,841	38,884	8,709	88,434
Initial application of HKFRS 9	-	-	-	(3,119)	(3,119)
Restated at 1 April 2018	12,000	28,841	38,884	5,590	85,315
Profit and total comprehensive income for the year	-	-	-	18,654	18,654
At 31 December 2018 (Unaudited)	12,000	28,841	38,884	24,244	103,969

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 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 31 December 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	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

This unaudited condensed consolidated financial information for the nine months ended 31 December 2019 have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 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 information should be read in conjunction with the Company’s combined financial statements for the year ended 31 March 2019, which have been prepared in accordance with HKFRSs issued by the HKICPA.

This unaudited condensed consolidated financial information has been prepared on the historical cost basis, have not been audited by the Company’s independent auditors, but have been reviewed by the Company’s Audit Committee.

The accounting policies used in this unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019 except the following new or revised HKFRSs, potentially relevant to the Group, have been issued, but are not yet effective and have not been adopted by the Group in the preparation of unaudited condensed consolidated financial information.

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 the reporting date, the Group has non-cancellable operating lease commitments of HK\$2.77 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 adopt 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.

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)

- (a) Impacts on unaudited condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 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	(20,119)	(18,821)	1,298
Interest on leased assets	–	(75)	(75)
Depreciation on leased assets	–	(1,304)	(1,304)
Finance costs	(55)	(55)	–
Income tax expenses	(1,311)	(1,311)	–
Profit and total comprehensive income for the period attributable to Shareholders of the Company	7,004	6,923	(81)

- (b) Impacts on unaudited condensed consolidated statement of financial position as at 31 December 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	–	2,599	2,599
Current liabilities			
Lease liability	–	1,262	1,262
Non-current liabilities			
Lease liability	–	1,418	1,418
Equity			
Reserves	103,263	(81)	103,182

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

- (ii) The following new standards and revision to standards have been issued, but are not effective and have not been early adopted by the Group effective for the first time for the financial reporting period beginning on or after 1 January 2020 (except HKFRS 17 which is effective for the financial reporting period for the beginning on or after 1 January 2021):

HKFRS 17	Insurance Contract (New Standard)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
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. REVENUE AND SEGMENT INFORMATION

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 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
Installation	28,230	49,461	83,696	178,834
Alteration and additions works	29,140	42,782	82,273	93,565
Maintenance	1,260	820	4,122	4,129
	58,630	93,063	170,091	276,528

5. OTHER INCOME AND GAINS

	(Unaudited) Three months ended 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
Bank interest income	7	8	26	10
Gain on disposal of property, plant and equipment	-	-	-	33
Reversal of impairment of trade receivables and contract assets, net	368	-	995	-
Others	201	-	201	148
	576	8	1,222	191

6. ADMINISTRATION AND OTHER OPERATING EXPENSES

	(Unaudited) Three months ended 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
Staff costs, including Directors' emoluments	3,988	3,227	11,001	9,460
Travelling expenses	255	330	826	1,154
Depreciation	300	223	956	757
Legal and professional fee	607	571	1,848	2,262
Audit fee	220	180	660	540
Entertainment	222	599	887	1,152
Operating lease rental on land and buildings	404	334	1,209	1,089
Operating lease rental on equipment	35	-	107	-
Repair and maintenance	21	13	79	98
Insurance	73	281	223	402
Other	802	845	2,323	1,891
	6,927	6,603	20,119	18,805

7. FINANCE COSTS

	(Unaudited) Three months ended 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
Interest on finance leases	2	48	8	79
Interest on bank and other borrowings	15	22	47	75
	17	70	55	154

8. EARNINGS PER SHARE

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

	(Unaudited) Three months ended 31 December 2019 HK\$'000	(Unaudited) Three months ended 31 December 2018 HK\$'000	(Unaudited) Nine months ended 31 December 2019 HK\$'000	(Unaudited) Nine months ended 31 December 2018 HK\$'000
Profit for the period attributable to Shareholders of the Company (HK\$'000)	1,570	3,812	7,004	18,654
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 (HK cent)	0.13	0.32	0.58	1.55

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

9. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 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 profit attributable to equity holders of the Company decreased to HK\$7.00 million for the nine months ended 31 December 2019 as compared to the profit attributable to equity holders of the Company HK\$18.65 million for the nine months ended 31 December 2018.

The Board considers that such decrease in profit was mainly due to two factors:

- (i) A decrease in revenue from installation services as the Group had 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, a few newly secured sizeable installations projects had been delayed due to various reasons at the property's or main contractors' level upstream to the Group, thereby creating a timing difference between the revenue recognition and overhead cost incurred.
- (ii) Due to the current social unrest situation, there was a decrease in A&A revenue which impacted to overall profitability of the Group as A&A generally generates a high profit margin among all revenue segments the Group.

On the other hand, the current social unrest in Hong Kong also affected the gross profit margin of A&A which it decreased from 20.99% for the nine months ended 31 December 2018 to 16.95% for the nine months ended 31 December 2019. It also partially constitutes to lead the Group profit dropped down to HK\$7.00 million for the nine months ended 31 December 2019.

Outlook

While the phase one trade deal between the United States and China had been signed and it brought about a piece of harmony to the world economy shortly. Yet, it will not resolve many of their deepest disagreements. On the other hand, the Brexit also poses significant political and economical risks for China as well as Hong Kong.

However, we are optimistic since it is indicated in the recent Government Policy Address Public Consultation that the Government of HKSAR intends to speed up public housing construction process. The Group will proactively participate in tender bidding for these projects on top of other private projects in the pipeline. In addition, the pre-fabrication factory to customize input materials used in our installation projects is in full operation commencing this Reporting period. The pre-fabrication factory will facilitate and manage the flow and quality of materials supply so as to streamline our operations. We expect benefits driven by material cost savings and wastage control to be materialized in the near future.

Going forward, the Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. However, strong financial resources raised from the Listing enables the Directors to capitalise on their extensive experience and continue to leverage on its competitive advantages in installation, alteration and addition works and maintenance of fire servicing system. These advantages include a comprehensive range of licences and qualifications 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, which enable the Group to secure higher bidding prices and reduce materials and subcontracting costs so as to improve overall profitability performance.

We are confident to contribute a sustained growth and will continue to seek potential opportunities to expand and develop our business in the fire safety industry.

Financial Review

Revenue

The Group's revenue for the nine months ended 31 December 2019 amounted to approximately HK\$170.09 million which represented a decrease of approximately HK\$106.44 million or 38.49% from approximately HK\$276.53 million for the corresponding last period ended 31 December 2018.

A decrease in revenue was due to the completion of a significant portion of installation projects contracted in previous years and recognition of the associated revenue prior to the beginning of this Reporting period. Moreover, a few newly secured sizeable installations projects had been delayed due to various reasons at the property developer's or main contractors' level upstream to the Group, thereby creating a timing difference between the revenue recognition and overhead cost incurred.

Apart from installation projects, the Group's revenue of A&A decreased from approximately HK\$93.57 million for the nine months ended 31 December 2018 to approximately HK\$82.27 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$11.30 million or 12.08%. The significant decrease in A&A revenue was mainly due to the fact that certain A&A had been delayed owing to various factors out 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\$234.20 million for the nine months ended 31 December 2018 to approximately HK\$142.82 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$91.38 million or 39.02%.

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 would not incur much cost of revenue for the Reporting period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$15.06 million or 35.58% from approximately HK\$42.33 million for the nine months ended 31 December 2018 to approximately HK\$27.27 million for the nine months ended 31 December 2019. The gross profit margin increased slightly from 15.31% for the nine months ended 31 December 2018 to 16.03% for the nine months ended 31 December 2019. The overall gross profit margin remained stable for both the nine months ended 31 December 2018 and 2019.

In respect of the revenue segment of installation, in comparison with the nine months ended 31 December 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 from installation services secured was normally higher than the usual installation revenue segment. On the other hand, the current social unrest in Hong Kong also affected the gross profit margin of A&A which it decreased from 20.99% for the nine months ended 31 December 2018 to 16.95% for the nine months ended 31 December 2019. It also partially constitutes to lead the Group profit dropped down to HK\$7.00 million for the nine months ended 31 December 2019.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consist of 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\$1.31 million or 6.96% from approximately HK\$18.81 million for the nine months ended 31 December 2018 to approximately HK\$20.12 million for the nine months ended 31 December 2019.

Finance Costs

Finance costs of the Group were approximately HK\$0.06 million for the nine months ended 31 December 2019 as compared to approximately HK\$0.15 million for the nine months ended 31 December 2018. Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The reduction of finance cost for the Reporting period was mainly due to the fully settlement a bank loan during the Reporting period.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$3.60 million or 73.32% from approximately HK\$4.91 million for the nine months ended 31 December 2018 to approximately HK\$1.31 million for the nine months ended 31 December 2019. The decrease was mainly due to a decrease in taxable profit for the nine months ended 31 December 2019.

Profit for the Period Attributable to Shareholders of the Company

The Group's profit attributable to shareholders was approximately HK\$7.00 million for the nine months ended 31 December 2019, as compared to approximately HK\$18.65 million for the corresponding period in 2018. This represents a decrease of 62.47%.

The Board considers that such decrease in profit was mainly due to two factors:

- (i) A decrease in revenue from installation services as the Group had 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, a few newly secured sizeable installations projects had been delayed due to various reasons at the property's or main contractors' level upstream to the Group, thereby creating a timing difference between the revenue recognition and overhead cost incurred.

- (ii) Due to the current social unrest situation, there was a decrease in A&A revenue which impacted to overall profitability of the Group as A&A generally generates a high profit margin among all revenue segments the Group.

On the other hand, the current social unrest in Hong Kong also affected the gross profit margin of A&A which it decreased from 20.99% for the nine months ended 31 December 2018 to 16.95% for the nine months ended 31 December 2019. It also partially constitutes to lead the Group profit dropped down to HK\$7.00 million for the nine months ended 31 December 2019.

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.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: Nil).

DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

OTHER INFORMATION

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

As at 31 December 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 <i>(Note 1)</i>	Percentage of Issued Share Capital <i>(Note 2)</i>
Mr. Poon Ken Ching Keung ("Mr. Ken Poon") <i>(Notes 3 and 5)</i>	Interest in a controlled corporation	508,500,000	42.38%
Mr. Ng Kwok Wai <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%
Ms. Lee To Yin <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%
Ms. Poon Kam Yee Odilia ("Ms. Odilia Poon") <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 December 2019.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited ("**Success Step**"). Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced Limited ("**Legend Advanced**") as described in note 6 below.

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

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

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

Save as disclosed above, as at 31 December 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 31 December 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 of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long position in the shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held <i>(Note 1)</i>	Percentage of Issued Share Capital <i>(Note 2)</i>
Success Step <i>(Notes 3 and 5)</i>	Beneficial owner	418,500,000	34.88%
	Holder of equity derivative	90,000,000	7.50%
		508,500,000	42.38%
Noble Capital <i>(Notes 4 and 5)</i>	Beneficial owner	391,500,000	32.63%
	Holder of equity derivative	90,000,000	7.50%
		481,500,000	40.13%
Alderhill Holdings Limited <i>(Notes 4 and 5)</i>	Interest in a controlled corporation	481,500,000	40.13%
Unity Trust <i>(Notes 4 and 5)</i>	Trustee of trust	481,500,000	40.13%

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held (Note 1)	Percentage of Issued Share Capital (Note 2)
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 of the Company in issue as at 31 December 2019.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below.

Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 shares of the Company which Success Step is deemed to be interested in.
- (4) 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 of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 shares of the Company 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 of the Company held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the shares of the Company held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the shares of the Company held by Ms. Odilia Poon.

Save as disclosed above, as at 31 December 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 of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Competition and Conflict of Interests

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

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 of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the Reporting period.

Share Option Scheme

The Company has a share option scheme (the "**Scheme**") 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.

INTEREST OF COMPLIANCE ADVISER

On 21 August 2019, it was announced that the Company and the former Company's compliance adviser, Kingsway Capital Limited had mutually agreed to terminate the compliance adviser agreement with effect from 31 August 2019. It was further announced that Innovax Capital Limited was appointed on the same date as the compliance adviser and entered into compliance adviser agreement with the Company. None of the compliance adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules for the Reporting period, 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. Ken Poon is the chairman and the chief executive officer of the Company. Mr. Ken Poon has been the key leadership figure of the Group for over 30 years of experience in the fire services and water pump installation services in Hong Kong. Mr. Ken Poon has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Ken 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 had two independent non-executive Directors, thus the number of independent non-executive Directors fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. The Company also failed 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 in the remuneration committee and nomination committee of the Company had fallen below a majority as required under Rule 5.34 of the GEM Listing Rules and code provision A.5.1 of the CG Code respectively.

On 2 September 2019, the Company announced that Mr. Chan Shu Yan, Stephen (“**Mr. Chan**”) had been appointed as an independent non-executive Director with effect from 2 September 2019. The board composition 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 had 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 the requirements under Rules 5.34 and 5.28 of the GEM Listing Rules, and code provision A.5.1 of the CG Code respectively.

On 30 October 2019, the Company announced that Mr. Tommy Poon, had 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 announced that Ms. Lee To Yin had been appointed as an executive Director with effect from 31 October 2019. She has been the director of GFE, the principal operating subsidiary of our Group, since 1 February 2005. She has accumulated over 40 years of experience in accounting, administration and human resources management. She joined GFE in April 1982 and since then has held different posts within the company which range from overseeing the financial matters for the 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 Rules 5.28 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The audit committee of the Company consists of three members, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan, Stephen, all being independent non-executive Directors. Mr. Yung Chung Hing currently serves as the chairman of the audit committee 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 quarterly results of the Group for the Reporting period and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

REVIEW OF THIS THIRD QUARTERLY REPORT

The third quarterly report 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, 6 February 2020

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.