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LUMINA GROUP LIMITED

瑩嵐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(GEM Stock Code: 8470)

(Main Board Stock Code: 1162)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor



紅日資本有限公司

RED SUN CAPITAL LIMITED

TRANSFER OF LISTING

On 31 July 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing and such application was renewed on 12 February 2020. The Company has applied for the listing of, and permission to deal in, (i) 600,000,000 Shares in issue; and (ii) any Share which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 8 April 2020. The last day of dealings in the Shares on GEM (stock code on GEM: 8470) will be Friday, 17 April 2020. Dealings in the Shares on the Main Board (stock code on the Main Board: 1162) will commence at 9:00 a.m. on Monday, 20 April 2020.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and its Shares as at the date of this announcement.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and share registrars and transfer offices of the Company following the Transfer of Listing.

The price and trading volume of the Shares has been volatile since the GEM Listing. The Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risk and they are advised to exercise caution when dealing in the Shares.

Reference is made to the announcements of the Company made on 31 July 2019 and 12 February 2020 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules.

TRANSFER OF LISTING

On 31 July 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing and such application was renewed on 12 February 2020. The Company has applied for the listing of, and permission to deal in, (i) 600,000,000 Shares in issue; and (ii) any Share which may fall to be issued upon the exercise of share options which may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 8 April 2020 for the Shares to be listed on the Main Board and de-listed from GEM. As at the date of this announcement, all applicable pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed and traded on GEM since 25 October 2017. The Group is principally engaged in the provision of fire safety services in Hong Kong, focusing on building fire safety. The Group's services cover the design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. The Group also provides repair and maintenance services on fire safety systems to satisfy the Fire Services Department's requirements. To supplement its repair and maintenance services, the Group also supplies fire safety equipment to its customers. The Board considers that the Transfer of Listing will enhance the profile of the Group and strengthen its recognition among public investors and customers, and that the listing of the Shares on the Main Board will be beneficial to the future growth, business development as well as financial flexibility of the Group.

As at the date of this announcement, the Board does not contemplate any material change in the nature of business of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Share by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 25 October 2017, the date on which the Shares were first listed on GEM. Subject to the continuing compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code on GEM: 8470) will be Friday, 17 April 2020. Dealings in the Shares on the Main Board (stock code on the Main Board: 1162) will commence at 9:00 a.m. on Monday, 20 April 2020.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in a board lot size of 8,000 Shares each and are traded in Hong Kong Dollars. The principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited and the Hong Kong branch share registrar and the transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 22 September 2017 and took effect on the GEM Listing Date to provide the Company with a flexible means of giving incentive to and rewarding the eligible persons for their contribution to the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion invite eligible persons of the Share Option Scheme including, among others, the Group's executive directors, non-executive directors, independent non-executive directors, advisors, consultants and employees of the Company or any of its subsidiaries, to take up share options to subscribe for Shares in accordance with the terms of the Share Option Scheme.

No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme after the GEM Listing Date and prior to the date of this announcement. A total of 60,000,000 Shares, representing 10% of the share capital of the Company in issue as at the GEM Listing Date, may fall to be issued upon exercise of the share options that may be but not yet granted under the Share Option Scheme.

The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save as disclosed above, there are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 9 August 2019 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the revocation or variation of the authority given under the resolution by any ordinary resolution of the Shareholders in general meeting; and
- (c) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held.

FINANCIAL INDEPENDENCE

The Group has its own financial management and accounting systems, accounting and administration department and independent treasury functions, and it makes financial decisions according to its own business needs. There have been no financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective close associates for the Group since the GEM Listing Date and up to the date of this announcement.

Based on the above, the Directors consider that the Group has no financial dependence on its Controlling Shareholders.

INTERESTS IN COMPETING BUSINESS

As at the date of this announcement, none of the Controlling Shareholders or the Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company pursuant to Rule 8.10(1) and (2) of the Main Board Listing Rules.

CONTROLLING SHAREHOLDERS

As at the date of this announcement, Mr. Fok is interested in 100% of the issued share capital of Foxfire, which in turn holds 427,500,000 Shares (representing 71.25% of the issued share capital of the Company). As such, for the purpose of the GEM Listing Rules and the Main Board Listing Rules, each of Mr. Fok and Foxfire is a Controlling Shareholder of the Company.

SHAREHOLDING DISTRIBUTION

The Company has made an enquiry into its shareholding. Based on the responses received up to the date of this announcement and to the best information and knowledge of the Directors upon due inquiry, as at 15 January 2020 (being the latest practicable date in ascertaining the Company's shareholding for the publication of this announcement), (i) the Controlling Shareholders held a total of 427,500,000 Shares (representing 71.25% of the issued share capital of the Company); (ii) the identifiable Shareholders (other than the Controlling Shareholders) held an aggregate of 160,525,026 Shares (representing approximately 26.75% of the issued share capital of the Company); and (iii) there were not less than 1,118 Shareholders.

The Directors are not aware of any reasons behind the significant decrease in the number of public Shareholders since the GEM Listing. However, in general, the Directors consider that the current or past Shareholders would have different investment objectives, preferences and/or circumstances. These factors, together with the macro-economic environment and market status, may change over time and are beyond the control of the Directors, and may affect the respective Shareholders choice of increasing, maintaining or decreasing their respective shareholding positions in the Company at the relevant time.

Notwithstanding the decrease in the number of shareholders as compared with the GEM Listing Date, based on the number of shareholders as at 15 January 2020 of not less than 1,118, the Directors expect that the Company would have not less than 300 Shareholders as at the date of the Transfer of Listing and would satisfy the requirement under Rule 8.08(2) of the Main Board Listing Rules.

The table below sets out the number of identifiable Shareholders and the Shareholders' spread other than the Shares held by the Controlling Shareholders as at 15 January 2020:

	Aggregate number of Shares held by the Shareholder(s)	Approximate percentage of shareholding to the issued share capital of the Company
The Controlling Shareholders	427,500,000	71.25%
Top three identifiable Shareholders (other than the Controlling Shareholders)	21,360,000	3.56%
Top 20 identifiable Shareholders (including the Controlling Shareholders)	481,604,000	80.27%
Top 25 identifiable Shareholders (including the Controlling Shareholders)	487,388,000	81.23%

PUBLIC FLOAT

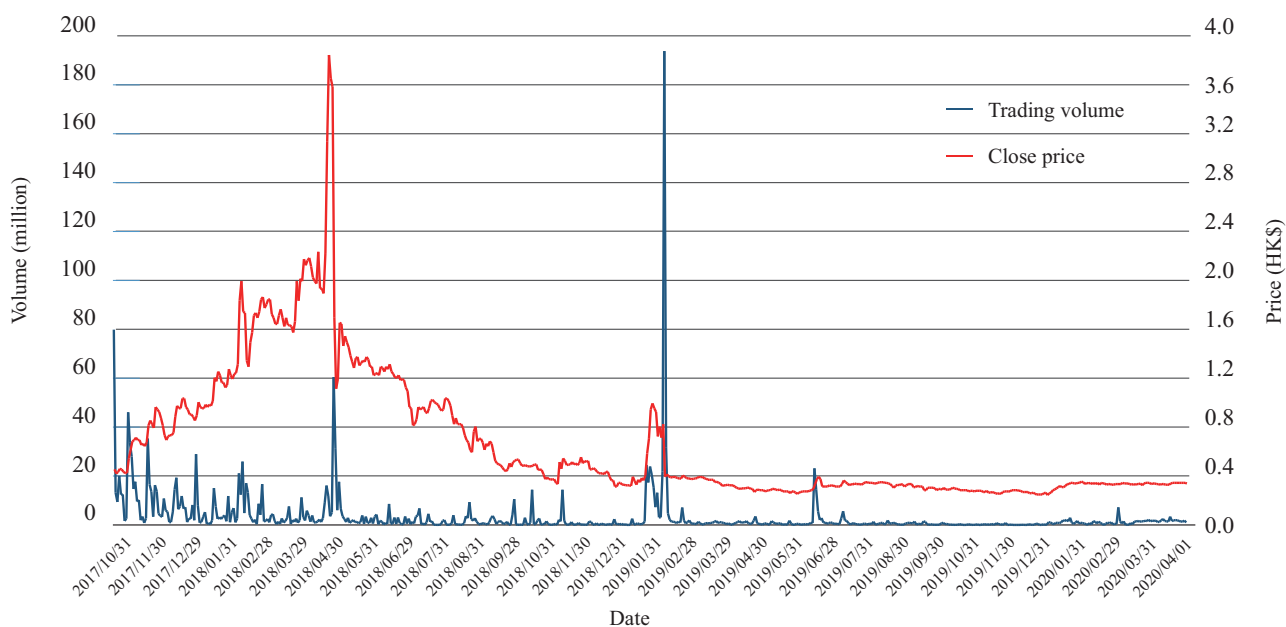
The Directors confirm that no less than 25% of the total issued share capital of the Company was held by the public (as defined under the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

SHARE PRICE VOLATILITY

The Board noted that the price of the Shares has been volatile. The Shares have been listed on GEM by way of Share Offer since the GEM Listing Date. The offer price per Share pursuant to the Share Offer was HK\$0.46. The highest and lowest prices at which the Shares have been traded on GEM since the GEM Listing Date up to the Latest Practicable Date were HK\$3.85 (23 April 2018) and HK\$0.25 (6 December 2019), respectively.

The price and trading volume of the Shares have been volatile since the GEM Listing. The Board is not aware of any reason for such volatility and the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risks and they are advised to exercise caution when dealing in the Shares.

The following chart sets forth the volatility of the price and trading volume of the Shares since the GEM Listing Date and up to the Latest Practicable Date.



PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and the Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

BUSINESS OVERVIEW

Founded in 2005, the Group is an established fire safety services provider in Hong Kong. The Group's services cover the design, supply and installation of fire safety systems including evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. The Group also provides repair and maintenance services on fire safety systems to satisfy the Fire Services Department's requirements. To supplement its repair and maintenance services, the Group also supplies fire equipment to its customers.

The Group registered steady growth during the Track Record Period. For the year ended 31 March 2019, the Group registered record-high revenue during the Track Record Period of approximately HK\$120.8 million. Meanwhile, the Group's profit for the year, disregarding the impact of the listing expenses recorded in the years ended 31 March 2017 and 2018 respectively, increased from approximately HK\$19.6 million for the year ended 31 March 2018 to approximately HK\$24.1 million for the year ended 31 March 2019.

While the recent slowdown of the economy and the construction of new buildings in Hong Kong could potentially affect the overall demand for the Group's fire safety services (including the fire safety system installation for new buildings), based on information available as at the Latest Practicable Date, the Directors believe that the Group has not been materially impacted by such slowdown. With its experience and market reputation, the Group has continued to receive tender invitations and other business opportunities, which was reflected in the increasing number of tenders submitted during the three years ended 31 March 2019. For further details, please refer to the paragraph headed "Tender success rate" below in this section. In addition, the Group has been promoted from Group I to Group II (on probation) under the "Fire Service Installation" category of the List of Approved Specialist Contractors for Public Works, allowing it to be eligible to tender for public fire service installation works of unlimited amount which will broaden the Group's business opportunities for public works. The Directors will continue to monitor the development in the market and may adjust its pricing strategy for tenders according to such development as and when appropriate.

The following table sets out a breakdown of the Group's revenue by segment during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	% (unaudited)
Fire safety system installation	84,235	92.0	88,730	86.9	110,940	91.8	72,113	90.1	83,509	95.8
Repair and maintenance	7,290	8.0	13,346	13.1	9,848	8.2	7,947	9.9	3,661	4.2
Total	91,525	100.0	102,076	100.0	120,788	100.0	80,060	100.0	87,170	100.0

Fire safety system installation

The following table sets out a breakdown of the Group's revenue generated from fire safety system installation projects by type of buildings during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	% (unaudited)
New buildings	30,368	36.1	34,125	38.5	49,213	44.4	29,423	40.8	43,637	52.3
Existing buildings	53,867	63.9	54,605	61.5	61,727	55.6	42,690	59.2	39,872	47.7
Total	84,235	100.0	88,730	100.0	110,940	100.0	72,113	100.0	83,509	100.0

1. New buildings

New building projects refer to the provision of the Group's fire safety system installation services for newly completed buildings. All newly completed buildings shall have their fire safety system installed according to the provisions in the Code of Practice for Minimum Fire Service Installations and Equipment issued by the Fire Services Department.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the revenue generated from the Group's new building projects amounted to approximately HK\$30.4 million, HK\$34.1 million, HK\$49.2 million and HK\$43.6 million, respectively.

2. *Existing buildings*

The Group also provides fire safety system installation services to existing buildings because:

- aging buildings will have to upgrade or replace their fire safety systems;
- change of the building usages (e.g. from industrial to commercial use as part of the urban renewal effort) requires re-installation of fire safety systems to comply with the relevant regulations;
- when a tenant of commercial buildings (e.g. shopping malls and offices) move in, it will renovate and retrofit the premises and this may require an installation or re-installation of the fire safety system; or
- the imposition of more stringent fire safety regulations and/or an increased awareness of fire safety on the part of property owners may also drive the needs for an upgrade or replacement of fire safety systems.

For the years ended 31 March 2017, 2018, 2019 and the nine months ended 31 December 2019, the revenue generated from existing building projects amounted to approximately HK\$53.9 million, HK\$54.6 million, HK\$61.7 million and HK\$39.9 million, respectively.

When executing a fire safety system installation project, subject to the scope of works under the engagement, the Group is generally responsible for the designing and planning of the fire safety works, arranging direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the requirements of its customers and relevant government authorities, such as the Fire Services Department.

a. Design of fire safety systems

The Group may be required to provide detailed designs to certain fire safety systems, including the evacuation and electrical fire alarm systems and water and gas suppression systems. Customers may provide preliminary designs on the building fire safety systems with specific requirements, and given the Group's extensive experience in fire safety industry, it is able to provide detailed designs of the systems that can meet the requirements of its customers and the relevant government authorities, such as the Fire Services Department based on such preliminary designs and requirements.

b. Supply and installation of fire safety systems

During the supply and installation stage of the fire safety system, the Group is typically responsible for the overall project management, supervision and implementation of its projects. The Group organises subcontractors to carry out the works and sources the required equipment and components. The Group will ensure that such systems installed and the fire safety works carried out by the subcontractors shall comply with the requirements of its customers and the relevant government authorities, such as the Fire Services Department.

Upon project completion, the Group is responsible for conducting the testing, commissioning, inspection of the installed fire safety systems to the satisfaction of the relevant government authorities, such as the Fire Services Department, and its customers.

Repair and maintenance

According to the Fire Service (Installations and Equipment) Regulations, fire safety systems are required to be inspected at least once per year. The Group, as a registered fire service installation contractor, is able to provide maintenance services for existing building fire safety systems.

Such maintenance services generally include inspection on the fire safety systems such as smoke detectors and sprinklers, and emergency call-out services offering 24-hour response to emergency situations, such as fire alarm detection and sounder reset, lock out fire control panels, etc. If any defect is identified, the Group will give its customers a quote for repair works. Subject to the acceptance of the quotation, the Group will assign its staff or subcontractors to carry out the repair works, such as fixing defective equipment and replacement of fire equipment.

To supplement its repair and maintenance services, the Group also engaged in the supply of fire equipment. In 2005, the Group first became an approved supplier of a leading property developer in Hong Kong and since then it has been supplying fire equipment, such as fire extinguishers, smoke detectors and visual fire alarms. The Group is generally required to supply and deliver the selected fire safety products in accordance with the terms of the contracts and/or the purchase orders placed.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the revenue generated from repair and maintenance services amounted to approximately HK\$7.3 million, HK\$13.3 million, HK\$9.8 million and HK\$3.7 million, respectively.

The revenue generated from repair and maintenance services for the year ended 31 March 2018 was significantly higher than that for the years ended 31 March 2017 and 2019 because in the year ended 31 March 2018, the Group was engaged under two repair and maintenance projects, which contributed revenue of repair and maintenance services of approximately HK\$6.9 million, accounting for approximately 51.9% of the revenue of repair and maintenance services for the year ended 31 March 2018. These two repair and maintenance projects commenced on 1 October 2016 and were completed on 30 September 2018; thus, there was a full year effect contributed to the Group in the year ended 31 March 2018 and given the timing of the commencement and completion of the aforesaid projects, the Group only carried out repair and maintenance works for these two projects for around six months for both of the years ended 31 March 2017 and 2019.

The Group's projects

The Group generated revenue from 753, 699, 691 and 438 fire safety system installation projects for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, of which 23, 22, 28 and 16 projects were new building projects, respectively, and the contract values for those projects were relatively higher than existing building projects given that the project scales were larger in general.

Pricing policy

The Group adopts a cost-plus pricing model for estimating the tendered sum/quotation of its projects.

For the pricing of a fire safety system installation project, the Group considers factors including (i) the complexity of the project; (ii) the specifications of the project; (iii) its prevailing capacity; (iv) historical project costs (which mainly includes direct labour costs, subcontracting fees, and material and equipment costs); (v) fees received by the Group for similar projects in the past; and (vi) the prevailing fee level in the market and competitive conditions at the contract negotiation stage.

For the pricing of a repair and maintenance project, the Group considers factors including (i) the scope and nature of works; (ii) its then prevailing capacity; (iii) fees received by the Group for similar projects in the past; and (iv) the prevailing fee level in the market and competitive conditions at the contract negotiation stage.

Given the pricing policy of the Group, the tendered sum/quotation submitted for each project is subject to a wide range of factors as set out above.

In addition to the above, the Group would also consider the size of the subject contracts and strike a balance between (i) incorporating a relatively higher profit margin for contracts which are smaller in size thereby would generate a smaller amount of revenue individually; and (ii) incorporating a relatively lower profit margin for contracts which are larger in size with a view to derive a larger revenue in absolute amount.

New building projects will generally have higher absolute contract sum and will contribute higher revenue per project, therefore the Group is willing to accept lower gross profit margins for such projects. Meanwhile, the Group pursues higher gross profit margins for existing building projects because such projects generally have lower absolute contract sum.

The Company has adopted the aforesaid pricing policy throughout the Track Record Period. However, the overall gross profit and gross profit margin of the Group as a whole and on a segment-by-segment basis of each year/period may be affected by the mix of the projects undertaken by the Group, the costs structure of the relevant projects and the availability of the Group's resources at the relevant time, particularly for projects with large awarded contract sums.

The Directors confirm that during the Track Record Period, no material unexpected costs were incurred for projects undertaken by the Group, and that there were no major deviations from the Group's pricing policy during the Track Record Period.

The following table sets out the number of fire safety system installation projects with revenue contribution during the Track Record Period:

	Number of fire safety system installation projects with revenue contribution for the year ended 31 March			For the nine months ended 31 December
	2017	2018	2019	2019
Fire safety system installation				
– New buildings	23	22	28	16
– Existing buildings	730	677	663	422
Total	<u>753</u>	<u>699</u>	<u>691</u>	<u>438</u>

The following table sets out the range of contract value for fire safety system installation projects for new buildings and existing buildings during the Track Record Period:

	For the year ended 31 March			For the nine months ended 31 December
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fire safety installation				
New buildings				
– Highest contract value	10,700	10,700	10,700	10,700
– Lowest contract value	<u>2,100</u>	<u>2,550</u>	<u>3,580</u>	<u>1,680</u>
Existing buildings				
– Highest contract value	12,990	12,990	8,460	8,460
– Lowest contract value	<u>below 10</u>	<u>below 10</u>	<u>below 10</u>	<u>below 10</u>

The following table sets out the average revenue recognised per project for fire safety system installation projects for new buildings and existing buildings during the Track Record Period:

	For the year ended 31 March			For the nine months ended
				31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fire safety installation				
– New buildings	1,320	1,551	1,758	2,727
– Existing buildings	74	81	93	94

The following table sets out the movement of backlog of the Group's fire safety system installation projects during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December	
	2017		2018		2019		2019	
	No. of Jobs	HK\$'000	No. of Jobs	HK\$'000	No. of Jobs	HK\$'000	No. of Jobs	HK\$'000
Opening value of backlog	41	61,468	31	66,166	25	53,232	48	75,228
Contract sum of new projects <i>(Note 1) (Note 2)</i>	743	88,933	693	75,796	714	132,936	419	61,197
Revenue recognised	753	84,235	699	88,730	691	110,940	438	83,509
Ending value of backlog <i>(Note 3)</i>	31	66,166	25	53,232	48	75,228	29	52,916 <i>(Note 4)</i>

Notes:

- Contract sum of new fire safety system installation projects represented the total contract sum of new projects awarded to the Group during the years/periods indicated, including contract sum of those projects tendered in the preceding year which were awarded in the year indicated. For the avoidance of doubt, the contract sum has taken into account the additional works or variation orders (if any) mainly certified by the architects, surveyors and/or the customers.
- Number of jobs represented number of new projects and work in progress projects undertaken by the Group during the relevant year/period.

3. Ending value of backlog equalled to the opening value of backlog plus contract sum of new fire safety system installation projects minus revenue recognised during the relevant years/periods indicated.
4. To the best knowledge of the Directors, barring unforeseen circumstances, there are two projects with an expected aggregate contract sum of approximately HK\$25.8 million which the customers have indicated that the Group would be formally engaged to provide fire safety system installation services for new buildings.

Tender success rate

The Group is mainly invited by its customers through email and phone to submit tenders or to provide quotations for potential projects. The Group is provided with the tender documents or enquiries which generally contain information such as work specifications and drawings along with the invitation. For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the revenue recognised from contracts obtained through tender (for both fire safety system installation projects and repair and maintenance projects) amounted to approximately HK\$68.8 million, HK\$77.2 million, HK\$93.9 million and HK\$74.4 million, respectively, which represented approximately 75.2%, 75.6%, 77.8% and 85.4% of the Group's total revenue for the corresponding years/periods, respectively.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the number of tenders submitted for the Group's fire safety system installation projects and repair and maintenance projects were 212, 323, 582 and 462, respectively. The success rates of attaining engagement for projects tendered were as follows:

	For the year ended 31 March			For the nine months ended
	2017	2018	2019	31 December 2019
Success rate (<i>Note</i>)	22.2%	17.6%	13.4%	14.7%

Note: Success rate is calculated as to the number of tender submissions with contracts entered into during the respective years/periods divided by the number of tender submissions to customers during the respective years/periods. As at the Latest Practicable Date, to the best estimation of the Directors, the results of 30 out of 462 tenders submitted during the nine months ended 31 December 2019 were still pending.

The tender success rates for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019 were approximately 22.2%, 17.6%, 13.4% and 14.7%, respectively. The decrease in tender success rate was due to the Group's pricing strategy during the Track Record Period.

The Group's tender strategy is to identify suitable tender opportunities, and submit tenders for projects with tender terms which could maximise the Group's profit in light of the then availability of its resources and manpower capacity.

After its successful listing on GEM, the Group had been provided with more tender opportunities, which was reflected in the increasing number of tenders submitted during the three years ended 31 March 2019. In light of this, instead of aiming to submit the lowest bid, it was the Group's policy to price its tenders with reasonable profitability and at a level which would commensurate with the Group's service quality, expected timetables of its projects and the Group's capacity at the material time. As a result, the Directors believe that the tenders submitted by the Group might not have been as competitive in terms of pricing as other market participants and it might have resulted in a drop in the Group's tender success rate during the Track Record Period. However, the number of awarded tenders over the three years ended 31 March 2017, 2018 and 2019 increased from 47 for the year ended 31 March 2017 to 57 for the year ended 31 March 2018, and further to 78 for the year ended 31 March 2019.

The duration for execution of new building projects during the Track Record Period ranged from around 12 months to 36 months while for the execution of existing building projects during the Track Record Period ranged from less than one month to 36 months.

The Group has not experienced any material delays in its project progress during the Track Record Period and up to the Latest Practicable Date.

Customers

The Group maintained a diversified customers' base comprising of customers from both private sector (non-public sector such as property owners and tenants, construction contractors and property managers) and public sector (government-related organisations and non-governmental organisations). The Group's fire safety services projects cover different types of buildings, including commercial (e.g. offices, hotels and shopping malls), composite (a combination of any two or more of domestic, commercial or institutional usage), institutional (e.g. schools, hospitals and universities) and residential.

In addition to owners and tenants of buildings in the private sector, the Group's customers also include property managers which include customers whose principal business is the management of properties and construction contractors, which are usually the main contractors in fire safety system installation projects and the Group is either appointed by the construction contractors (i.e. a domestic subcontractor) or nominated by the property owners to the construction contractors (i.e. a nominated subcontractor).

The following table sets forth the revenue recognised by customer type during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	% (unaudited)
Private sector										
- Owner and tenants	21,935	24.0	24,761	24.3	22,481	18.6	18,016	22.5	10,299	11.8
- Property managers	12,453	13.6	9,733	9.5	8,815	7.3	7,599	9.5	4,464	5.1
- Construction contractors (<i>Note</i>)										
- As a domestic subcontractor	49,844	54.5	51,299	50.3	64,640	53.5	41,023	51.2	62,949	72.2
- As a nominated subcontractor	6,247	6.8	15,728	15.4	23,841	19.8	12,858	16.1	8,956	10.3
Subtotal	<u>90,479</u>	<u>98.9</u>	<u>101,521</u>	<u>99.5</u>	<u>119,777</u>	<u>99.2</u>	<u>79,496</u>	<u>99.3</u>	<u>86,668</u>	<u>99.4</u>
Public sector										
- Government-related organisations	403	0.4	304	0.3	676	0.5	326	0.4	260	0.3
- Non-governmental organisations	643	0.7	251	0.2	335	0.3	238	0.3	242	0.3
Subtotal	<u>1,046</u>	<u>1.1</u>	<u>555</u>	<u>0.5</u>	<u>1,011</u>	<u>0.8</u>	<u>564</u>	<u>0.7</u>	<u>502</u>	<u>0.6</u>
Total	<u>91,525</u>	<u>100.0</u>	<u>102,076</u>	<u>100.0</u>	<u>120,788</u>	<u>100.0</u>	<u>80,060</u>	<u>100.0</u>	<u>87,170</u>	<u>100.0</u>

Note: The Group acted as domestic subcontractor for projects when engaged by construction contractors, and as nominated subcontractor for projects when engaged by main contractors through the nomination of the ultimate owners of the projects, such as property owners.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, approximately 98.9%, 99.5%, 99.2% and 99.4% of the Group's revenue was generated from private sector works, respectively. The revenue contributed by works for owners and tenants accounted for approximately HK\$21.9 million, HK\$24.8 million, HK\$22.5 million and HK\$10.3 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, which accounted for approximately 24.0%, 24.3%, 18.6% and 11.8% of the total revenue for the corresponding years/periods, respectively. The revenue contributed by works for property managers accounted for approximately HK\$12.5 million, HK\$9.7 million, HK\$8.8 million and HK\$4.5 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, which accounted for approximately 13.6%, 9.5%, 7.3% and 5.1% of the total revenue for the corresponding years/periods, respectively.

The revenue derived from works for the public sector accounted for approximately HK\$1.0 million, HK\$0.6 million, HK\$1.0 million and HK\$0.5 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 1.1%, 0.5%, 0.8% and 0.6% of the total revenue for the corresponding years/periods, respectively.

The following table sets out a breakdown of the Group's revenue by the type of properties during the Track Record Period:

	2017		For the year ended 31 March				For the nine months ended 31 December 2019	
	HK\$'000	%	2018	2019	2019	%	HK\$'000	%
			HK\$'000	%	HK\$'000	%	(unaudited)	
Commercial	58,840	64.3	59,769	58.5	72,625	60.1	47,749	54.8
Composite	9,381	10.3	24,374	23.9	18,376	15.2	14,417	16.5
Institutional	19,791	21.6	13,668	13.4	15,799	13.1	23,016	26.4
Residential	3,513	3.8	4,265	4.2	13,988	11.6	1,988	2.3
Total	91,525	100.0	102,076	100.0	120,788	100.0	87,170	100.0

The revenue derived from works carried out in commercial buildings amounted to approximately HK\$58.8 million, HK\$59.8 million, HK\$72.6 million and HK\$47.7 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 64.3%, 58.5%, 60.1% and 54.8% of the Group's total revenue for the corresponding years/periods, respectively.

The revenue derived from works carried out in composite buildings amounted to approximately HK\$9.4 million, HK\$24.4 million, HK\$18.4 million and HK\$14.4 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 10.3%, 23.9%, 15.2% and 16.5% of the Group's total revenue for the corresponding years/periods, respectively.

The revenue derived from works carried out in institutional buildings amounted to approximately HK\$19.8 million, HK\$13.7 million, HK\$15.8 million and HK\$23.0 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 21.6%, 13.4%, 13.1% and 26.4% of the Group's total revenue for the corresponding years/periods, respectively.

The revenue derived from works carried out in residential buildings amounted to approximately HK\$3.5 million, HK\$4.3 million, HK\$14.0 million and HK\$2.0 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 3.8%, 4.2%, 11.6% and 2.3% of the Group's total revenue for the corresponding years/periods, respectively.

Major projects completed during and after the Track Record Period up to the Latest Practicable Date

The Group's revenue is affected by the number, size, nature of services provided and stage of completion of its projects. The table below sets forth the summary of sizeable projects with contract sum of over HK\$5 million that were completed during and after the Track Record Period and up to the Latest Practicable Date:

Location (Hong Kong)	Description	Category	Commencement date	Completion date (Note 1)	Awarded contract sum HK\$'000	Revenue recognised for the year ended 31 March				Revenue recognised for the nine months ended 31 December 2019 HK\$'000	Total revenue recognised during the Track Record Period (Note 2) HK\$'000
						2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000		
1	Mong Kok	Work carried out on existing commercial building	Fire safety system installation	November 2016	January 2018	12,990	3,657	10,433	-	-	14,090
2	Tuen Mun	Work carried out on new composite building	Fire safety system installation	October 2018	February 2020	10,300	-	-	5,069	5,859	10,938
3	Quarry Bay	Work carried out on new commercial building	Fire safety system installation	May 2017	September 2019	9,380	-	382	7,921	1,077	9,380
4	North Point	Redevelopment work on an international school	Fire safety system installation	August 2015	December 2016 (Note 3)	7,505	3,835	793	-	-	4,628
5	Sai Ying Pun	Work carried out on new composite building	Fire safety system installation	March 2017	March 2020	7,030	-	1,870	4,629	531	7,030
6	Kwai Chung	Work carried out on existing commercial building	Fire safety system installation	August 2016	September 2019	6,640	1,798	3,752	934	661	7,145
7	To Kwa Wan	Work carried out on new residential building	Fire safety system installation	September 2016	March 2018	6,630	555	6,075	-	-	6,630
8	Tsuen Wan	Work carried out on new institutional building	Fire safety system installation	November 2015	February 2018	6,555	5,162	1,329	-	-	6,491
9	Central	Work carried out on new commercial building	Fire safety system installation	May 2018	December 2019	6,500	-	-	3,216	3,284	6,500
10	Mong Kok	Work carried out on new residential building	Fire safety system installation	December 2017	August 2019	6,000	-	371	4,782	847	6,000
11	Tsim Sha Tsui	Work carried out on new hotel	Fire safety system installation	October 2015	March 2017 (Note 3)	5,800	5,141	-	295	-	5,436

Location (Hong Kong)	Description	Category	Commencement date	Completion date (Note 1)	Awarded contract sum HK\$'000	Revenue recognised for the year ended 31 March				Revenue recognised for the nine months ended	Total revenue recognised during the Track Record Period (Note 2) HK\$'000
						2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	31 December 2019 HK\$'000	
12	Tai Po	Work carried out on new hostel	July 2018	December 2019	5,750	-	-	3,095	2,655	5,750	
		Fire safety system installation									
13	Mong Kok	Work carried out on new composite building	October 2016	September 2018	5,390	234	4,535	621	-	5,390	
		Fire safety system installation									
14	Tsuen Wan	Work carried out on existing commercial building	November 2015	February 2020	5,630	517	1,828	1,675	657	4,677	
		Fire safety system installation									
15	Kwai Chung	Work carried out on new composite building	November 2016	July 2018	5,080	43	4,278	758	-	5,079	
		Fire safety system installation									
16	Ap Lei Chau	Work carried out on new residential building	October 2014	May 2017	5,070	2,879	288	-	-	3,167	
		Fire safety system installation									
17	Sai Ying Pun	Work carried out on new residential building	March 2018	July 2019	5,040	-	4	4,508	528	5,040	
		Fire safety system installation									
18	Kwun Tong	Work carried out on existing commercial building	August 2015	May 2016	5,000	192	-	-	-	192	
		Fire safety system installation									

Notes:

1. Most contracts entered into between the Group as a subcontractor and the Group's customers would only state the main contract commencement date and/or expected main contract period, which might last much longer than the Group's fire service installation works required. Hence, for the purpose of this table, the service period refers to period commencing when the Company first incurred cost for a project and ending when the Company issued the invoice of the last payment application.
2. Total revenue recognised could be higher than awarded contract sum due to variation orders arising in association with the relevant projects.
3. Subsequent to the completion of these projects, the Group's variation orders on certain projects were certified by customers. As a result, additional revenue was recognised after the completion of such projects.

Major projects on-going as at the Latest Practicable Date

The table below sets forth the summary of major on-going projects with contract sum over HK\$5 million as at the Latest Practicable Date:

Location (Hong Kong)	Description	Category	Commencement date	Awarded contract sum HK\$'000	Revenue recognised for the year ended 31 March			Revenue recognised for the nine months ended	Total (Note 1) HK\$'000	Estimated revenue to be recognised after the Track Record Period (Note 2) HK\$'000	Expected to be completed by/completed in (month/year) (Note 3)	
					2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	31 December 2019 HK\$'000				
1	Tai Kok Tsui	Work carried out on new composite building	Fire safety system installation	October 2016	10,700	284	4,672	4,764	1,310	11,030	-	April 2020
2	Tuen Mun	Work carried out on new industrial building	Fire safety system installation	February 2019	10,280	-	-	22	9,179	9,201	1,079	April 2020
3	Kwai Chung	Work carried out on existing industrial building	Fire safety system installation	August 2018	8,460	-	-	5,763	2,580	8,343	117	April 2020
4	Hung Hom	Work carried out on new hotel	Fire safety system installation	November 2018	6,690	-	-	74	987	1,061	5,629	September 2020
5	Tin Hau	Work carried out on new commercial building	Fire safety system installation	October 2018	5,090	-	-	798	4,170	4,968	122	April 2020

Notes:

- Total revenue recognised could be higher than awarded contract sum due to variation orders arising in association with the relevant projects.
- The amount of revenue to be recognised after the Track Record Period is an estimate based on information available to the Company as at the Latest Practicable Date. Such amount is subject to, among others, variation orders, actual project progress and audit.
- Most contracts entered into between the Group as subcontractor and the Group's customers would only state the main contract commencement date and/or expected main contract period, which might last much longer than the Group's fire service installation works required. Hence, for the purpose of this table, the service period refers to period commencing when the Company first incurred cost for a project and ending when the Company is expected to issue the invoice of the last payment application.

Customers

The following table sets forth the details of the Group's five largest customers according to the Group's revenue attributable to each of them during the Track Record Period:

For the year ended 31 March 2017

Rank	Customer	Services provided by the Group	Commencement year of business relationship	Revenue <i>HK\$'000</i>	Approximate % of total revenue	Credit period
1	Customer A	Provision of fire safety system installation services	2011	11,476	12.5	30 days
2	Customer B	Provision of fire safety system installation services and repair and maintenance services	2012	10,686	11.7	0-30 days
3	Customer C	Provision of fire safety system installation services	2013	9,362	10.2	nil
4	Customer D	Provision of fire safety system installation services	2013	5,162	5.6	nil
5	Customer E	Provision of fire safety system installation services	2014	5,108	5.6	0-45 days
	Subtotal			41,794	45.6	
	Other customers			49,731	54.4	
	Total			91,525	100.0	

For the year ended 31 March 2018

Rank	Customer	Services provided by the Group	Commencement year of business relationship	Revenue HK\$'000	Approximate % of total revenue	Credit period
1	Customer A	Provision of fire safety system installation	2011	18,209	17.8	30 days
2	Customer E	Provision of fire safety system installation	2014	12,370	12.1	0-45 days
3	Customer B	Provision of fire safety system installation, and repair and maintenance services	2012	7,235	7.1	0-30 days
4	Customer F	Provision of fire safety system installation	2016	6,075	6.0	nil
5	Customer G	Provision of fire safety system installation	2016	4,134	4.0	nil
	Subtotal			48,023	47.0	
	Other customers			54,053	53.0	
	Total			102,076	100.0	

For the year ended 31 March 2019

Rank	Customer	Services provided by the Group	Commencement year of business relationship	Revenue HK\$'000	Approximate % of total revenue	Credit period
1	Customer A	Provision of fire safety system installation	2011	13,052	10.8	30 days
2	Customer E	Provision of fire safety system installation	2014	10,150	8.4	0-45 days
3	Customer G	Provision of fire safety system installation	2016	8,854	7.4	nil
4	Customer H	Provision of fire safety system installation	2016	6,534	5.4	nil
5	Customer I	Provision of fire safety system installation	2018	5,820	4.8	nil
	Subtotal			44,410	36.8	
	Other customers			76,378	63.2	
	Total			120,788	100.0	

For the nine months ended 31 December 2019

Rank	Customer	Services provided by the Group	Commencement year of business relationship	Revenue <i>HK\$'000</i>	Approximate % of total revenue	Credit period
1	Customer J	Provision of fire safety system installation	2015	9,179	10.5	nil
2	Customer K	Provision of fire safety system installation	2014	6,530	7.5	nil
3	Customer L	Provision of fire safety system installation	2013	6,110	7.0	nil
4	Customer M	Provision of fire safety system installation	2018	5,859	6.7	nil
5	Customer I	Provision of fire safety system installation	2018	5,514	6.3	nil
	Subtotal			33,192	38.0	
	Other customers			53,978	62.0	
	Total			87,170	100.0	

Notes:

- Customer A is a company incorporated in Hong Kong and a wholly-owned subsidiary of a Hong Kong listed company. The company is a registered general building contractor and a registered specialist contractor of the Buildings Department.
- Customer B is a manager of a real estate investment trust listed on the Stock Exchange with properties under its management including retail facilities, fresh market and offices.
- Customer C is a company incorporated in Hong Kong and is a registered general building contractor of the Buildings Department.
- Customer D is a company incorporated in Hong Kong and is a registered general building contractor of the Buildings Department.
- Customer E is a company incorporated in Hong Kong and a registered general building contractor of the Buildings Department.
- Customer F is a company incorporated in Hong Kong and a wholly-owned subsidiary of a Hong Kong listed company. It was engaged by a statutory body in Hong Kong to co-ordinate and supervise the process of designing, planning, constructing, fitting out, completing and marketing a development project in Kowloon City, Hong Kong.

7. Customer G is a company incorporated in Hong Kong and is a wholly-owned subsidiary of a Hong Kong based company that has been actively participating in Hong Kong's urban redevelopment.
8. Customer H is a company incorporated in Hong Kong and a wholly-owned subsidiary of Hong Kong listed company. The Company is a registered general building contractor and a registered minor works contractor of the Buildings Department. The company mainly manages and executes electric and machinery engineering projects in addition with providing support and maintenance services.
9. Customer I is a company incorporated in Hong Kong and a registered general building contractor of the Buildings Department.
10. Customer J is a company incorporated in Hong Kong, a registered general building contractor and a registered specialist contractors (sub-register of site formation works category) of the Buildings Department.
11. Customer K is a company incorporated in Hong Kong and a registered general building contractor of the Buildings Department.
12. Customer L is a company incorporated in Hong Kong and a registered minor works contractor (company) of the Buildings Department.
13. Customer M is a company incorporated in Hong Kong and is an investment holding company whose subsidiaries are engaged in property development and investments and manufactory investments.

The Directors consider that the Group has maintained good business relationships with its five largest customers for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019. The average length of business relationships with the Group's five largest customers for such periods was approximately 3.4 years as at 31 December 2019. The Group's five largest customers for such periods in aggregate accounted for approximately 45.6%, 47.0%, 36.8% and 38.0% of the Group's total revenue, respectively, while the largest customer accounted for approximately 12.5%, 17.8%, 10.8% and 10.5% of the Group's total revenue, respectively.

None of the Directors, their close associates or any Shareholder who or which, to the best knowledge of the Directors, owns more than 5% of the issued share capital of the Company had any interest in any of the five largest customers during the Track Record Period.

Suppliers and Subcontractors

Supplies of materials and equipment

The Group's suppliers, all located in Hong Kong, mainly include suppliers of fire safety services related materials and equipment such as fire control panels, fire and smoke detectors, metal accessories, water pipes and water pumps.

The Group has adopted a policy on the management of suppliers and subcontractors, whereby the Group would conduct background checks on its suppliers and select its suppliers based on various factors, including the price and quality of their products, the reliability of their on-time delivery, and their reputation in the industry. The Group would also carry out periodic reviews of its suppliers to ensure the quality of the products supplied meets the Group's requirements.

The following table sets forth the details of the Group's five largest suppliers according to the material and equipment costs incurred by the Group during the Track Record Period:

For the year ended 31 March 2017

Rank	Supplier	Goods provided to the Group	Commencement year of business relationship	Material and equipment costs <i>HK\$'000</i>	Approximate % of material and equipment costs	Credit period
1	Supplier A	Fire equipment and related accessories	2009	3,935	31.1	30 days
2	Supplier B	Water pipes	2008	2,258	17.8	30 days
3	Supplier C	Metal accessories	2009	1,433	11.3	nil
4	Supplier D	Fire equipment and related electrical accessories	2008	967	7.6	30 days
5	Supplier E	Water pumps	2010	891	7.0	30 days
	Subtotal			9,484	74.8	
	Other suppliers			3,201	25.2	
	Total			12,685	100.0	

For the year ended 31 March 2018

Rank	Supplier	Goods provided to the Group	Commencement year of business relationship	Material and equipment costs <i>HK\$'000</i>	Approximate % of material and equipment costs	Credit period
1	Supplier A	Fire equipment and related accessories	2009	4,790	26.4	30 days
2	Supplier B	Water pipes	2008	3,364	18.5	30 days
3	Supplier C	Metal accessories	2009	1,622	8.9	nil
4	Supplier E	Water pumps	2010	1,599	8.8	30 days
5	Supplier D	Fire equipment and related accessories	2008	987	5.4	30 days
Subtotal				12,362	68.0	
Other suppliers				5,826	32.0	
Total				18,188	100.0	

For the year ended 31 March 2019

Rank	Supplier	Goods provided to the Group	Commencement year of business relationship	Material and equipment costs <i>HK\$'000</i>	Approximate % of material and equipment costs	Credit period
1	Supplier A	Fire equipment and related accessories	2009	4,712	19.7	30 days
2	Supplier B	Water pipes	2008	3,248	13.6	30 days
3	Supplier F	Water pumps and related accessories	2018	1,786	7.5	nil
4	Supplier C	Metal accessories	2009	1,615	6.8	nil
5	Supplier G	Fire equipment and related accessories	2018	1,585	6.6	30 days
Subtotal				12,946	54.2	
Other suppliers				10,922	45.8	
Total				23,868	100.0	

For the nine months ended 31 December 2019

Rank	Supplier	Goods provided to the Group	Commencement year of business relationship	Material and equipment costs <i>HK\$'000</i>	Approximate % of material and equipment costs	Credit period
1	Supplier A	Fire equipment and related accessories	2009	4,452	27.0	30 days
2	Supplier B	Water pipes	2008	1,632	9.9	30 days
3	Supplier H	Water pipes	2016	1,304	7.9	45 days
4	Supplier C	Metal accessories	2009	955	5.8	nil
5	Supplier I	Fire equipment and related accessories	2017	845	5.1	30 days
	Subtotal			9,188	55.7	
	Other suppliers			7,303	44.3	
	Total			16,491	100.0	

Notes:

- Supplier A is a company incorporated in Hong Kong which is principally engaged in the supply of firefighting products.
- Supplier B is a company incorporated in Hong Kong and a wholly-owned subsidiary of a Hong Kong listed company which is principally engaged in the supply of water pipes.
- Supplier C is a company incorporated in Hong Kong which is principally engaged in the supply of metal related accessories.
- Supplier D is a company incorporated in Hong Kong and a wholly-owned subsidiary of a company listed on the New York Stock Exchange which is principally engaged in the supply of electrical products.
- Supplier E is a company incorporated in Hong Kong which is principally engaged in the supply of water pumps.
- Supplier F is a company incorporated in Hong Kong which is principally engaged in the supply of water pumps.
- Supplier G is a company incorporated in Hong Kong which is principally engaged in the supply of fire equipment and related accessories.

8. Supplier H is a company incorporated in Hong Kong which is principally engaged in the supply of water pipes.
9. Supplier I is a company incorporated in Hong Kong which is principally engaged in the supply of fire equipment and related accessories.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the Directors consider that the Group has maintained good business relationships with its five largest suppliers for such periods. The average length of business relationships with the Group's five largest suppliers for such periods was approximately 7.2 years as at 31 December 2019. The Group's five largest suppliers for such periods accounted for approximately 74.8%, 68.0%, 54.2% and 55.7%, respectively, of its material and equipment cost, and its largest supplier accounted for approximately 31.1%, 26.4%, 19.7% and 27.0%, respectively, of the materials and equipment costs during the corresponding years/periods, respectively.

None of the Directors, their close associates or any Shareholder who or which, to the best knowledge of the Directors, owns more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers during the Track Record Period.

Subcontracting arrangement

The Group's subcontractors consist of sole proprietors and private companies, all of which are located in Hong Kong. The Group engaged its subcontractors on a project basis, and has not entered into any long-term agreement with them.

During the Track Record Period, the Group subcontracted out some of its fire safety system installation works, such as installation of evacuation and electrical fire alarm system, and water and gas suppression system. Although the subcontracting arrangement is usually more costly as compared to the involvement of the Group's direct labour and may lower the Group's gross profit margin, the Group considers that this subcontracting arrangement would (i) minimise the needs to employ and maintain a large workforce and reduce the overall administrative expense; and (ii) increase the flexibility to meet the needs for extra capacity in carrying out relevant works. With the engagement of subcontractors, the Group is able to focus on the overall management and quality assurance of its projects based on its experience and expertise. For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the Group's subcontracting fees accounted for approximately 65.3%, 57.8%, 55.5% and 59.9% of the Group's direct cost, respectively. The Group's subcontractors are neither its employees nor its agents, and the Group is not a party to the employment arrangements between its subcontractors and their employees.

The following table sets forth the details of the Group's five largest subcontractors according to the subcontracting fees incurred by the Group during the Track Record Period:

For the year ended 31 March 2017

Rank	Subcontractor	Services provided to the Group	Commencement year of business relationship	Subcontracting fees <i>HK\$'000</i>	Approximate % of subcontracting fees	Credit period
1	Subcontractor A	Installation of water and gas suppression system, and evacuation and electrical fire alarm system	2013	8,886	22.1	nil
2	Subcontractor B	Installation of water and gas suppression system	2005	6,073	15.1	nil
3	Subcontractor C	Installation of evacuation and electrical fire alarm system	2005	4,366	10.8	nil
4	Subcontractor D	Installation of evacuation and electrical fire alarm system	2010	4,120	10.2	nil
5	Subcontractor E	Installation of water and gas suppression system	2005	3,996	9.9	nil
	Subtotal			27,441	68.1	
	Other subcontractors			12,864	31.9	
	Total			40,305	100.0	

For the year ended 31 March 2018

Rank	Subcontractor	Services provided to the Group	Commencement year of business relationship	Subcontracting fees <i>HK\$'000</i>	Approximate % of subcontracting fees	Credit period
1	Subcontractor B	Installation of water and gas suppression system	2005	9,840	24.4	nil
2	Subcontractor E	Installation of water and gas suppression system	2005	4,289	10.7	nil
3	Subcontractor C	Installation of evacuation and electrical fire alarm system	2005	4,267	10.6	nil
4	Subcontractor D	Installation of evacuation and electrical fire alarm system	2010	4,164	10.3	nil
5	Subcontractor F	Installation of water and gas suppression system	2005	2,604	6.5	nil
	Subtotal			25,164	62.5	
	Other subcontractors			15,102	37.5	
	Total			40,266	100.0	

For the year ended 31 March 2019

Rank	Subcontractor	Services provided to the Group	Commencement year of business relationship	Subcontracting fees <i>HK\$'000</i>	Approximate % of subcontracting fees	Credit period
1	Subcontractor B	Installation of water and gas suppression system	2005	7,355	16.2	nil
2	Subcontractor D	Installation of evacuation and electrical fire alarm system	2010	6,863	15.1	nil
3	Subcontractor E	Installation of water and gas suppression system	2005	4,683	10.3	nil
4	Subcontractor C	Installation of evacuation and electrical fire alarm system	2005	3,621	8.0	nil
5	Subcontractor G	Installation of water and gas suppression system	2016	3,409	7.5	nil
				Subtotal	25,931	57.1
				Other subcontractors	19,495	42.9
				Total	45,426	100.0

For the nine months ended 31 December 2019

Rank	Subcontractor	Services provided to the Group	Commencement year of business relationship	Subcontracting fees <i>HK\$'000</i>	Approximate % of subcontracting fees	Credit period
1	Subcontractor H	Installation of water system	2018	5,928	16.9	nil
2	Subcontractor B	Installation of water and gas suppression system	2005	5,809	16.5	nil
3	Subcontractor D	Installation of evacuation and electrical fire alarm system	2010	4,917	14.0	nil
4	Subcontractor C	Installation of evacuation and electrical fire alarm system	2005	3,206	9.1	nil
5	Subcontractor F	Installation of water and gas suppression system	2005	3,197	9.1	nil
	Subtotal			23,057	65.7	
	Other subcontractors			12,058	34.3	
	Total			35,115	100.0	

Notes:

1. Subcontractor A is a company incorporated in Hong Kong which is principally engaged in the installation of water and gas suppression, and evacuation and electrical fire alarm systems.
2. Subcontractor B is a company incorporated in Hong Kong which is principally engaged in the installation of water and gas suppression systems.
3. Subcontractor C is a company incorporated in Hong Kong which is principally engaged in the installation of evacuation and electrical fire alarm systems.
4. Subcontractor D is a company incorporated in Hong Kong which is principally engaged in the installation of evacuation and electrical fire alarm systems.
5. Subcontractor E is a company incorporated in Hong Kong which is principally engaged in the installation of water and gas suppression systems.

6. Subcontractor F is a company incorporated in Hong Kong which is principally engaged in the installation of water and gas suppression systems.
7. Subcontractor G is a company incorporated in Hong Kong which is principally engaged in the installation of water and gas suppression system.
8. Subcontractor H is a company incorporated in Hong Kong which is principally engaged in the installation of water system.

The Directors consider that the Group has maintained good business relationships with its five largest subcontractors during the Track Record Period. Most of these five largest subcontractors have had business relationships with the Group for over 10 years as at 31 December 2019. The Group's five largest subcontractors accounted for approximately 68.1%, 62.5%, 57.1% and 65.7%, respectively, of the Group's subcontractor fees, and the largest subcontractor accounted for approximately 22.1%, 24.4%, 16.2% and 16.9% of the Group's subcontractor fees during corresponding years/periods, respectively.

None of the Directors, their close associates or any Shareholder who or which, to the best knowledge of the Directors, owns more than 5% of the issued share capital of the Company had any interest in any of the five largest subcontractors during the Track Record Period.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or engaging subcontractors during the Track Record Period. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the Track Record Period.

During the Track Record Period, most purchases and subcontracting fees were settled in Hong Kong Dollars and most of them were settled by cheques.

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the audited consolidated statement of profit or loss and other comprehensive income of the Group for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 30 December 2018 and 2019:

	For the year ended 31 March			For the nine months ended 31 December	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Revenue	91,525	102,076	120,788	80,060	87,170
Direct costs	<u>(61,685)</u>	<u>(69,617)</u>	<u>(81,828)</u>	<u>(55,922)</u>	<u>(58,602)</u>
Gross profit	29,840	32,459	38,960	24,138	28,568
Bank interest income	1	417	649	492	601
Impairment loss allowance of trade receivables and contract assets, net of reversal	(55)	(186)	(943)	–	(190)
Administrative expenses	(5,750)	(9,104)	(10,252)	(7,538)	(8,612)
Other expenses	–	–	–	–	(3,634)
Listing expenses	(7,435)	(8,270)	–	–	–
Finance costs	<u>(19)</u>	<u>(53)</u>	<u>–</u>	<u>–</u>	<u>(24)</u>
Profit before taxation	16,582	15,263	28,414	17,092	16,709
Income tax expenses	<u>(4,012)</u>	<u>(3,907)</u>	<u>(4,323)</u>	<u>(2,571)</u>	<u>(3,131)</u>
Profit and total comprehensive income for the years/periods	<u>12,570</u>	<u>11,356</u>	<u>24,091</u>	<u>14,521</u>	<u>13,578</u>
Profit and total comprehensive income for the year attributable to					
– Owners of the Company	12,269	11,356	24,091	14,521	13,578
– Non-controlling interest	<u>301</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share					
Basic (HK cents)	<u>2.76</u>	<u>2.21</u>	<u>4.02</u>	<u>2.42</u>	<u>2.26</u>

KEY FINANCIAL INFORMATION

The followings set forth the selected financial information of the Group for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2018 and 2019:

Revenue

The Group's revenue was generated from the provision of fire safety system installation services and repair and maintenance services. The Group generated revenue from 753, 699, 691 and 438 fire safety system installation projects for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, of which 23, 22, 28 and 16 projects were new building projects, respectively, and the contract value for those projects were relatively higher than existing building projects given that the project scale was generally larger and hence, involved more time and resources.

The following table sets out the Group's revenue by segment during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)		(unaudited)	
Fire safety system installation										
New buildings	30,368	33.2	34,125	33.4	49,213	40.7	29,423	36.8	43,637	50.1
Existing buildings	53,867	58.8	54,605	53.5	61,727	51.1	42,690	53.3	39,872	45.7
Sub-total	84,235	92.0	88,730	86.9	110,940	91.8	72,113	90.1	83,509	95.8
Repair and maintenance	7,290	8.0	13,346	13.1	9,848	8.2	7,947	9.9	3,661	4.2
Total	<u>91,525</u>	<u>100.0</u>	<u>102,076</u>	<u>100.0</u>	<u>120,788</u>	<u>100.0</u>	<u>80,060</u>	<u>100.0</u>	<u>87,170</u>	<u>100.0</u>

For the years ended 31 March 2017, 2018 and 2019, the revenue generated from the Group's new building projects amounted to approximately HK\$30.4 million, HK\$34.1 million and HK\$49.2 million, respectively. The increase was mainly attributable to the increasing number of sizable new building projects taken on by the Group during the period. During the years ended 31 March 2017, 2018 and 2019, the number of new building projects with (i) revenue contribution during the respective year; and (ii) contract sum over HK\$5 million was eight, 11 and 14, respectively.

For the nine months ended 31 December 2018 and 2019, the revenue generated from the Group's new building projects amounted to approximately HK\$29.4 million and HK\$43.6 million, respectively. The increase was mainly attributable to the commencement of three new building projects with a total contract sum of approximately HK\$25.7 million and with revenue contribution of approximately HK\$19.2 million for the nine months ended 31 December 2019.

For the years ended 31 March 2017, 2018 and 2019, the revenue generated from existing building projects amounted to approximately HK\$53.9 million, HK\$54.6 million and HK\$61.7 million, respectively. The revenue generated from existing building projects for the year ended 31 March 2018 was largely in line with the revenue generated from existing building projects for the year ended 31 March 2017. The increase in the revenue generated from existing building projects for the year ended 31 March 2019 comparing to revenue generated from existing building projects for the year ended 31 March 2018 was mainly due to the increase in average revenue recognised per project. The average revenue recognised per project increased slightly from approximately HK\$80,000 for the year ended 31 March 2018 to approximately HK\$90,000 for the year ended 31 March 2019.

For the nine months ended 31 December 2018 and 2019, the revenue generated from the Group's existing building projects amounted to approximately HK\$42.7 million and HK\$39.9 million, respectively. Such decrease was mainly attributable to the completion of two existing building projects with a total contract sum of approximately HK\$9.7 million for the year ended 31 March 2019 and with revenue contribution of approximately HK\$9.9 million for the nine months ended 31 December 2018.

For the years ended 31 March 2017, 2018 and 2019, the revenue generated from repair and maintenance services amounted to approximately HK\$7.3 million, HK\$13.3 million and HK\$9.8 million respectively. The increase of revenue recognised for the year ended 31 March 2018 compared to the year ended 31 March 2017 was primarily due to the commencement of two repair and maintenance projects with a total contract sum of approximately HK\$11.1 million in October 2017. The decrease in revenue recognised for the year ended 31 March 2019 compared to the year ended 31 March 2018 was primarily due to the completion of the same projects in September 2018.

For the nine months ended 31 December 2018 and 2019, the revenue generated from repair and maintenance services amounted to approximately HK\$7.9 million and HK\$3.7 million, respectively. Such decrease was mainly attributable to the completion of two repair and maintenance projects with a total contract sum of approximately HK\$11.1 million in September 2018 and their revenue was recognised during the nine months ended 31 December 2018.

To the best knowledge of the Directors, most of the Group's customers maintained an evaluation system to assess tenders received from contractors, taking into account factors including their tender price, management experience, track record, financial capability, reputation and regulatory compliance. Such criteria may differ from customer to customer and the Group has no control over whether the potential customer would award the Group with subject contracts.

Subsequent to the completion of the aforementioned two repair and maintenance projects with a total contract sum of HK\$11.1 million and for the nine months ended 31 December 2019, the Group has not been awarded with projects of comparable contract sums. Nonetheless, the Group has continued to be awarded with repair and maintenance projects, including nine projects with a total contract sum of over HK\$10.1 million, as well as a term rate contract awarded by a well-established developer in Hong Kong.

During the three years ended 31 March 2019, the Group recorded annual increases in total revenue notwithstanding the segmental decrease of revenue recognised from repair and maintenance projects for the year ended 31 March 2019. The following table sets forth the revenue recognised by customer type during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	%
Private sector										
Owners and tenants	21,935	24.0	24,761	24.3	22,481	18.6	18,016	22.5	10,299	11.8
Property managers	12,453	13.6	9,733	9.5	8,815	7.3	7,599	9.5	4,464	5.1
Construction contractors <i>(Note)</i>										
– As a domestic subcontractor	49,844	54.5	51,299	50.3	64,640	53.5	41,023	51.2	62,949	72.2
– As a nominated subcontractor	6,247	6.8	15,728	15.4	23,841	19.8	12,858	16.1	8,956	10.3
Subtotal	90,479	98.9	101,521	99.5	119,777	99.2	79,496	99.3	86,668	99.4
Public sector										
Governmental-related organisations	403	0.4	304	0.3	676	0.5	326	0.4	260	0.3
Non-governmental organisations	643	0.7	251	0.2	335	0.3	238	0.3	242	0.3
Subtotal	1,046	1.1	555	0.5	1,011	0.8	564	0.7	502	0.6
Total	91,525	100.0	102,076	100.0	120,788	100.0	80,060	100.0	87,170	100.0

Note: The Group acted as domestic subcontractor for projects when engaged by the construction contractors, and as nominated subcontractor for projects when engaged by main contractors through the nomination of the ultimate owners of the projects, such as property owners.

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, approximately 98.9%, 99.5%, 99.2% and 99.4%, respectively of the Group's revenue was generated from private sector works. The revenue contributed by works for owners and tenants amounted to approximately HK\$21.9 million, HK\$24.8 million, HK\$22.5 million and HK\$10.3 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, which accounted for approximately 24.0%, 24.3%, 18.6% and 11.8% of the Group's total revenue for the corresponding years/periods, respectively. The revenue contributed by works for property managers amounted to approximately HK\$12.5 million, HK\$9.7 million, HK\$8.8 million and HK\$4.5 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, which amounted to approximately 13.6%, 9.5%, 7.3% and 5.1% of the Group's total revenue for the corresponding years/periods, respectively. The revenue contributed by works for construction contractors amounted to approximately HK\$56.1 million, HK\$67.0 million, HK\$88.5 million and HK\$71.9 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively, which accounted for approximately 61.3%, 65.7%, 73.3% and 82.5% of the Group's total revenue for the corresponding years/periods.

For the year ended 31 March 2018, the revenue contributed by works for property managers decreased by approximately HK\$2.7 million or 21.8%. Such decrease was mainly attributable to the completion of two fire safety system installation projects with a total contract sum of approximately HK\$8.1 million for the year ended 31 March 2017. For the year ended 31 March 2019, the revenue contributed by works for property managers decreased by approximately HK\$0.9 million or 9.4%. Such decrease was mainly attributable to the completion of two repair and maintenance projects with a total contract sum of approximately HK\$11.1 million in September 2018 whereas the majority of the revenue of which were recognised during the year ended 31 March 2018.

The revenue derived from works as a domestic subcontractor amounted to approximately HK\$49.8 million, HK\$51.3 million, HK\$64.6 million and HK\$62.9 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 54.5%, 50.3%, 53.5% and 72.2% of the total revenue for the corresponding years/periods, respectively. Such continuous increase was mainly because of 10 new projects, in which the Group worked as a domestic subcontractor, with total contract sum of approximately HK\$78.6 million commenced during the Track Record Period. The revenue contributed by works as a nominated subcontractor amounted to approximately HK\$6.2 million, HK\$15.7 million, HK\$23.8 million and HK\$9.0 million, respectively for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, which accounted for approximately 6.8%, 15.4%, 19.8% and 10.3% of the total revenue for the corresponding years/periods, respectively. Such fluctuation was mainly due to the commencement of seven new projects, in which the Group worked as a nominated

subcontractor, with a total contract sum of approximately HK\$49.4 million commenced during the Track Record Period and the completion of two of such projects prior to the nine months ended 31 December 2019.

The revenue of the Group increased from approximately HK\$28.4 million for the three months ended 31 December 2018 to approximately HK\$40.7 million for the three months ended 31 March 2019, which was mainly due to the increase in the number of projects undertaken by the Group with contract sum over HK\$5 million from eight projects for the three months ended 31 December 2018 to 13 projects for the three months ended 31 March 2019. Save as disclosed above, the Directors were not aware of any other material fluctuations in the Group's quarterly financial performance since the GEM Listing.

Direct costs

The Group's direct costs primarily represent costs directly associated with the provision of its fire safety services.

The following table sets out the breakdown of the Group's direct costs during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)	(unaudited)	(unaudited)	(unaudited)
Material and equipment costs	12,685	20.6	18,188	26.1	23,868	29.2	15,235	27.2	16,490	28.1
Subcontracting fees	40,305	65.3	40,266	57.8	45,426	55.5	31,193	55.9	35,115	59.9
Direct labour costs	7,095	11.5	9,040	13.0	10,644	13.0	8,134	14.5	5,660	9.7
Other costs	1,600	2.6	2,123	3.1	1,890	2.3	1,360	2.4	1,337	2.3
Total	61,685	100.0	69,617	100.0	81,828	100.0	55,922	100.0	58,602	100.0

For the years ended 31 March 2017, 2018 and 2019, the direct costs amounted to approximately HK\$61.7 million, HK\$69.6 million and HK\$81.8 million, respectively. The increase in direct costs was primarily driven by the increase in material and equipment costs and subcontracting fees as a result of the increase in the Group's revenue during the three years ended 31 March 2017, 2018 and 2019. For the nine months ended 31 December 2018 and 2019, the direct costs amounted to approximately HK\$55.9 million and HK\$58.6 million, respectively. The increase in direct costs was mainly due to the increase in material and equipment costs which was generally in line with the increase in revenue contributed by fire safety system installation projects.

Material and equipment costs

Material and equipment costs represent the purchases of materials and equipment being installed in the Group's fire safety services projects. The Group normally provides its subcontractors with necessary materials and equipment for installation in its projects. For the years ended 31 March 2017, 2018 and 2019, material and equipment costs amounted to approximately HK\$12.7 million, HK\$18.2 million and HK\$23.9 million, representing approximately 20.6%, 26.1% and 29.2% of the Group's total direct costs, respectively. For the nine months ended 31 December 2018 and 2019, material and equipment costs amounted to approximately HK\$15.2 million and HK\$16.5 million, representing approximately 27.2% and 28.1% of the Group's total direct costs, respectively. Such increase in material and equipment costs during the Track Record Period was in line with the increase in the Group's revenue in fire safety system installation projects.

Subcontracting fees

Subcontracting fees mainly represent the fees paid and payable to subcontractors who carry out installation works on evacuation and electrical fire alarm systems, and water and gas suppression systems in the Group's projects. For the years ended 31 March 2017, 2018 and 2019, subcontracting fees amounted to approximately HK\$40.3 million, HK\$40.3 million and HK\$45.4 million, representing approximately 65.3%, 57.8% and 55.5% of the Group's total direct costs, respectively. Such increase in subcontracting fees during the years ended 31 March 2017, 2018 and 2019 was in line with the increase in the Group's revenue. For the nine months ended 31 December 2018 and 2019, subcontracting fees remained consistent at approximately HK\$31.2 million and HK\$35.1 million, representing approximately 55.9% and 59.9% of the Group's total direct costs, respectively.

Direct labour costs

Direct labour costs represent compensation and benefits provided to the in-house staff who are directly involved in the provision of the Group's services. For the years ended 31 March 2017, 2018 and 2019, direct labour costs amounted to approximately HK\$7.1 million, HK\$9.0 million and HK\$10.6 million, representing approximately 11.5%, 13.0% and 13.0% of the Group's total direct costs, respectively. Such increase in direct labour costs during the years ended 31 March 2017, 2018 and 2019 was in line with the increase in the Group's revenue. For the nine months ended 31 December 2018 and 2019, direct labour costs amounted to approximately HK\$8.1 million and HK\$5.7 million, representing approximately 14.5% and 9.7% of the Group's total direct costs, respectively. Such slight decrease was mainly attributable to the resignation of Mr. Wong Chi Chiu, a former senior management of the Group. For further details, please refer to the section headed "Change of Directors and senior management since the GEM Listing".

Other costs

Other costs represent miscellaneous costs incurred in performing the Group's services, such as scaffolding and employees' compensation insurance for the Group's staff. For the years ended 31 March 2017, 2018 and 2019, other costs amounted to approximately HK\$1.6 million, HK\$2.1 million and HK\$1.9 million, representing approximately 2.6%, 3.1% and 2.3% of the Group's total direct costs, respectively. For the nine months ended 31 December 2018 and 2019, other costs amounted to approximately HK\$1.4 million and HK\$1.3 million, representing approximately 2.4% and 2.3% of the Group's total direct costs, respectively. The other costs remained stable during the Track Record Period.

Gross profit margin

The following table sets out the Group's gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 March						For the nine months ended 31 December			
	2017		2018		2019		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)		(unaudited)	
Fire safety system installation										
- New buildings	9,649	31.8	10,044	29.4	11,578	23.5	6,396	21.7	11,631	26.7
- Existing buildings	18,374	34.1	19,837	36.3	25,809	41.8	16,438	38.5	16,155	40.5
Subtotal	28,023	33.3	29,881	33.7	37,387	33.7	22,834	31.7	27,786	33.3
Repair and maintenance	1,818	24.9	2,578	19.3	1,573	16.0	1,304	16.4	781	21.3
Total	29,841	32.6	32,459	31.8	38,960	32.3	24,138	30.1	28,567	32.8

The Group's gross profit was approximately HK\$29.8 million, HK\$32.5 million, HK\$39.0 million, HK\$24.1 million and HK\$28.6 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2018 and 2019, respectively. The Group's gross profit margins were approximately 32.6%, 31.8%, 32.3%, 30.1% and 32.8% for the corresponding years/periods, respectively. The increase in gross profit during the Track Record Period was generally in line with the increase in the Group's revenue.

The Group's gross profit margin for the overall fire safety system installations had remained relatively stable at approximately 33.3%, 33.7%, 33.7% and 33.3% for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019.

Fluctuations in gross profit margin from year to year during the Track Record Period were primarily attributable to (i) the Group's project mix in fire safety system installation for new buildings and existing buildings; and (ii) the decrease in gross profit margin for new building projects was offset by the increase in gross profit margin for existing building projects.

The gross profit margin for new building projects decreased from approximately 31.8% for the year ended 31 March 2017 to approximately 29.4% for the year ended 31 March 2018. Such decrease was mainly attributable to the commencement of three new building projects located in Tai Kok Tsui, Mong Kok and Kwai Chung with a total contract sum of approximately HK\$21.2 million which yield relatively lower gross profit margin but higher gross profit in terms of absolute amount. The gross profit margin further decreased to approximately 23.5% for the year ended 31 March 2019 which was mainly attributable to the commencement of two new building projects located in Quarry Bay and Tin Hau with a total contract sum of approximately HK\$14.5 million which yielded relatively lower gross profit margin but higher gross profit in terms of absolute amount.

The gross profit margin for new building projects increased from approximately 21.7% for the nine months ended 31 December 2018 to approximately 26.7% for the nine months ended 31 December 2019. Such increase was mainly attributable to the commencement of four new building projects located in Sham Shui Po, Hung Hom, Lantau Island and Aberdeen with a total contract sum of approximately HK\$14.6 million which yielded relatively higher gross profit margin.

The gross profit margin for existing building projects increased from approximately 34.1% for the year ended 31 March 2017 to approximately 36.3% for the year ended 31 March 2018. Such increase was mainly attributable to the commencement of three existing building projects located in Causeway Bay and Central with a total contract sum of approximately HK\$11.7 million which yielded relatively higher gross profit margin. The gross profit margin further increased to approximately 41.8% for the year ended 31 March 2019 which was mainly due to the commencement of three existing building projects located in Causeway Bay, Kwun Tong and Shatin with a total contract sum of approximately HK\$8.6 million which yielded relatively higher gross profit margin.

The gross profit margin for existing building projects increased from approximately 38.5% for the nine months ended 31 December 2018 to approximately 40.5% for the nine months ended 31 December 2019. Such increase was mainly due to the commencement of five existing building projects located in Tuen Mun, Kwun Tong, Shatin, Tung Chung and Tai Kok Tsui with a total contract sum of approximately HK\$9.7 million which yielded relatively higher gross profit margin.

Notwithstanding the lower profit margin as compared with existing building projects, new building projects accounted for approximately 33.2%, 33.4% and 40.7% of the Group's revenue for the three years ended 31 March 2019, respectively. Given that the contract values for individual new building projects were generally higher than that of existing building projects, which would generate more gross profit in terms of absolute amount despite the relatively lower gross profit margin, the Directors consider that, on balance, undertaking new building projects was in the interest of the Group.

The gross profit margin for repair and maintenance services decreased from approximately 24.9% for the year ended 31 March 2017 to approximately 19.3% for the year ended 31 March 2018 and further decreased to approximately 16.0% for the year ended 31 March 2019. The decrease in the gross profit margin was mainly due to (i) the number and size of the projects undertaken; (ii) the additional involvement of subcontractors in sizeable projects at the relevant time; and (iii) the completion of two sizable projects in September 2018.

The subcontracting charges incurred for repair and maintenance services increased from approximately HK\$2.4 million for the year ended 31 March 2017 to approximately HK\$5.5 million for the year ended 31 March 2018. Such additional involvement of subcontractors resulted in the decrease in gross profit margin from approximately 24.9% for the year ended 31 March 2017 to approximately 19.3% for the year ended 31 March 2018.

The gross profit margin further decreased to approximately 16.0% for the year ended 31 March 2019 due to the completion of two sizable projects with a combined contract sum of approximately HK\$11.1 million which contributed a majority of the gross profit for the year ended 31 March 2018. Following the completion of such sizable projects in September 2018, (i) the subcontracting charges incurred for repair and maintenance services decreased to approximately HK\$2.8 million for the year ended 31 March 2019; and (ii) the gross profit margin of the repair and maintenance services was derived from a number of different projects with a range of services which led to fluctuations in the overall gross profit margin.

The Group's repair and maintenance services range from minor maintenance works servicing a single shop or a single building, to large-scale maintenance projects covering multiple large shopping centres, carparks, markets and cooked food stalls. Historically, the Group largely utilised the capacity of its in-house staff to carry out minor repair and maintenance works. Since August 2016, the Group entered into a second contract with Customer B, under which the number of managed facilities covered by the Group's services increased from 55 to 91. This imposed considerable constrain on the Group's manpower. The Company thus decided to outsource more repair and maintenance works to its subcontractors. The use of subcontractors has helped the Group to expand the scale of its repair and maintenance services quickly without significantly expanding its in-house team of technicians, thus reducing the related administrative costs (which would not be reflected in the gross profit). It

also allowed the Group's in-house technician team to carry out more supervisory work for its fire safety system installation works to further enhance service quality. However, the expected gross profit margins for such relatively large-scale repair and maintenance projects, which were outsourced to subcontractors, were normally lower than that of minor repair and maintenance works. Accordingly, the gross profit margin for repair and maintenance services showed a downward trend during the three years ended 31 March 2019. Having considered the above benefits of outsourcing to subcontractors, the Directors consider that it is reasonable to outsource subcontractors to take up more of the Group's repair and maintenance work despite such arrangement may result into a lower gross profit margin.

The gross profit margin for repair and maintenance services increased from approximately 16.4% for the nine months ended 31 December 2018 to approximately 21.3% for the nine months ended 31 December 2019. The increase was mainly attributable to the reduction in subcontracting charges from approximately HK\$4.1 million for the nine months ended 31 December 2018 to approximately HK\$0.3 million for the nine months ended 31 December 2019.

Bank interest income

The Group recorded bank interest income of approximately HK\$1,000, HK\$0.4 million, HK\$0.6 million and HK\$0.6 million for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, respectively. Such increase in interest income was in line with the increase in interest rates offered by Hong Kong licensed banks.

Impairment loss allowance of trade receivables and contract assets, net of reversal

During the years ended 31 March 2017 and 2018, the Group had recognised impairment loss allowance for bad and doubtful debts on trade receivables of approximately HK\$0.1 million and HK\$0.2 million, respectively. The Directors regularly assess the collectability of trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. The Directors' assessment is based on, among other things, the evaluation of collectability, ageing analysis of the receivables, the ultimate realisation of these outstandings, the customer's current creditworthiness, its past payment history and the Group's current and potential future business relationship with such customer. If the financial conditions of any of the Group's customers deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required.

Since 1 April 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs, which introduced new requirements for expected credit losses (“ECL”) for financial assets and contract assets. The impairment loss allowance for bad and doubtful debts on trade receivables amounting to approximately HK\$0.1 million and HK\$0.2 million recognised in the year ended 31 March 2017 and 2018, respectively, which were previously presented as “other loss”, is now presented as “impairment loss allowance of trade receivables and contract assets, net of reversal” in the consolidated statement of profit or loss and other comprehensive income of the Group to align with the presentation in the current year.

Upon application of HKFRS 9, the Group identified trade receivables and contract assets that were credit impaired or significant to the Group and assessed their ECL individually. The Group estimated the amount of lifetime ECL of the remaining trade receivables and contract assets based on provision matrix through grouping of various debtors that had similar loss pattern, after considered internal credit ratings of trade debtors and/or past due status of respective trade receivables and contract assets. The Group’s lifetime ECL on trade receivables and contract assets amounted to approximately HK\$1.6 million in aggregate as at 31 December 2019.

The Group’s exposure to credit risk mainly arises from whether the Group is able to recover the full amount of its project contract sums. The Group’s maximum exposure to credit risk is limited to the carrying amounts of the financial assets at the end of each reporting date. In order to minimise credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Moreover, the Group also reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group recognises contract assets based on the amount of works performed by the Group but which have not yet received payment by its customers. After commencement of a project and subject to the terms of the contract, the Group submits payment applications and invoices to customers at various stages for works performed. There is normally a timing difference between the completion of works, the submission of payment application and invoice by the Group and the payment for such completed works by the customers. The Group recorded amounts due from customers for contract work of approximately HK\$12.6 million and HK\$21.5 million as at 31 March 2017 and 2018, respectively. The Group recorded contract assets of approximately HK\$46.9 million and HK\$45.8 million as at 31 March 2019 and 31 December 2019, respectively. Contract assets may vary from period to period. There is no assurance that the Group will be able to bill the amount of contract assets based on its estimated timeline or to recover the full amount of contract assets. In the event that the Group is unable to recover the full amount of contract assets in a timely manner, the Group’s business and financial performance may be materially and adversely affected.

As part of the Group's credit risk management, the Group applies internal credit rating, which the management assess from time to time, to its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on lifetime expected credit loss,

Internal credit rating	Average loss rate
Low risk	1.0%
Watch list	2.5%
Doubtful	3.8%

As at 31 December 2019, the Group's net trade receivables and contract assets amounted to approximately HK\$24.9 million and HK\$45.8 million, respectively, which represented approximately 16.4% and 30.0% of the total assets of the Group, respectively.

Based on the above, the Directors are of the view that the adoption of HKFRS 9 had no significant impact on the financial position and financial performance of the Group comparing to that of HKAS 39.

Administrative expenses

The following table sets out the Group's administrative expenses by nature during the Track Record Period:

	For the year ended 31 March			For the nine months ended	
	2017	2018	2019	31 December	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Staff costs, including directors' remuneration	3,600	4,409	4,563	3,051	3,718
Rent and rates	725	1,002	1,241	920	638
Depreciation on right-of-use asset	-	-	-	-	284
Motor vehicle expenses	136	270	198	167	216
Insurance	209	213	374	248	423
Depreciation	161	183	302	223	255
Traveling expenses	135	134	101	91	122
Printing and stationery	134	155	130	117	66
Auditor's remuneration	22	1,000	1,000	750	750
Professional fees	-	1,141	1,951	1,479	1,370
Sundry expenses	628	597	392	492	769
Total	5,750	9,104	10,252	7,538	8,611

The administrative expenses comprise of:

- (i) staff costs, which represent director's remuneration and salaries and benefits provided to the Directors and administrative staff;
- (ii) rent and rates, which represent the occupancy cost of the Group's office and certain rented equipment;
- (iii) motor vehicle expenses, which mainly represent the fuel costs incurred;
- (iv) insurance expenses, which comprise of fees paid for employees' compensation insurance, contractors' all risk insurance and office protection package insurance;
- (v) depreciation, which mainly represents depreciation of the Group's leasehold improvements, furniture, fixture and equipment, and motor vehicles;
- (vi) traveling expenses, which represent expenses for traveling incurred by the administrative staff;
- (vii) printing and stationery expenses, which mainly represent the cost of stationery items which are used daily in offices and printing material for correspondence purposes;
- (viii) auditor's remuneration, which represents fees to the auditors; and
- (ix) other expenses which mainly represent expenses on telephone, entertainment and utilities.

Administrative expenses increased from approximately HK\$5.8 million for the year ended 31 March 2017 to approximately HK\$9.1 million for the year ended 31 March 2018, representing an increase of approximately 56.9%. Such increase was mainly attributable to audit fees, professional fees and staff costs, including Directors' remuneration.

From the year ended 31 March 2018 to the year ended 31 March 2019, administrative expenses increased from approximately HK\$9.1 million to approximately HK\$10.3 million, representing an increase of approximately 13.2%. Such increase was mainly attributable to the increase in rent and rates and professional fees.

The increase in staff costs for the three years ended 31 March 2019 was attributable to the recruitment and retention of staff (such as finance and administrative staff) as part of the implementation of the Group's plans for business expansion as set out in the Prospectus. The staff costs increased from approximately HK\$3.6 million for the year ended 31 March 2017 to approximately HK\$4.4 million for the year ended 31 March 2018, as the number of administrative staff and Directors increased from 11 as at 31 March 2017 to 14 as at 31 March 2018. The staff costs remained largely consistent at approximately HK\$4.4 million for the year ended 31 March 2018 and HK\$4.6 million for the year ended 31 March 2019, as the total number of administrative staff and Directors remained consistent at 14 as at 31 March 2018 and 2019, respectively.

The staff costs increased from approximately HK\$3.1 million for the nine months ended 31 December 2018 to approximately HK\$3.7 million for the nine months ended 31 December 2019. Such increase was mainly attributable to (i) the increase in the discretionary bonus incurred; and (ii) the increase in the number of administrative staff and Directors from 13 for the nine months ended 31 December 2018 to 14 for the nine months ended 31 December 2019.

Other expenses

Other expenses represent the professional fees paid or payable to the professional parties in relation to the Transfer of Listing.

Listing expenses

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the GEM Listing. Approximately HK\$7.4 million and HK\$8.3 million were recognised as expenses during the years ended 31 March 2017 and 31 March 2018, respectively.

Finance costs

Upon adoption of HKFRS 16 on 1 April 2019, the lease liability is initially measured at the present value of the lease payment that is not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payment, as well as the impact of lease modifications, amongst others. As a result, an interest expense on lease liability of approximately HK\$20,000 was recognised for the nine months ended 31 December 2019. Besides, the Group recorded finance costs of approximately HK\$50,000 for the year ended 31 March 2018 (2017: HK\$20,000). Such increase was in line with the increase in duration of the Group's bank borrowing during the year. For the year ended 31 March 2019, the Group recorded no finance cost.

Income tax expenses

The Group's revenue during the Track Record Period was derived in Hong Kong and therefore the Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of the Group for the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019 were approximately 24.2%, 25.6%, 15.2% and 18.7%, respectively.

The effective tax rates for the two years ended 31 March 2017 and 2018 were higher than that for the statutory tax rate of 16.5% of the estimated assessable profits for the relevant years largely because of the tax effect of certain expenses (mainly listing expenses for the GEM Listing) which were not deductible for tax purposes incurred in those years. The effective tax rate for the year ended 31 March 2019 was slightly lower than the statutory tax rate of 16.5% of the estimated assessable profits mainly as a combined result of certain incomes (including interest income) not being taxable for tax purpose, overprovision of tax expenses in prior years and the introduction of the two-tiered profits tax rates regime which reduced the profit tax rate on the first HK\$2 million of profits of the qualifying subsidiaries of the Group from 16.5% to 8.25%.

The effective tax rate of the Group for the nine months ended 31 December 2018 and 2019 was approximately 15.0% and 18.7%, respectively. The effective tax rate for the nine months ended 31 December 2018 was lower than statutory rate of 16.5% as the Group's bank interest income was not subject to taxation for the corresponding period. The effective tax rate for the nine months ended 31 December 2019 was higher than the statutory rate of 16.5% as other expenses incurred for the Transfer of Listing was not tax deductible.

Profit and total comprehensive income for the year / period

Profit and total comprehensive income decreased from approximately HK\$12.6 million for the year ended 31 March 2017 to approximately HK\$11.4 million for the year ended 31 March 2018, representing a decrease of approximately 9.5%. Such decrease was mainly attributable to the combined effect of (i) the increase in revenue and gross profit; (ii) the increase in listing expenses; and (iii) the increase in administrative expenses.

Meanwhile, profit and total comprehensive income increased from approximately HK\$11.4 million for the year ended 31 March 2018 to approximately HK\$24.1 million for the year ended 31 March 2019, representing an increase of approximately 112.1%. Such increase was mainly attributable to the combined effect of (i) the increase in revenue and gross profit; and (ii) the absence of any listing expenses recognised for the year ended 31 March 2019.

Profit and total comprehensive income decreased from approximately HK\$14.5 million for the nine months ended 31 December 2018 to approximately HK\$13.6 million for the nine months ended 31 December 2019. The decrease was mainly due to the incurrence of other expenses for the Transfer of Listing.

Liquidity and capital resources

Set out below is the breakdown of the Group's current assets and current liabilities as at the dates indicated:

	2017	As at 31 March		As at
	2018	2019	2019	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Non-current assets				
Property and equipment	583	891	971	1,680
Deposits	179	457	293	293
Right-of-use asset	–	–	–	1,872
	<u>762</u>	<u>1,348</u>	<u>1,264</u>	<u>3,845</u>
Current assets				
Trade receivables	11,607	14,642	15,645	24,941
Deposits and prepayments	2,491	632	552	504
Amounts due from customers for contract work	12,585	21,537	–	–
Contract assets	–	–	46,869	45,793
Tax recoverable	–	33	–	–
Pledged bank deposits	881	1,078	2,072	2,971
Bank balances	11,276	67,862	65,366	74,344
	<u>38,840</u>	<u>105,784</u>	<u>130,504</u>	<u>148,553</u>

		As at 31 March		As at 31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current liabilities				
Trade payables	7,768	4,198	8,266	9,714
Other payables and accrued charges	1,514	2,293	1,974	2,565
Amounts due to customers for contract work	1,834	4,029	–	–
Contract liabilities	–	–	–	–
Lease liabilities	–	–	–	1,074
Tax payable	2,893	–	825	3,957
	<u>14,009</u>	<u>10,520</u>	<u>11,065</u>	<u>17,310</u>
Net current assets	<u>24,831</u>	<u>95,264</u>	<u>119,439</u>	<u>131,243</u>
Total assets less current liabilities	<u>25,593</u>	<u>96,612</u>	<u>120,703</u>	<u>135,088</u>
Non-current liability				
Lease liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>807</u>
Net assets	<u>25,593</u>	<u>96,612</u>	<u>120,703</u>	<u>134,281</u>
Capital and reserves				
Share capital	–	6,000	6,000	6,000
Reserves	<u>25,593</u>	<u>90,612</u>	<u>114,703</u>	<u>128,281</u>
Total equity	<u>25,593</u>	<u>96,612</u>	<u>120,703</u>	<u>134,281</u>

The Group's primary uses of cash are to satisfy its working capital and capital expenditure needs. During the Track Record Period, the Group's uses of cash have mainly been financed through a combination of cash inflows from its operating activities and bank borrowings. As at 31 December 2019, the Group had cash and cash equivalents of approximately HK\$74.3 million. The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient cash resources for its working capital and capital expenditure needs. The Group recorded net cash outflow from operating activities of approximately HK\$5.1 million and HK\$1.8 million for the years ended 31 March 2018 and 2019, respectively. With a view to maintaining a sufficient level of operating cashflow in the future, the Group will continue to

closely monitor its cash flow position by reference to its cash flow statements, cash flow forecasts, management accounts and other management reports on an ongoing basis, the collection of trade receivables and recoverability of the contract assets to manage its overall cash flow position.

The following table is a condensed summary statement of cash flows for the periods indicated:

	For the year ended 31 March			For the nine months ended 31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Operating cash flows before movement in working capital	16,816	15,268	29,010	16,862
Change in working capital	(3,374)	(13,503)	(27,314)	(6,323)
Interest paid and/or income tax paid	<u>(4,341)</u>	<u>(6,833)</u>	<u>(3,465)</u>	<u>–</u>
Net cash generated from/(used in) operating activities	9,101	(5,068)	(1,769)	10,539
Net cash flow (used in) investing activities	(1,285)	(271)	(727)	(1,262)
Net cash flow (used in)/generated from financing activities	<u>(2,709)</u>	<u>61,925</u>	<u>–</u>	<u>(299)</u>
Net increase/(decrease) in cash and cash equivalents	5,107	56,586	(2,496)	8,978
Cash and cash equivalents at beginning of year/period	<u>6,169</u>	<u>11,276</u>	<u>67,862</u>	<u>65,366</u>
Cash and cash equivalents at end of year/period	<u>11,276</u>	<u>67,862</u>	<u>65,366</u>	<u>74,344</u>

Net cash generated from/(used in) operating activities

For the nine months ended 31 December 2019, the Group's net cash generated from operating activities amounted to approximately HK\$10.5 million, which primarily reflected its profit before tax of approximately HK\$16.7 million, as adjusted primarily by the increase in trade payables of approximately HK\$1.4 million; and offset by the increase in trade receivables of approximately HK\$9.3 million.

For the year ended 31 March 2019, the Group's net cash used in operating activities amounted to approximately HK\$1.8 million, which primarily reflected its profit before tax of approximately HK\$28.4 million, as adjusted primarily by the increase in contract assets of approximately HK\$25.7 million and the tax paid of approximately HK\$3.5 million.

For the year ended 31 March 2018, the Group's net cash used in operating activities amounted to approximately HK\$5.1 million, which primarily reflected its profit before tax of approximately HK\$15.3 million, as adjusted primarily by (i) the increase in the net balance of the amounts due from customers for contract work of approximately HK\$6.8 million; (ii) the decrease in trade payables of approximately HK\$3.6 million; and (iii) the increase in trade receivables of approximately HK\$3.2 million.

For the year ended 31 March 2017, the Group's net cash generated from operating activities amounted to approximately HK\$9.1 million, which primarily reflected its profit before tax of approximately HK\$16.6 million, as adjusted primarily by the increase in trade payables of approximately HK\$3.9 million, and offset by (i) the increase in deposits and prepayments of approximately HK\$2.5 million; (ii) the increase in the net amounts due from customers for contract work of approximately HK\$2.4 million; and (iii) the increase in trade receivables of approximately HK\$1.8 million.

Net cash used in investing activities

For the nine months ended 31 December 2019, the Group's net cash used in investing activities amounted to approximately HK\$1.3 million and was mainly due to (i) the placement of pledged bank deposits of approximately HK\$1.1 million; and (ii) the purchase of property and equipment of approximately HK\$1.0 million; and partially offset by the bank interest received of approximately HK\$0.6 million.

For the year ended 31 March 2019, the Group's net cash used in investing activities amounted to approximately HK\$0.7 million and was mainly due to (i) the placement of pledged bank deposits of approximately HK\$1.2 million; and (ii) the purchases of property and equipment of approximately HK\$0.4 million; and partially offset by the bank interest received of approximately HK\$0.6 million.

For the year ended 31 March 2018, the Group's net cash used in investing activities amounted to approximately HK\$0.3 million and was mainly due to (i) the purchases of property and equipment of approximately HK\$0.5 million; and (ii) the placement of pledged bank deposits of approximately HK\$0.2 million; and partially offset by the bank interest received of approximately HK\$0.4 million.

For the year ended 31 March 2017, the Group's net cash used in investing activities amounted to approximately HK\$1.3 million and was mainly due to (i) the placement of pledged bank deposits of approximately HK\$0.9 million; and (ii) the purchase of property and equipment of approximately HK\$0.5 million.

Net cash (used in)/generated from financing activities

For the nine months ended 31 December 2019, the Group's net cash used in financing activities amounted to approximately HK\$0.3 million, which was mainly attributable to the repayment of lease liabilities of approximately HK\$0.3 million.

For the year ended 31 March 2019, the Group did not conduct any financing activities.

For the year ended 31 March 2018, the Group's net cash generated from financing activities amounted to approximately HK\$61.9 million, which were mainly attributable to (i) the proceeds from issue of Shares of approximately HK\$69.0 million; and (ii) the new bank borrowing raised of approximately HK\$2.5 million, and partially offset by (i) the transaction costs directly attributable to issue of Shares of approximately HK\$7.0 million; and (ii) the repayment of a bank borrowing of approximately HK\$2.5 million.

For the year ended 31 March 2017, the Group's net cash used financing activities amounted to approximately HK\$2.7 million, which was mainly attributable to (i) the new bank borrowing raised of approximately HK\$2.0 million, and partially offset by (i) the repayment to a director of approximately HK\$2.7 million; and (ii) the repayment of a bank borrowing of approximately HK\$2.0 million.

Trade receivables

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Trade receivables	11,888	15,109	16,716	26,063
Less: Allowance for credit losses/ bad and doubtful debts	<u>(281)</u>	<u>(467)</u>	<u>(1,071)</u>	<u>(1,122)</u>
Total trade receivables	<u>11,607</u>	<u>14,642</u>	<u>15,645</u>	<u>24,941</u>

As at 31 March 2017, 2018 and 2019 and 31 December 2019, trade receivables amounted to approximately HK\$11.6 million, HK\$14.6 million, HK\$15.6 million and HK\$24.9 million, respectively.

The Group grants credit terms of 0 to 30 days to its customers from the date of invoices on progress payments of contract works. Set forth below is an aging analysis of the trade receivables net of credit loss/bad and doubtful debts allowance presented based on the invoice date at the end of the reporting period:

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
0–30 days	3,948	8,312	8,812	18,277
31–60 days	4,568	2,236	2,225	1,070
61–90 days	693	1,942	977	2,395
91–180 days	1,686	951	1,276	592
181–365 days	712	1,201	1,313	1,458
Over 365 days	<u>–</u>	<u>–</u>	<u>1,042</u>	<u>1,149</u>
	<u>11,607</u>	<u>14,642</u>	<u>15,645</u>	<u>24,941</u>

For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the trade receivable turnover days of the Group were approximately 46.3 days, 52.4 days, 47.3 days and 78.3 days, respectively.

The trade receivable turnover days for the Trade Record Period were longer than the general credit terms of 0 to 30 days granted to the Group's customers because some of the customers which are sizable construction contractors and property managers generally had a slower payment pattern as they normally settle the bills in accordance with their own settlement policies instead of the credit period granted.

The trade receivable turnover days remained stable for the years ended 31 March 2017, 2018 and 2019. Subsequently, the trade receivable turnover days increased to approximately 78.3 days for the nine months ended 31 December 2019 which was mainly due to slower payment of a customer which is a sizable construction contractor that exhibited slower payment pattern as explained above.

As at 31 March 2018, approximately 15.6% (2017: 17.5%) of the trade receivables were neither past due nor impaired and had good credit quality. These customers had no default of payment in the past. As at 31 March 2018, the Group's trade receivables balance included debtors with aggregate carrying amount of approximately HK\$12.4 million (2017: HK\$9.6 million) which were past due as at the reporting date for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

As at 31 March 2019, in the Group's trade receivables balance included debtors with aggregate carrying amount of HK\$13.2 million which were past due as at the reporting date. Out of the past due balances, HK\$3.6 million had been past due 90 days or more and was not considered as in default as these balances were from debtors with long term business relationships. The Group did not hold any collateral over these balances.

As at 31 December 2019, in the Group's trade receivables balance included debtors with aggregate carrying amount of HK\$14.1 million which were past due as at the reporting date. The Group has applied HKFRS 9 and assessed the expected credit losses on trade receivables and contract assets. For further details, please refer to section headed "Impairment loss allowance of trade receivables and contract assets, net of reversal".

As at the Latest Practicable Date, approximately HK\$20.0 million or 80.0% of the Group's trade receivables as at 31 December 2019 were settled.

For details of the impairment assessment on trade receivables during the Trade Record Period, please refer to section headed "Impairment loss allowance of trade receivables and contract assets, net of reversal".

Deposits and prepayments

	2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> (unaudited)
Rental deposits	179	287	293	293
Other deposits and receivables	160	254	87	87
Prepayments	16	548	465	417
Deferred listing expenses	2,315	–	–	–
	<u>2,670</u>	<u>1,089</u>	<u>845</u>	<u>797</u>
Presented as non-current assets	179	457	293	293
Presented as current assets	<u>2,491</u>	<u>632</u>	<u>552</u>	<u>504</u>
	<u>2,670</u>	<u>1,089</u>	<u>845</u>	<u>797</u>

As at 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, deposits and prepayments amounted to approximately HK\$2.7 million, HK\$1.1 million, HK\$0.8 million and HK\$0.8 million, respectively.

Amounts due to customers for contract work

	As at 31 March	
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised loss	119,743	166,374
Less: Progress billings	<u>(108,992)</u>	<u>(148,866)</u>
	<u>10,751</u>	<u>17,508</u>
Analysed as:		
Amounts due from customers for contract work	12,585	21,537
Amounts due to customers for contract work	<u>(1,834)</u>	<u>(4,029)</u>
	<u>10,751</u>	<u>17,508</u>

Unbilled retention receivables of approximately HK\$4.4 million and HK\$8.1 million were included in the above contracts in progress as at 31 March 2017 and 31 March 2018, respectively. Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of completion of respective projects.

The unbilled retention receivables are to be settled, based on the expiring of the defect liability period, at the end of each reporting period as follows:

	As at 31 March	
	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	3,544	5,206
After one year	885	2,872
	<u>4,429</u>	<u>8,078</u>

Contract assets/liabilities

	As at 1 April 2018	As at 31 March 2019	As at 31 December 2019
	<i>(Note)</i> <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Contract assets			
– Unbilled revenue from contracts	13,459	38,243	31,900
– Retention receivables	8,078	8,965	14,397
Less: Allowance for credit losses	–	(339)	(504)
	<u>21,537</u>	<u>46,869</u>	<u>45,793</u>
Contract liabilities	<u>4,427</u>	<u>–</u>	<u>–</u>

Note: The amounts in this column are after the reclassification adjustments from the application of HKFRS 15.

The Group has rights to considerations from customers for the provision of fire safety system installation and repair and maintenance services. Contract assets arise when the Group has a right to consideration for completion of contracts that have not yet been billed under the relevant contracts, and its right is conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for the difference.

Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of completion of respective projects.

For details of the impairment assessment on contract assets in the Track Record Period, please refer to section headed “Impairment loss allowance of trade receivables and contract assets, net of reversal”.

For the three years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the trade receivables and amounts due from customers for contract work/contract assets turnover days of the Group were approximately 96.5 days, 129.4 days, 188.9 days and 222.1 days, respectively.

As at the Latest Practicable Date, approximately HK\$25.3 million or 55.2% of the Group’s contract assets as at 31 December 2019 were subsequently billed.

Pledged bank deposits/bank balances

Pledged bank deposits represent deposits pledged to banks to secure the bank facilities granted to the Group, carrying prevailing market interest rate ranging from 0.01% to 2.34% per annum during the Track Record Period.

Bank balances comprise short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 2.70% per annum during the Track Record Period.

Trade payables

The credit period of trade payables granted by subcontractors and suppliers is usually from 0 to 60 days upon the issue of invoices or application of interim payment.

The following is an aging analysis of trade payables based on the invoice dates or the dates of application of interim payment, as appropriate.

	As at 31 March			As at 31 December
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
0 to 30 days	6,106	2,707	7,511	7,503
31 to 60 days	975	651	639	2,100
Over 60 days	687	840	116	111
	<u>7,768</u>	<u>4,198</u>	<u>8,266</u>	<u>9,714</u>

As at 31 March 2017, 2018 and 2019 and 31 December 2019, (i) approximately HK\$6.1 million, HK\$2.7 million, HK\$7.5 million and HK\$7.5 million, respectively, of the trade payables were aged between 0 to 30 days; (ii) approximately HK\$1.0 million, HK\$0.7 million, HK\$0.6 million and HK\$2.1 million, respectively, of the trade payables were aged between 31 to 60 days; and (iii) approximately HK\$0.7 million, HK\$0.8 million, HK\$0.1 million and HK\$0.1 million, respectively, of the trade payables were aged over 60 days.

For the year ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the trade payable turnover days of the Group were approximately 51.9, 25.3, 42.4 and 48.5 days, respectively.

The trade payable turnover days decreased from approximately 51.9 days for the year ended 31 March 2017 to approximately 25.3 days for the year ended 31 March 2018. Such decrease was mainly due to the significant increase in the subcontracting fees incurred in relation to the Group's fire safety services, where subcontracting fees generally had shorter or nil credit periods. The trade payable turnover days increased from approximately 25.3 days for the year ended 31 March 2018 to approximately 42.4 days for the year ended 31 March 2019 and increased to approximately 50.5 days for the nine months ended 31 December 2019. Such increase was mainly due to longer review time arising from a more stringent process for the approval of payment applications from subcontractors.

As at the Latest Practicable Date, approximately HK\$9.5 million or 98.1% of the Group's trade payables as at 31 December 2019 were settled.

Other payables and accrued charges

	As at 31 March			As at
	2017	2018	2019	31 December
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
				(unaudited)
Other payables and accrued charges	540	1,745	1,824	2,415
Receipt in advance	974	548	150	150
	<u>1,514</u>	<u>2,293</u>	<u>1,974</u>	<u>2,565</u>

As at 31 March 2017, 2018 and 2019 and 31 December 2019, other payables and accrued charges amounted to approximately HK\$1.5 million, HK\$2.3 million, HK\$2.0 million and HK\$2.6 million, respectively. As at 31 March 2019 and 31 December 2019, other payables and accrued charges was primarily attributable to the increase in accrual for professional fees after the GEM Listing.

Major financial ratios

The table below sets forth the Group's major financial ratios as at the dates indicated:

	Note	As at 31 March			As at
		2017	2018	2019	31 December
					2019
Current ratio (times)	1	2.8	10.1	11.8	8.6
Gearing ratio (%)	2	N/A	N/A	N/A	N/A
Debt to equity ratio	3	N/A	N/A	N/A	N/A
Return on assets (%)	4	31.7	10.6	18.3	N/A
Return on equity (%)	5	49.1	11.8	20.0	N/A

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.
2. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include interest-bearing bank and other borrowings.

3. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include all interest-bearing bank and other borrowings net of cash and cash equivalents.
4. Return on assets is calculated by dividing net profit for the relevant year by the closing balance of total assets.
5. Return on equity is calculated by dividing net profit for the relevant year by the closing balance of total equity.

Current ratio

The current ratio of the Group as at 31 March 2017, 2018 and 2019 and 31 December 2019 was approximately 2.8 times, 10.1 times, 11.8 times and 8.6 times, respectively. The increase in current ratio for the years ended 31 March 2017, 2018 and 2019 was mainly due to the increase in bank balances as a result of the receipts of proceeds from the Share Offer. For the nine months ended 31 December 2019, the slight decrease in current ratio was mainly due to (i) the increase in trade payables of approximately HK\$1.4 million; and (ii) the increase in tax payable of approximately HK\$3.1 million.

Gearing ratio

As at 31 March 2017, 2018 and 2019 and 31 December 2019, the Group has no interest-bearing bank and other borrowings.

Debt to equity ratio

The Group was in a net cash position as at 31 March 2017, 2018 and 2019 and 31 December 2019.

Return on assets

Return on assets was approximately 31.7%, 10.6% and 18.3% for the three years ended 31 March 2017, 2018 and 2019, respectively. The decrease was mainly due to the increase in bank balances as a result of the receipt of proceeds from the Share Offer.

Return on equity

Return on equity was approximately 49.1%, 11.8% and 20.0% for the years ended 31 March 2017, 2018 and 2019, respectively. The decrease from 2017 to 2018 was mainly due to the enlarged equity of the Group as a result of the Share Offer.

USE OF PROCEEDS

An analysis of the planned use of the net proceeds from the Share Offer as stated in the Prospectus, the revised use of net proceeds and the actual usage and unutilised amount of the net proceeds from the GEM Listing Date and up to 31 December 2019 is set out below:

	Original planned use of net proceeds	Revised use of net proceeds	Actual usage of net proceeds up to 31 December 2019	Unutilised amount of net proceeds up to 31 December 2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
To capture the market growth in the public sector	4.8	2.8	2.8	–
To expand and increase our fire safety system installation services capacity	25.3	30.3	28.6	1.7
To provide high quality repair and maintenance services	8.4	5.4	4.7	0.7
To enhance our information management system	1.5	1.5	0.7	0.8
To use for working capital	4.0	4.0	4.0	–
	<u>44.0</u>	<u>44.0</u>	<u>40.8</u>	<u>3.2</u>

The net proceeds from the Share Offer, net of underwriting commission and relevant expenses, amounted to approximately HK\$44.0 million.

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of net proceeds has been applied in accordance with the actual development of the market.

As at 31 December 2019, approximately HK\$40.8 million out of the net proceeds from the Share Offer had been used. The unutilised net proceeds of approximately HK\$3.2 million were deposited in licensed banks as at 31 December 2019.

Due to market competition in the fire safety market, in general, the profitability from fire safety installation services is comparatively higher than that generated from the repair and maintenance services. For the years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019, the Group's gross profit margins of its fire safety system installation services were approximately 33.3%, 33.7%, 33.7% and 33.3%, respectively, whereas the gross profit margins of the repair and maintenance services were approximately 24.9%, 19.3%, 16.0% and 21.3%, respectively. For further details, please refer to the section headed "Gross profit margin" in this announcement.

During the year ended 31 March 2019 and up to the Latest Practicable Date, the awarded contract sums for the Group's fire safety system installation projects in the private sector were typically higher than that of the public sector and ranged from approximately below HK\$10,000 to approximately HK\$31.8 million. Meanwhile, the awarded contract sums for the Group's fire safety system installation projects in the public sector were typically lower and ranged from approximately below HK\$10,000 to approximately HK\$0.1 million.

During the year ended 31 March 2019 and up to the Latest Practicable Date, the awarded contract sums for the Group's repair and maintenance services in the private sector were typically higher than that of the public sector and ranged from approximately below HK\$10,000 to approximately HK\$7.3 million. Meanwhile, the awarded contract sums for the Group's repair and maintenance services in the public sector were typically lower and ranged from approximately below HK\$10,000 to approximately HK\$3.2 million.

Having taken into consideration the market development mentioned above, as well as the Group's strategy and expansion plan, the management has decided to focus the Group's resources on fire safety system installation projects, with an emphasis on the private sector. Accordingly, the use of proceeds for the recruitment and sponsoring of training of additional staff for repair and maintenance services has decreased.

During the year ended 31 March 2019 and up to the Latest Practicable Date, the Group received 711 tenders for fire safety system installation projects from the private sector with tender sum ranged from below HK\$10,000 to approximately HK\$161.7 million compared with five tenders for fire safety system installation projects from the public sector with tender sum ranged from approximately HK\$0.1 million to approximately HK\$9.6 million.

On this basis, application to the Housing Authority for additional licenses, permits or qualifications will not be a top priority for the Group under its current strategy.

Notwithstanding the above, to enable the Group to carry out its business in the public sector of the fire safety services market, the Group has been promoted from Group I to Group II (on probation) under the “Fire Service Installation” category of the List of Approved Specialist Contractors for Public Works, allowing it to be eligible to tender for public fire service installation works of unlimited amount which will broaden the Group’s business opportunities for public works.

The Directors consider the above change in the use of the net proceeds to be in the interests of the Group as a whole and will continue to monitor the use of proceeds. Save for the aforesaid changes, the Group does not intend to further change the purpose of the use of proceeds from the Share Offer.

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

Since the GEM Listing, the Directors have continuously consolidated and strengthened the reputation of the Group through delivering quality services and reliable solution to its customers in the fire safety services industry. The Group’s listing status enhanced its corporate profile and recognition that in turn reinforced its brand awareness and image in both existing and potential customers.

The Group experienced a decrease in quotation requests from customers during the months from January to March 2020. The Directors believe that such decrease was mainly attributable to the delay of the customers’ quotation requests for fire safety installation services for existing buildings as a result of the prevailing market sentiment caused by the outbreak of coronavirus “COVID-19”.

Besides, the Group has experienced certain delay in the schedule of a project after the Track Record Period. To the best knowledge of the Directors, such delay was mainly caused by the delay of works from other contractors for other works in the same project. While such delay may have an impact on the Company’s revenue for the year ended 31 March 2020, the Directors are of the view that the project can be completed during the year ending 31 March 2021, and therefore the financial result of the Group for the year ended 31 March 2021 will not be materially affected.

The Group has also been promoted from Group I to Group II (on probation) under the “Fire Service Installation” category of the List of Approved Specialist Contractors for Public Works. Once the Group II status is confirmed, the Group will be eligible to tender for public fire service installation works in Hong Kong of unlimited amount (HK\$2.3 million under Group I), thus broadening the Group’s business opportunities for public works. The Directors believe that the status as an approved contractor for public works also enhances the Group’s corporate image as it is one of the factors considered by the Group’s existing and potential customers when sourcing fire safety service providers.

Looking forward, the Directors consider that the future opportunities which the Group faces will be affected by the development of the commercial and residential buildings in Hong Kong. The Directors are of the view that the number of properties to be built or to be redeveloped in Hong Kong is the key driver for the demand for fire safety services in Hong Kong.

The Group will continue to focus on strengthening its market position in the industry. Since 31 December 2019 and up to the Latest Practicable Date, the Group had completed 564 fire safety system installation projects. As at the Latest Practicable Date, the Group had 16 on-going fire safety system installation projects, including both private and public sectors, with an estimated revenue of approximately HK\$75.9 million to be recognised based on information available to the Company as at Latest Practicable Date. Such amount is subject to, among others, variation orders, actual project progress and audit (excluding additional works or variation orders, if any).

The recent outbreak of the coronavirus which came after months of social unrest will likely lead to a further contraction of the economy of Hong Kong in 2020. As detailed in the section headed “No material adverse change” below, based on information available up to the Latest Practicable Date, the Directors consider that the Group’s continuing business operations and sustainability has not been materially adversely affected by the coronavirus outbreak. Nevertheless, having considered the impact of the coronavirus outbreak on the overall economy, it is expected that the Group’s financial performance and profitability for the year ended 31 March 2020 will show a slight decline as compared to that of the year ended 31 March 2019.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period and up to the date of this announcement, no litigation or claims of material importance were ongoing, pending or threatened against any member of the Group. The Directors confirm that, during the Track Record Period and up to the date of this announcement, the Group did not have any material non-compliance.

Since the GEM Listing Date and up to the date of this announcement, the Directors confirm that the Group (i) has complied with laws and regulations in all material aspects for its business; and (ii) has not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of any GEM Listing Rules.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group is susceptible to material risks associated with the Group's business, including but not limited to the following:

- the Group's revenue is mainly derived from projects which are not recurring in nature and a significant decrease in the number of its projects would affect its operations and financial results;
- the Group's historical growth rate, revenue and profit margin may not be indicative of its future growth rate, revenue and profit margin;
- the Group's cash flows may deteriorate due to potential difference in time between receipt of progress payments from its customers, and payments to its subcontractors and suppliers;
- the Group may be exposed to delays and/or defaults of progress payments and/or retention monies by its customers;
- the Group may not be able to maintain or increase its success rate in obtaining projects tendered and quoted;
- failure to retain suitably qualified staff may affect the Group's registration as a fire service installation contractor, and disrupt the Group's business;
- the Group may be unable to attract and/or retain employees with the requisite skills, expertise and experience which may adversely affect its operations, business growth and financial results;
- the Group relies on its subcontractors, who are Independent Third Parties, to complete its contract works and there is no assurance that its subcontractors will always follow strictly all of the Group's instructions. Any delay or defects in their works may adversely affect the Group's operations and financial results;
- the Group depends on its suppliers for fire equipment and related accessories, and any shortage or delay of supply, or deterioration in quality, of the same could materially and adversely affect its operations, and the Group may not be able to identify an alternative source of stable supply with acceptable quality and price in a timely manner; and
- the Group's customers may cancel certain contract works by variation orders resulting in the total contract sum of that project reduced.

For further details, please refer to the section headed "Risk Factors" of the Prospectus.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S LIQUIDITY, TRADE RECEIVABLES AND CONTRACT ASSETS

The Group is susceptible to the material risks associated with the Group's liquidity, trade receivables and contract assets, including but not limited to the following:

- the Group recorded net operating cash outflow from its operating activities for the years ended 31 March 2018 and 2019. If such circumstances persist for a prolonged period of time, it may materially and adversely affect the Group's business, financial condition and results of operations;
- the amount of revenue that the Group is able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders and recoverability of contract assets;

For further details, please refer to the sections headed "Liquidity and capital resources" and "Impairment loss allowance of trade receivables and contract assets, net of reversal" in this announcement.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources and existing facilities available to the Group, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement.

FUND RAISING ACTIVITIES OF THE COMPANY SINCE GEM LISTING

There has been no fund raising activities since the GEM Listing.

NO MATERIAL ADVERSE CHANGE

The Group's continuing business operations and sustainability depends on the Group's ability to compete for and be awarded new projects by new or existing customers, its ability to source materials from suppliers and its ability to operate its business through its employees and its subcontractors.

While the social and political unrest in Hong Kong since June 2019 and the recent outbreak of coronavirus (the “**Events**”) have affected the market sentiment and the local economy in general, based on the Group’s operational data since June 2019, the Directors are of the opinion that the Group’s continuing business operation and sustainability have not been materially adversely affected, and that the coronavirus outbreak has had no material impact on the progress of the Group’s projects up to the Latest Practicable Date. In light of the outbreak of coronavirus, the Group has implemented the following measures to promote hygiene:

- monitoring the stock of personal protection equipment (including but not limited to surgical masks and hand sanitizer) for staff and workers;
- imposing mandatory body temperature check before entering the office;
- requesting staff and workers to wear surgical masks both at office and works sites; and
- requesting subcontractors to provide details on any personnel who had travelled China during the Chinese New Year period such that the Group was able to make suitable arrangements regarding work schedules.

Besides, the Group has communicated with its major suppliers and subcontractors to ensure continuous and adequate supply of materials, equipment and manpower, and the Directors believe that the Group is able to seek alternative supply if necessary.

The Directors consider that the Group’s continuing business operations and sustainability have not been materially adversely affected by the coronavirus after taking into account a number of factors. Firstly, while some of the construction sites of the Group’s projects experienced suspension for up to two weeks after the Chinese New Year holidays in early 2020 as a precautionary measure to facilitate the self-quarantine of workers who had returned from China, the brief suspensions have not caused any material delay in the Group’s project schedules and the progress of the Group’s projects was not materially impacted. Secondly, the Group’s major suppliers are all located in Hong Kong and, to the Directors’ best knowledge, typically hold inventory in reserve which will be sufficient to satisfy customers’ demands for up to several months. Together with their ability to source materials and equipment from various regions in and outside China, the epidemic-induced disruption of the cross boarder logistics with China is unlikely to cut off their supply of goods. Besides, according to the main suppliers of the Group, the major Chinese manufacturers which they sourced from have resumed operations. Furthermore, materials and equipment used by the Group in its projects are mostly generic and there are a relatively large number of suppliers in the market. Therefore, the Directors believe the Group shall have no difficulty securing materials from alternative suppliers if necessary. Thirdly, the Group’s subcontractors are also

all based in Hong Kong and have been generally able to shuffle their manpower and created no material delay in the project schedules. Finally, given the Group's sufficiency in working capital (as discussed in the section headed "Working capital" in this announcement) and that the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and manage the effects of unexpected fluctuations in cash flows, the Directors are of the view that the coronavirus outbreak is unlikely to have any material effect on the sufficiency of the Group's working capital in the foreseeable future.

The Directors confirm that subsequent to 31 December 2019 and up to the date of this announcement and after taking into account the effect of the Events as discussed above, it is expected that the Group's financial performance and profitability for the year ended 31 March 2020 will show a slight decline as compared to that of the year ended 31 March 2019. However, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

However, the developments of the Events are continuing and beyond the Group's control. The Directors' assessment of the impact of the Events on the Group are based on information available up to the Latest Practicable Date after reasonable enquiries. The Directors will closely monitor the situation, and their assessment may change over time as the Events unfold.

Should the Events further develop and lead to, for instance, serious and extended disruption of the local and global supply chain, widespread suspension of production affecting the Group's suppliers or further deterioration of the economy affecting future investments in property projects, the Group's continuing business operations and sustainability may become materially adversely affected. In addition, if any of the Group's employees becomes infected by the coronavirus or any other severe communicable disease outbreak, it could adversely affect or disrupt the Group's operations as the Group may be required to close its facilities to prevent the spread of the disease.

Solely for illustrative purposes and assuming that the coronavirus outbreak causes an indefinite suspension of all the Group's projects while it continues to operate and incur fixed costs such as staff costs, rental and related expenses, utilities and other miscellaneous fixed costs, based on the existing cash and bank balances as at 31 December 2019, the Group estimated that the Group's existing cash and bank balances can support its operations for approximately over three years.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Fok Hau Fai (霍厚輝), aged 49, was appointed as a Director on 7 July 2016 and was redesignated as an Executive Director and appointed as the Chairman, Chief Executive Officer and Compliance Officer of the Company on 3 September 2016. He is the chairman of the Nomination Committee. Mr. Fok is the founder of the Group and a director of each of KY Contracting, KY Engineering and Golden Second. Mr. Fok is responsible for the Group's overall strategic planning, business development and operational management. Mr. Fok obtained a diploma in mechanical engineering (computer-aided engineering) from Vocational Training Council in August 1992. He subsequently obtained a higher certificate in building services engineering and a bachelor's degree in building services engineering (fire engineering) from The Hong Kong Polytechnic University in November 1996 and November 2001, respectively.

Mr. Fok has over 25 years of experience in the fire safety service industry. Prior to establishing the Group in 2002, he was employed by New Zealand Fire Service Engineer Company Limited (a fire service engineering company in Hong Kong) from May 1993 to November 2004. Mr. Fok was a director of Grade Top Limited (優善有限公司), which was incorporated in Hong Kong, prior to its dissolution on 17 July 2009 by way of striking off pursuant to section 291 of the Predecessor Companies Ordinance. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Fok has confirmed that Grade Top Limited was acquired for investment holding purpose. It was solvent and had not carried out any substantial business at the time of being struck off.

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Main Board Listing Rules. Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the Code on Corporate Governance Practices. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Fok is the Chairman and the Chief Executive Officer of the Company. In view of Mr. Fok being the founder of the Group and has been operating and managing KY Contracting and KY Engineering since 2002 and 2008, respectively, the Board believes that it is in the interest of the Group to have Mr. Fok taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstance.

As at the date of this announcement, Mr. Fok is interested in 100% of the issued share capital of Foxfire, which in turn holds 427,500,000 Shares (representing 71.25% of the issued share capital of the Company)

Mr. Sung Sing Yan (宋聖恩), aged 59, was appointed as an Executive Director on 3 September 2016. He is a member of the Remuneration Committee and Risk and Technical Committee. Mr. Sung has been the general manager of KY Contracting since August 2005. He is in charge of the repair and maintenance department of the Group where he is responsible for its daily operational management.

Mr. Sung has over 30 years of experience in the fire safety service industry. Mr. Sung started his career as an engineer of New Zealand Fire Service Engineer Company Limited in 1979, where he was responsible for the marketing and sales of fire equipment. Between 1981 and 1991, Mr. Sung was one of the founding partners of a company in Hong Kong which principally engaged in the sales of fire equipment but was later dissolved. In December 1989, he rejoined New Zealand Fire Service Engineer Company Limited as its manager in the engineering department and worked until July 2005. Mr. Sung received secondary school education in Hong Kong.

Independent Non-executive Directors

Mr. Hung Kin Sang (熊健生), aged 48, was appointed as an Independent Non-Executive Director on 22 September 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He was a shareholder and director of KY Contracting from December 2002 to March 2005.

Mr. Hung has over 20 years of sales and marketing experience. Since 1999, Mr. Hung has been working in the Hong Kong subsidiary of a Swiss-based company specialising in the manufacture and sales of watch movements, initially as a sales manager, and a sales and marketing director from 2011 onwards. Prior to that, during the period between September 1993 and March 1999, Mr. Hung was employed by W. Haking Marketing Limited, a company which exports cameras and binoculars, where his last held position was assistant marketing manager.

Mr. Hung obtained a bachelor's degree in business studies from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1993. Notwithstanding the past relationship between KY Contracting and Mr. Hung, the Directors are satisfied that Mr. Hung is suitable to act as an Independent Non-Executive Director after considering the following factors:

- (i) before Mr. Hung's departure from KY Contracting in March 2005, KY Contracting had not yet commenced business as a fire safety services provider;
- (ii) Mr. Hung had no shareholding in business or employment relationship with the Group for the past 12 years before his appointment as an Independent Non-Executive Director in September 2017; and
- (iii) Mr. Hung was able to satisfy the criteria of independence for an Independent Non-Executive Director stipulated in Rule 3.13 of the Main Board Listing Rules.

Mr. Lee Yin Sing (李彥昇), aged 39, was appointed as an Independent Non-Executive Director on 22 September 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Lee has over 10 years of experience in financial control, accounting and corporate governance practices and procedures in Hong Kong. Since December 2011, Mr. Lee has been the chief financial officer and company secretary of Greatime International Holdings Limited (previously known as Grand Concord International Holdings Limited), a company listed on the Main Board (stock code: 844), where he is responsible for financial management and analysis and corporate governance matters of the group. Prior to that, between July 2009 and July 2010, he was the financial manager of Gaintle Limited, the then subsidiary of Proview International Holdings Limited (currently known as TCL Display Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 334) and whose business includes development, manufacture and sales of LCD modules for mobile phones and tablets. Mr. Lee acquired auditing experience from his prior employment with an international audit firm from September 2002 to November 2007. Mr. Lee obtained a bachelor's degree in accountancy from City University of Hong Kong in November 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008.

Mr. Wan Chun Kwan (溫雋軍), aged 44, was appointed as an Independent Non-Executive Director on 22 September 2017. He is a member of each of the Audit Committee and Remuneration Committee and the chairman of the Risk and Technical Committee.

Mr. Wan has over 20 years of experience in the engineering industry. From October 1996 to March 1999, Mr. Wan was employed by Parsons Brinckerhoff (Asia) Limited, where his last held position was assistant engineer. During his term of service in the company, Mr. Wan was involved in, among others, the design of plumbing, drainage and fire services systems for a number of projects. Between June 1999 and February 2001, Mr. Wan was employed as assistant mechanical engineer (fire services) by Thomas Anderson & Partners (HK) Limited, where he was responsible for assisting in the design and supervision of the fire services installation in a number of projects. During the period between February 2001 and April 2005, Mr. Wan was employed by Henderson Real Estate Agency Limited where his last held position was assistant project supervisor. Henderson Real Estate Agency Limited is a subsidiary of Henderson Land Development Company Limited, a company listed on the Main Board (stock code: 12) whose businesses include property development and project management. Between April 2005 and November 2010, he worked as the electrical and mechanical services manager in the building operations department of the Hong Kong Convention & Exhibition Centre. During the period between November 2011 and October 2012, Mr. Wan was the assistant facility manager of EC Harris (Hong Kong) Limited, a company which engages in built asset consultancy and project management. From October 2012 to May 2014, Mr. Wan worked as the technical manager of New Charm Management Limited, a member of Nan Fung Group which engages in property management.

Since May 2014, Mr. Wan has been the senior manager of a company listed on the Main Board which engages in the development and operation of hotels, gaming and integrated resort facilities in Macau.

Mr. Wan obtained a higher diploma of building services engineering from City University of Hong Kong in December 1996. He obtained a bachelor's degree in building services engineering (fire engineering) and a master's degree in project management from The Hong Kong Polytechnic University in November 2001 and November 2010, respectively. Mr. Wan is currently a member of the Hong Kong Institution of Engineers.

Save as disclosed above, as at the date of this announcement, each of the Directors (i) has not held any other position within the Group and has not held any directorships in any other listed companies in Hong Kong or overseas in the last three years; and (ii) does not have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO. Each of the Directors has no relationships with any other Directors, members of senior management or substantial shareholders.

Save as disclosed above, there is no other information in relation to each of the Directors which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. Cheung Tsz Wing (張子榮), aged 42, joined the Group in April 2008 and is the assistant project manager. Mr. Cheung has over 14 years of experience in the engineering industry and is responsible for assisting the Directors on the daily operations of the repair and maintenance department, including liaising with customers for work schedule, materials procurement and engagement with subcontractors. He also oversees the safety measure and quality control of the fire safety system installation services.

Mr. Cheung started his career as a project engineer of a company in Hong Kong which mainly designs, supplies and installs roller shutters between January 2007 and April 2008. From November 2004 to November 2006, Mr. Cheung worked as a CAD draftsman of an interior decoration and buildings alterations and additions contractor in Hong Kong. From November 2006 to January 2007, Mr. Cheung worked as a project co-ordinator of a company in Hong Kong which engages in architectural and interior design. From January 2007 to April 2008, he went back to the previous company which supplies roller shutters and worked as a senior project engineer.

Mr. Cheung obtained (i) a diploma in mechanical engineering (computer-aided engineering) from the Vocational Training Council in July 1997; (ii) a higher certificate in mechanical engineering from Hong Kong Technical Colleges in July 2000; and (iii) a higher diploma in management of building services engineering from the Vocational Training Council in July 2007.

Mr. Chiang Hsien Kuo (姜先國), aged 42, joined the Group in June 2009 and is the assistant project manager. Mr. Chiang has over 15 years of experience in the engineering industry and is responsible for assisting the Directors on the daily operation, including preparation of tenders, managing and supervision of fire safety system installation services.

From January 2002 to August 2004, Mr. Chiang was employed as a sales engineer by a company in Hong Kong, which business includes the provision of fire protection systems and solutions. He worked as an engineer assistant and draftsman in an engineering company in Hong Kong from August 2004 to April 2005. Between May 2005 and August 2005, Mr. Chiang worked as the assistant engineer of an electrical and mechanical contractor and designer in Hong Kong. During the period between September 2005 and June 2008, Mr.

Chiang was the assistant engineer of a Hong Kong company which engages in engineering and buildings services across Asia. From 2008 to 2009, Mr. Chiang worked as an engineer of an engineering consultancy in Hong Kong.

Mr. Chiang obtained a higher diploma in mechanical engineering from the Vocational Training Council in July 2002 and a bachelor of engineering degree in mechanical engineering from The Hong Kong Polytechnic University in December 2007.

Mr. Wong Chi Wai (黃智威), aged 36, has been the financial controller of the Group since May 2016. He was appointed the company secretary on 3 September 2016. Mr. Wong has over 10 years of experience in financial control and accounting practice in Hong Kong and is primarily responsible for the financial reporting, financial planning, internal control and corporate secretarial practices and procedures of the Group. From September 2015 to May 2016, Mr. Wong was the senior finance manager of a Hong Kong subsidiary of a company listed on the Main Board which engaged in the design, manufacturing, and marketing of mobile and internet products worldwide. Prior to that, Mr. Wong was (i) employed by Deloitte Touche Tohmatsu between February 2011 and September 2015 where his last held position was manager in the Audit Department; and (ii) employed by JBPB & Company (formerly known as Grant Thornton and merged with BDO Limited in January 2011) between September 2007 and February 2011 and his last position was senior associate in the Assurance Department.

Mr. Wong obtained a bachelor of business administration degree majoring in accountancy from City University of Hong Kong in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2012 and has been a practising member since January 2018.

COMPANY SECRETARY

Mr. Wong Chi Wai is the company secretary of the Company. For his biographical information, please refer to the paragraph headed “Senior management” above in this section.

CHANGE OF DIRECTORS AND SENIOR MANAGEMENT SINCE GEM LISTING

Ms. Wu Xiaorong, who had been appointed as an Executive Director on 24 January 2018, resigned as an Executive Director due to personal health reasons with effect from 1 March 2019. Ms. Wu became known to the Company and Mr. Fok through the introduction of a business acquaintance of Mr. Fok. Ms. Wu Xiaorong has confirmed that she had no disagreement with the Board and there were no matters in relation to her resignation that needed to be brought to the attention of Shareholders.

The Directors are not aware of any other reasons or circumstances leading to the resignation of Ms. Wu.

To the best of the knowledge, information and belief of the Directors and the Controlling Shareholders having made all reasonable enquires, each of the Company, its subsidiaries, the directors of the Company and the subsidiaries, the senior management of the Group and the Controlling Shareholders has had no contact with Ms. Wu since her resignation.

Mr. Wong Chi Chiu, who had been a member of the Group's senior management resigned on 4 March 2019. Mr. Wong has confirmed that he had no disagreement with the Board and there were no matters in relation to his resignation that needed to be brought to the attention of Shareholders. To the best knowledge of the Directors, Mr. Wong resigned due to reasons of personal development and to pursue other career opportunities.

Mr. Wong Chi Chiu was registered as a qualified electrical engineer under the Group's registration with the Fire Services Department. Following his resignation, the Group applied to the Fire Services Department for deletion of Mr. Wong Chi Chiu from the list of qualified person registered under KY Contracting in March 2019 and received confirmation of removal of his name from the register in April 2019.

Prior to applying for deletion of Mr. Wong Chi Chiu as a qualified person under the Company, the Group applied to the Fire Services Department for the registration of one of the Group's employees, Mr. Lo Kwai Tong, as an additional qualified person (electrical engineer) under KY Contracting's registration pursuant to the Fire Service (Installation Contractors) Regulations in December 2018. The application was approved in February 2019. The Directors are of the view that Mr. Wong Chi Chiu's resignation will not have any impact on the Group's registration with the Fire Services Department because Mr. Lo Kwai Tong's application as a qualified person had been approved beforehand. The Group currently has one personnel, namely, Mr. Lo Kwai Tong, who possesses the relevant qualifications specified in the Fire Service (Installation Contractors) Regulations. It is the Company's intention to employ one more qualified person with relevant qualifications under the Fire Service (Installation Contractors) Regulations. The Company is in the process of recruiting such person and intends to employ such qualified person with both the relevant qualifications and experience in fire safety services and system and is able to agree on the remunerable package with the Group. Up to the Latest Practicable Date, the Group had received several job applications with the required qualifications but none of them was considered to possess sufficient relevant experience in the provision of fire safety services or was able to agree on the remunerable package with the Group. The Company will continue the recruitment exercise and targets to recruit such qualified person by September 2020. In the event that no suitable candidate with both the required qualification and experience in fire safety services and system available, the Group may consider employing a candidate with relevant qualification and providing on-the-job training in fire safety services and system to such person.

Following Mr. Wong Chi Chiu's resignation, KY Contracting has also updated its manpower list registered with the Architectural Services Department on 5 March 2019, such that the vacancies in the list of technical staff left by the resignation of Mr. Wong Chi Chiu were filled by Mr. Yeung Cheung Kin, an employee of KY Contracting who was also a registered electrical worker and an electrician. The Directors are of the view that Mr. Wong Chi Chiu's resignation will not have any impact on the Group's compliance as a fire service installation contractor under the Architectural Services Department, as evident from the fact that the Group was subsequently promoted to Group II on probation in July 2019.

BOARD DIVERSITY POLICY

The composition of the Board is well balanced with each Director having skills, experience and expertise relevant to the business operations and development of the Group and from a variety of backgrounds. There is diversity of educational background, functional expertise, age and experience. The Company adopted the board diversity policy which sets out the approach to achieve diversity on the Board and the factors (including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience) to be considered in determining the composition of the Board so as to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness. The Company currently expects to include at least one female to the Board by 31 December 2022, subject to availability of appropriate candidate(s) at the relevant time.

Measurable objectives and selection

The Board will take opportunity to invite female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

NO MATERIAL CHANGES SINCE GEM LISTING

As confirmed by the Directors, there has been no material acquisition and disposal, change of business model of the Group and change of Controlling Shareholders since the GEM Listing.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the Company's website at www.lumina.com.hk and the Stock Exchange's website at www.hkexnews.hk:

- (a) the memorandum and the articles of association of the Company;
- (b) the published Directors' reports and annual reports of the Company for the years ended 31 March 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 September 2019;
- (d) the first and third quarterly reports of the Company for the three months ended 30 June 2019 and nine months ended 31 December 2019;
- (e) the circular of the Company dated 28 June 2019 in relation to, among others, the adoption of audited consolidated financial statements and reports of directors and auditors, the re-election of the retiring Directors, the re-appointment of auditors, the proposed general mandates to issue new Shares and repurchase Shares and the proposed extension mandate and notice of annual general meeting; and
- (f) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Chairman”	the chairman of the Group
“Chief Executive Officer”	the chief executive officer of the Company
“close associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Code of Practice for Minimum Fire Service Installations and Equipment”	the Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment (as may be amended from time to time)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company”	Lumina Group Limited (瑩嵐集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 July 2016 and the Shares of which are listed on the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules, and in the context of the Company and for the purpose of this announcement, means Mr. Fok and Foxfire
“Director(s)”	the director(s) of the Company
“Executive Director(s)”	the executive Director(s) of the Company
“Fire Services Department”	Hong Kong Fire Services Department

“Fire Service (Installations and Equipment) Regulations	the Fire Service (Installations and Equipment) Regulations. (Cap. 95B) (as may be amended from time to time)
“Foxfire”	Foxfire Limited, a company incorporated in the BVI on 4 July 2016 with liability limited by shares, which is a Controlling Shareholder and wholly-owned by Mr. Fok
“GEM”	GEM operated by the Stock Exchange
“GEM Listing”	the listing of the Shares on GEM on 25 October 2017
“GEM Listing Date”	25 October 2017, on which dealings in Shares first commenced on GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as may be amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Golden Second”	Golden Second Limited, a company incorporated in the BVI on 15 March 2016 with liability limited by shares and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$” or “Hong Kong Dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Non-Executive Director(s)”	the independent non-executive Director(s) of the Company
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Main Board Listing Rules) the Company and any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates
“KY Contracting”	Kin Ying Contracting Limited (堅英工程有限公司), a company incorporated in Hong Kong on 27 December 2002 with limited liability and an indirect wholly-owned subsidiary of the Company
“KY Engineering”	Kin Ying F.S. Engineering Limited (堅英消防工程有限公司), a company incorporated in Hong Kong on 16 December 2008 with limited liability and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	Wednesday, 1 April 2020, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained in this announcement
“List of Approved Specialist Contractors for Public Works”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Development Bureau of Hong Kong as updated from time to time
“Main Board”	the security market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended from time to time)

“Mr. Fok”	Mr. Fok Hau Fai (霍厚輝), the Group’s Chairman, Chief Executive Officer, an Executive Director and a Controlling Shareholder
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance
“Prospectus”	the prospectus of the Company dated 29 September 2017
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as may be amended from time to time
“Share(s)”	ordinary share(s) of nominal or par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the initial public offering of 150,000,000 Shares by the Company comprising the public offer and placing for the listing of the Shares on GEM as set out in the Prospectus
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 22 September 2017
“Sponsor”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sponsor for the Transfer of Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the financial years ended 31 March 2017, 2018 and 2019 and the nine months ended 31 December 2019

“Transfer of Listing” the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules

“%” per cent

Unless otherwise required by the context, all data contained in this announcement are as at the Latest Practicable Date. Unless the context otherwise provides, the figures in this announcement are in approximate figures. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be in an arithmetic aggregate of the figures preceding them.

By Order of the Board
Lumina Group Limited
Fok Hau Fai
Chairman and Chief Executive Officer

Hong Kong, 8 April 2020

As at the date of this announcement, the Board consists of two Executive Directors, Mr. Fok Hau Fai and Mr. Sung Sing Yan, and three Independent Non-Executive Directors, Mr. Hung Kin Sang, Mr. Lee Yin Sing and Mr. Wan Chun Kwan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and the GEM Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.lumina.com.hk.