

VISTAR HOLDINGS LIMITED

熒德控股有限公司

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

2021 FIRST 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.

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

*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 three months ended 30 June 2021 (the “**Reporting Period**”), the revenue of the Group increased to approximately HK\$91.11 million from approximately HK\$57.33 million for the corresponding three months ended 30 June 2020. The increase in total revenue was mainly due to an increase in installation work with its periodic revenue amounted to approximately HK\$43.93 million. Such increase in revenue was mainly contributed by incremental revenue on installation work performed based on the volume of ongoing installation projects during the Reporting Period.
- The consolidated profit and total comprehensive income attributable to shareholders was lowered by approximately HK\$2.75 million or 101.48%, i.e. from the consolidated profit and total comprehensive income of approximately HK\$2.71 million for three months ended 30 June 2020, reducing to a consolidated loss and total expenses of approximately HK\$0.04 million for the Reporting Period. The Board considers that such change was mainly attributable to offsetting events including (i) remarkable operating profit from core business of the Group of approximately HK\$6.95 million driven by improvement in installation revenue on construction work performed; and (ii) listing expenses incurred of approximately HK\$6.99 million during the Reporting Period in relation to the proposed transfer of the listing of the shares of the Company from GEM to the Main Board of the Stock Exchange (the “**Proposed Transfer of Listing**”) as disclosed in the announcement of the Company dated 17 June 2021.
- The Board does not recommend the payment of a dividend for the Reporting Period (2020: 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 Reporting Period together with the comparative unaudited figures for the corresponding three months ended 30 June 2020 as follows:

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

FOR THE THREE MONTHS ENDED 30 JUNE 2021

	Notes	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Revenue	4	91,109	57,325
Cost of revenue		(75,078)	(47,373)
Gross profit		16,031	9,952
Other income and gains	5	135	53
Reversal of impairment loss/ (Impairment losses) of trade receivables and contract assets, net		190	(687)
Administrative and other operating expenses	6	(7,728)	(6,121)
Listing expenses		(6,993)	–
Finance costs	7	(147)	(55)
Profit before income tax		1,488	3,142
Income tax	8	(1,532)	(432)
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to equity holders of the Company		(44)	2,710
(Losses)/Earnings per share – Basic and Diluted (HK cents)		(0.004) cents	0.23 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THREE MONTHS ENDED 30 JUNE 2021

	Share capital HK\$'000	Share premium HK\$'000	Other & Legal reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2021 (Audited)	12,000	25,841	38,884	66,642	143,367
(Loss) and total comprehensive (expenses) for the period	-	-	-	(44)	(44)
At 30 June 2021 (Unaudited)	12,000	25,841	38,884	66,598	143,323
Balance as at 1 April 2020 (Audited)	12,000	28,841	38,884	38,131	117,856
Profit and total comprehensive income for the period	-	-	-	2,710	2,710
Balance as at 30 June 2020 (Unaudited)	12,000	28,841	38,884	40,841	120,566

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2021

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, 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 work, alteration and addition services and maintenance services of electrical and mechanical engineering systems in Hong Kong. As at 30 June 2021, the particulars of the Company’s subsidiaries are 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%	Provision of installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong
Guardian Engineering Limited (“ GEL ”)	Incorporated in Hong Kong on 15 May 2000 Limited liability company	Hong Kong	HK\$100,000	–	100%	Provision of installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the three months ended 30 June 2021 (the “**First Quarterly Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Besides, the First Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The First Quarterly Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the Company. The First Quarterly Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The preparation of the First Quarterly Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

The accounting policies and methods of computation in the First Quarterly Financial Statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except for the adoption of the new and revised HKFRSs that have become effective from 1 January 2021.

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 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform Phase 2 ²

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

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

The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of amended HKFRS 16 are summarised below.

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 2021: (continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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 2021: (continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted) (continued)

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

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

(ii) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 2020, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combination for which the date of acquisition is on or after the beginning of the first annual period

⁴ Effective for annual period beginning on or after 1 January 2023

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

(ii) Amended HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors of the Company do not anticipate that the application of the amendments and revision in the future will have impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

The Directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

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

(ii) Amended HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the “cost of fulfilling a contract” comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

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

(ii) Amended HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020, Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Details of the amendments are as follows:

- HKFRS 1, First-time Adoption of HKFRS, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

4. 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 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Installation work	71,637	27,706
Alteration and additions services	18,082	28,363
Maintenance services	1,390	1,256
	91,109	57,325

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

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

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

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

4. REVENUE (continued)

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

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

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

5. OTHER INCOME AND GAINS

	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Interest income from financial assets at fair value through profit or loss	56	–
Bank interest income	1	1
Service income	55	32
Others	23	20
	135	53

6. ADMINISTRATION AND OTHER OPERATING EXPENSES

	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Staff salaries and employee benefit expenses	3,928	3,627
Travelling expenses	250	202
Depreciation	878	602
Legal and professional fee	435	375
Audit fee	208	200
Business development expenses	131	346
Rental expenses	31	31
Office expenses	434	269
Others	1,433	469
	7,728	6,121

7. FINANCE COSTS

	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Interest on bank loans	67	6
Interest on lease liabilities	80	49
	147	55

8. INCOME TAX EXPENSES

	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 HK\$'000
Hong Kong profits tax	1,532	432
	1,532	432

The Company compiled the two-tiered profits tax rates regime and computed the Hong Kong Profits Tax at 16.5% on the estimated assessable profits for the period. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Accordingly, for the three months ended 30 June 2021 and three months ended 30 June 2020, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million.

9. EARNINGS PER SHARE

The calculation of earnings/(losses) per share is based on the following data.

	(Unaudited) Three months ended 30 June 2021 HK\$'000	(Unaudited) Three months ended 30 June 2020 <i>HK\$'000</i>
(Loss)/Profit for the period attributable to equity holders of the Company (HK\$'000)	(44)	2,710
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(losses) per share (in thousand)	1,200,000	1,200,000
Basic (losses)/earnings per share (<i>HK cent</i>)	(0.004)	0.23

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

10. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2021 (2020: Nil).

11. SHARE OPTION SCHEME

The Company has a share option scheme (the “**Scheme**”) which was approved and adopted by the Shareholders by way of written resolutions passed 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 may in its absolute discretion determine the subscription price 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 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) 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.

11. SHARE OPTION SCHEME (continued)

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares under the Scheme:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the “**Invested Entity**”) in which the Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any Shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a registered electrical and mechanical (“E&M”) engineering service contractor in Hong Kong with a full range of E&M licenses and is principally engaged in the provision of E&M engineering services and specialises in the installation work, alteration and addition services and maintenances services of fire service system. Our installation work include design and installation of fire services systems for buildings under construction or re-development; our alteration and addition services cover alteration and addition on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

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

During the Reporting Period, we have incurred a marginal loss attributable to equity holders of approximately HK\$0.04 million, but this does not reflect the true performance of the Group as listing expenses of HK\$6.99 million was recorded in relation to the Proposed Transfer of Listing. Excluding such expenses, the Group’s normalised profit was approximately HK\$6.95 million which represents a significant improvement from the three months ended 30 June 2020 when we recorded a profit of HK\$2.71 million. This remarkable result is a testimonial to the abovementioned competitive strengths of the Group.

Outlook

Our goal is to achieve sustainable growth in our business by further enhancing our performance as one of the leading E&M engineering service providers focusing on fire service systems in Hong Kong. We have fully utilised the proceeds from the GEM Listing in accordance with the planned use of proceeds to expand our business and strengthen our market position, which assisted the Group in its development and growth in the aspects of business size and profitability.

We hope that the Proposed Transfer of Listing will help further enhance our Group's corporate profile and status within our industry so as to increase our competitiveness in obtaining new projects, improve our fund-raising capabilities and help us to recruit and retain top-quality talent.

Looking forward, we maintain a positive view over the Hong Kong fire services market and the industry as a whole, the Group will continue to improve its internal processes, workforce capabilities and technological infrastructure to maximize returns on existing business, and will identify suitable expansion opportunities in new project types, business sectors and market regions in order to maintain its sustainability.

Financial Review

Revenue

The Group's revenue for the Reporting Period amounted to approximately HK\$91.11 million which represented an increase of approximately HK\$33.78 million or 58.92% from approximately HK\$57.33 million for the three months ended 30 June 2020.

The increase in total revenue was mainly due to an increase in revenue from installation work of approximately HK\$43.93 million. Such increase in revenue was mainly contributed by installation revenue on construction work performed during the Reporting Period.

Cost of revenue

The Group's cost of revenue increased from approximately HK\$47.37 million for the three months ended 30 June 2020 to approximately HK\$75.08 million for the Reporting Period, representing an increase of approximately HK\$27.71 million or 58.50%.

Such increase in cost of revenue was in line with the increase in revenue but in a smaller proportional rate as a result of the savings in cost of revenue of installation projects by utilising the prefabrication technology which is fully operated at workshop since the year ended 31 March 2021.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$6.08 million or 61.11% from approximately HK\$9.95 million for the three months ended 30 June 2020 to approximately HK\$16.03 million for the Reporting Period. The gross profit margin was slightly increased from 17.36% for the three months ended 30 June 2020 to 17.60% for the Reporting Period. The overall gross profit margin remained stable for both the three months ended 30 June 2020 and 2021.

Administrative and other operating expenses

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

Our administrative and other operating expenses increased by approximately HK\$1.61 million or 26.31% from approximately HK\$6.12 million for the three months ended 30 June 2020 to approximately HK\$7.73 million for the Reporting Period. The increase in administrative and other operating expenses for the Reporting Period can be attributed to smaller increments in a number of items including staff salaries and employee benefit expenses, depreciation, office expenses and others.

Finance costs

Finance costs of the Group are approximately HK\$0.15 million for the three months ended 30 June 2021 (2020: HK\$0.06 million). Finance costs consist of interest on bank loans and interest on lease liabilities. The increase in the Group's finance costs for the Reporting Period was due to the increase in interest expense incurred on bank loans and lease liabilities during the Reporting Period.

Income tax expense

Income tax expense for the Group increased by approximately HK\$1.10 million or 255.81% from approximately HK\$0.43 million for the three months ended 30 June 2020 to approximately HK\$1.53 million for the Reporting Period. The increase was mainly due to the increase in taxable profit for the Reporting Period as the listing expenses was not deductible for assessment of profit tax liability.

(Loss)/profit for the period attributable to equity holders of the Company

The consolidated profit and total comprehensive income attributable to shareholders was lowered by approximately HK\$2.75 million or 101.48%, i.e. from the consolidated profit and total comprehensive income of approximately HK\$2.71 million for three months ended 30 June 2020, reducing to a consolidated loss and total expenses of approximately HK\$0.04 million for the Reporting Period. The Board considers that such change was mainly attributable to offsetting events including (i) remarkable operating profit from core business of the Group of approximately HK\$6.95 million driven by improvement in installation revenue on construction work performed; and (ii) listing expenses incurred of approximately HK\$6.99 million during the Reporting Period in relation to the Proposed Transfer of Listing as disclosed in the announcement of the Company dated 17 June 2021.

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 30 June 2021, the Group did not have any material contingent liabilities (2020: Nil).

OTHER INFORMATION

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

As at 30 June 2021, 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 5)	Interest in a controlled corporation	508,500,000	42.37%
Mr. Ng Kwok Wai (Notes 4 and 5)	Interest in a controlled corporation	90,000,000	7.50%
Ms. Lee To Yin (Notes 4 and 5)	Interest in a controlled corporation	90,000,000	7.50%
Ms. Poon Kam Yee Odilia ("Ms. Odilia Poon") (Notes 4 and 5)	Interest in a controlled corporation	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 30 June 2021.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited ("**Success Step**"). Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced Limited ("**Legend Advanced**") as described in note 5 below.

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

- (4) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital Concept Limited ("**Noble Capital**"). For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the prospectus of the Company dated 31 January 2018 (the "**Prospectus**").

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

Save as disclosed above, as at 30 June 2021, 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 June 2021, 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 (Note 1)	Percentage of Issued Share Capital (Note 2)
Success Step <i>(Notes 3 and 5)</i>	Beneficial owner	418,500,000	34.87%
	Holder of equity derivative	90,000,000	7.50%
		508,500,000	42.37%
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%

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held (Note 1)	Percentage of Issued Share Capital (Note 2)
Mr. Tommy Poon ^(Notes 4 and 5)	Interest in a controlled corporation	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	42.37%
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 30 June 2021.
- (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) Mr. Tommy Poon holds the entire issued share capital of Noble Capital. Noble Capital, in turn directly holds 391,500,000 shares of the Company and he 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 and Mr. Tommy Poon is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the shares of the Company held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the shares of the Company held by Ms. Odilia Poon.

Save as disclosed above, as at 30 June 2021, 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 shares 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 (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group 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 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.

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 as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) for the Reporting Period, except the deviation from code provision A.2.1 of the CG Code.

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

Mr. Ken Poon is the chairman and the chief executive officer of the Company. Mr. Poon has been the key leadership figure of the Group for over 32 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 provisions of the CG Code for the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the “**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 currently consists of three members, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen, all being independent non-executive Directors. Mr. Yung Chung Hing currently serves as the chairman of the Audit Committee.

The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits. The Audit Committee has reviewed the 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 FIRST QUARTERLY REPORT

The first quarterly report has been reviewed by the Audit Committee.

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

Hong Kong, 13 August 2021

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.