

INDUSTRY OVERVIEW

The information and statistics presented in this section and elsewhere in this [REDACTED] document, unless otherwise indicated, are derived from various official government publications and other publications and from the market research report independently, which was commissioned by us in connection with [REDACTED]. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organisations, market data providers, communications with various Hong Kong Government agencies or other independent third-party sources unless otherwise indicated. We believe that the information and statistics have been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information and statistics are false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Report which may qualify, contradict or adversely impact the quality of the information in this section. The information and statistics have not been independently verified by us, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] (except Frost & Sullivan) nor is any representation given as to its accuracy or completeness. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the security services market and facility management services market in Hong Kong. The report prepared by Frost & Sullivan for us is referred to in this [REDACTED] document as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$200,000 which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this [REDACTED] document because we believe this information facilitates an understanding of the Hong Kong security services market and facility management services market for the prospective [REDACTED]. The Frost & Sullivan Report includes information on the Hong Kong security services market and facility management services refer to services market as well as other economic data, which have been quoted in this [REDACTED] information. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong security services market and facility management services market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong security services market and facility management services market. Based on the above, our Directors are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading. Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF HONG KONG SECURITY SERVICES MARKET

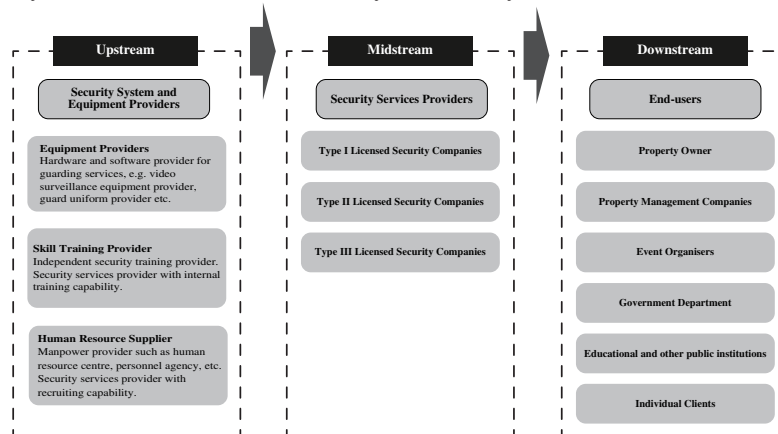
Security services refer to (i) the guarding of any property, person or place for the purpose of preventing or detecting the occurrence of any offence, as well as maintaining public hygiene and adopting screening services, especially during pandemic such as the COVID-19; (ii) the installation, maintenance or repair of security device and the designing of security system; and (iii) monitoring services, which typically involve the provision of personnel who are specifically trained, qualified and/or experienced in certain tasks and security guarding. According to the Security and Guarding Services Industry Authority, there are three types of licensed security companies engaged in different types of security work, namely (i) Type I security work, provision of security guarding services; (ii) Type II security work, provision of armoured transportation services; and (iii) Type III security work, installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device.

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Security services also include (i) general manned guarding services; (ii) event and crisis security services; and (iii) manpower support services. General manned guarding services typically involve patrolling, entrance guarding, access control and compliance with applicable laws, regulations and by-laws at public transportation facilities, other public facilities, and private properties. Manpower support services refer to provision of personnel who are specifically trained in certain tasks and areas other than security and guarding. Event and crisis security services refer to entrance guarding, access control, crowd coordination and maintenance of peace and order at exhibition halls and sports stadiums, and protection of guest(s) attending event or exhibition, celebrities and overseas football teams along with the provision of vehicle rental services for the protected guests.

Value chain analysis

The typical market players of the security services industry include security systems and equipment providers, security services providers and end-users. The security services providers procure the equipment and systems needed for the delivery of security solutions to the end-users.



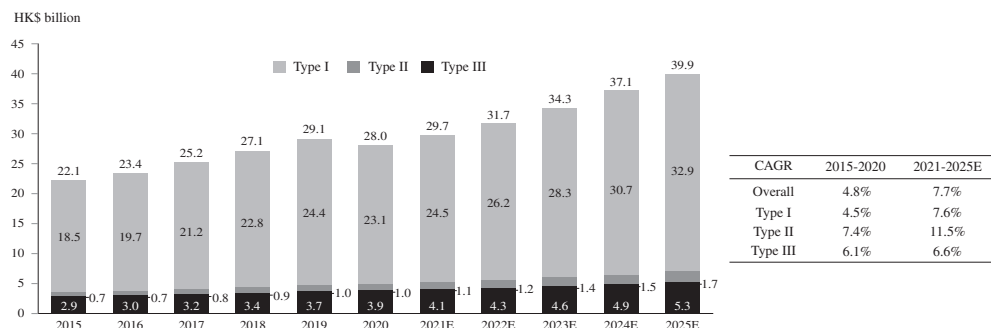
Source: Frost & Sullivan

Market size

The security services market in Hong Kong is composed of services providers of Types I, II and III licensed security companies. The market size of security services in Hong Kong increased from approximately HK\$22.1 billion in 2015 to approximately HK\$28.0 billion in 2020, representing a CAGR of approximately 4.8%, primarily due to the rising awareness of security guarding services in Hong Kong.

Given the promotion of Meeting, Incentive, Convention and Exhibition (“MICE”) and the expedition of land planning and development process, the number of newly developed real estate projects and large scale events are expected to grow continuously, giving rise to the demand for security and guarding services. It is expected that the market size of security services in Hong Kong would reach approximately HK\$39.9 billion in 2025, at a CAGR of approximately 7.7% from 2021 to 2025.

Market Size of Security Services and Breakdown by Types of License (Hong Kong), 2015-2025E



Source: Frost & Sullivan

Market size in public sector

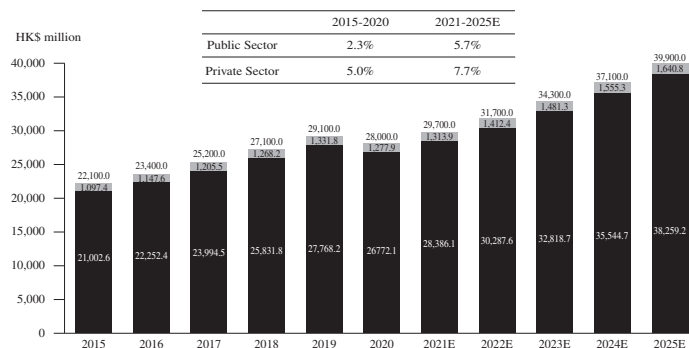
The security services market in public sector has enjoyed continuous growth from rising expenditure on security guard services in public and transportation facilities including immigration control points and public amenities, due to the rising importance of security management in public transport facilities. From 2015 to 2020, the market size of security services in public sector increased

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from approximately HK\$1,097.4 million to approximately HK\$1,277.9 million with a CAGR of approximately 2.3%. The market size of security services in public sector decreased from approximately HK\$1,331.8 million in 2019 to approximately HK\$1,277.9 million in 2020, due to the temporary suspension of some railway stations, namely Lo Wu Station and West Kowloon Station to contain the outbreak of COVID-19 and decrease in demand for security guarding services in relation to public events as a result of suppressive measures to control the outbreak of COVID-19, such as restrict dine-in during dinner time, close down of sport facilities and cinemas. However, during COVID-19, there is emerging demand on general manned guarding and manpower support services, such as the services in relation to the quarantine and surveillance control on inbound passengers, assistance and enforcement of hygiene related guidelines etc. In 2020, the market size of security services in the public sector accounts for approximately 4.4% of the total market size of security services.

Attributed to the continuous demand from the public sector, which is driven by (i) the trend of outsourcing in the security guarding industry is becoming increasingly common; (ii) the increasing penetration of security guarding services deployed in public transport facilities; (iii) the rollout of new transportation construction projects, such as the railway Northern Link and Kwu Tung Station during 2021 to 2025, as well as the expected commencement of the three-runway system in 2024, which collectively requires extensive manpower on security guarding; (iii) sustained urban development and growth in the property market and the construction of public amenities and; (iv) the increasing demand for manpower for the provision of auxiliary health screening service especially in public facilities in view of the outbreak of COVID-19, it is estimated that the market size of security services in public sector would grow from approximately HK\$1,313.9 million in 2021 to approximately HK\$1,640.8 million in 2025 with a CAGR of approximately 5.7%.

Market Size of Security Services in Public Sector (Hong Kong), 2015-2025E



Source: Frost & Sullivan

KEY FACTORS OF GROWTH OF THE SECURITY SERVICES INDUSTRY IN HONG KONG

The development of the security services industry is related to the expansion of infrastructure, transportation, buildings and real estate activities. Generally, the number of public facilities, commercial properties and residential properties would be able to indicate the growth potential of the industry.

(i) Public transportation development

In recent years, the government's infrastructure investment has remained at high level, with several transportation infrastructure projects being carried out in parallel. With the extension of Kwun Tong Line and Island Line Extension, the number of railway stations increased from 87 in 2015 to 96 in 2020. Several new railway construction projects were introduced, including the Tuen Ma Line, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station and Tung Chung West Extension. The total route length of the railway network has increased from 220.9km in 2015 to 236.9km in 2020, with an expected additional contribution of 17km from the Tai Wai to Hung Hom Section and Hung Hom to Admiralty Station of the Shatin to Central Link in 2021. It is estimated over 300km of route railway will come into operation by 2031. Each railway station requires the provision of security services for ticket inspection, by-law enforcement and customer care operations for by-laws inspection unit. On the other hand, several other transportation infrastructure projects such as Tseung Kwan O – Lam Tin Tunnel, Cha Kwo Ling Tunnel and Cross Bay Link are expected to complete in the coming few years, whose control points, toll booths and auto fare collection facilities will also have demand for security services.

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(ii) Real estate development

The total number of development projects of private real estate has attained 300 units in 2019, which is same as the number in 2015. The steady completion of commercial use buildings, public libraries and schools, and real estate development projects further support the demand for property related security services and general security services which in turn stimulate the development of security services and facility management market in Hong Kong.

Market drivers and trends

Sustained growth in property market — The demand for the security services industry is related to the number of residential flats, office buildings and shopping malls, parks, recreation venues, schools, universities, and other public venues. According to the Rating and Valuation Department, the number of new building completion in office, commercial and industrial increased from 263 units in 2015 to 441

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units in 2019. The rising number of residential properties, commercial and retail shops contribute to the needs for patrolling, entrance guarding and access control. With the continued urban renewal and rising housing supply, the security services industry in Hong Kong is forecasted to receive the impetus.

Rising demand for security guarding post — According to the Hong Kong Security Bureau, the total number of holders of Security Personnel Permit has increased acutely from 312,195 to 338,274 from 2019 to 2020, representing a surging year-over year percentage of approximately 8.4%. The Hong Kong General Union of Security and Property Management Industry Employees elucidated that the increasing job recruitment for security personnel due to the public order events in 2019 and the outbreak of COVID-19 since 2020, has lead to the influx of permit holders. The outbreak of COVID-19 has stimulated the demand for manpower support services in respect of access control, pedestrian screening and enforcement of hygiene related guidelines. Companies with a more diverse service portfolio are more likely to garner a better position to cushion the impact of the epidemic. The public order events in 2019 also serve as an impetus for property owners to reinforce the quality and quantity on manned guarding, crisis management and crowd coordination, particularly for the retail and public infrastructural sector. Leveraging on the growing supply of workforce along with the growing awareness on security guarding reinforcement, the security services market is forecasted to grow continuously in the long run.

Market opportunities and challenges

Expansion of service scope — In light of the growing emphasis on the surveillance technology and data analytics, increasing number of security guarding companies have undertaken related projects and deployed IT-proficient guards to cater to the day-to-day operation. Increasing number of training and education has been dedicated on machinery operations, system coordination and control room monitoring. With a view to improve incident detection and security capability, the establishment of control room in Hong Kong has been increasingly commonplace. Outlined in multiple government tenders, central control and monitoring system room are essentially required at contract venue in addition to the manned guarding service provision and surveillance equipment installation. Besides, to cater to the needs of preventing retail thefts, several notable market participants have introduced plain clothes officer to undergo undercover operation to reduce client's shrinkage and prevent loss. Further, an increasing number of facility management and security services providers are integrating their business models as one-stop solution providers. In light of the outbreak of COVID-19, security guards have undertaken the responsibility of facility management and security service provision to implement on-site access control and pedestrian screening. As global health experts recently remarked, the epidemic is expected to last until early 2022 with the rollout of vaccination, the demand for such service may prolong for a certain period of time. In the long run, the duties of security personnel are expected to extend beyond plainly conventional manned guarding, to technology support and specialised work support.

Establishment of qualifications framework — Security services encompass a number of specialised domains, namely security management, physical security and technology support, security guarding, emergency management and investigation. With the rising requirements of clients and project complexity, the needs for specialised expertise in the aforementioned fields are heightened. In response to the needs for industry standardisation, the Hong Kong Government and security companies are both placing more focus on improving security services workers' professional skills. The Security Services Training Board has recommended to use Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ)'s accreditation service for ensuring the quality of basic security training programmes/courses, which has provided a platform for practitioners to pursue continuous and lifelong learning, thereby enhancing their professionalism and service standards.

Potential labour shortage — There is currently a mismatch of labour demand and supply in Hong Kong security service market, despite the number of licensed workers is increasing in recent years. With the growing demand for security service from real estate sector, the average monthly salary of workers in security services industry increased from approximately HK\$11,490 in 2015 to approximately HK\$13,886 in 2020, representing a CAGR of approximately 3.9% from 2015 to 2020. However, the aging workforce, of which the percentage of licensed workers aged 61 or above increased from approximately 20.3% from 2015 to approximately 31.6% in 2020, would intensify the labour shortage issue.

Proliferation of part-time employees – Work in security services industry have been broken down into jobs with smaller time segments or looser contractual terms, in response to the organisation of one-off events and emerging development of customised solutions where the needs for flexible resources deployment are heightened. Work fragmentation in turn gives rise to proliferation of flexible workers, such as contractual employees and part-time employees. Hiring, training and retaining staff becomes very challenging, which adds to the complexity for the provision of security services.

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COMPETITIVE LANDSCAPE OF HONG KONG SECURITY SERVICES MARKET

The security services market in Hong Kong is competitive and fragmented. There are approximately over 600 players in the security services industry in Hong Kong in 2020. While the leading players are mainly the international players with established reputation and advantage from economies of scale, however, the Hong Kong-based players also contribute to a substantial amount of revenue for the market, given their strong regional partnership and local networks together with the localised knowledge and regional expertise.

In 2020, the top five players in the security services market in Hong Kong contributing to approximately 11.3% market shares in terms of revenue. Our Group is the fifth largest security services providers accounting for approximately 1.2% of total revenue in 2020.

Ranking and Market Shares of the Security Services Market in Hong Kong

Rank	Company	Estimated Revenue in 2020 (HK\$ Million)	Approximate Market Share (%)
1	Company A	893.2	3.2%
2	Company B	752.1	2.7%
3	Company C	705.9	2.5%
4	Company D	481.7	1.7%
5	Our Group	336.9	1.2%
	Sub-total	3,169.8	11.3%
	Others	24,830.2	88.7%
	Total revenue	28,000.0	100.0%

Source: Frost & Sullivan

Notes:

Company A is the subsidiary of a listed company and provides Type I, II, III security services including cash management solutions, facility services, event security services and the security system, in Hong Kong.

Company B is the subsidiary of a listed company and provides Type I and III security services including ex-gurkhas guards, armed guards, mobile patrol, and guard dogs, serving thousands of both public and private sector customers, in Hong Kong.

Company C is the subsidiary of a listed company and provides Type I, II, III security services, including security guarding, escort and surveillance security, security system and technology services for principally the private sector, in Hong Kong.

Company D is private company and provides Type I and III security services, including security guarding, property management, safety consultation and technical installation services for primarily the private sector, in Hong Kong.

In the public sector, the security services market is relatively concentrated with the top five players contributing to approximately 86.2% of the entire market in terms of revenue. Our Group is the largest security services providers in public sector accounted for approximately 27.4% of total revenue in 2020.

Ranking and Market Shares of the Security Services Market in Public Sector in Hong Kong

Rank	Company	Estimated Revenue in 2020 (HK\$ Million)	Approximate Market Share (%)
1	Our Group	336.9	27.4%
2	Company E	332.2	27.1%
3	Company F	175.5	14.3%
4	Company G	138.6	11.3%
5	Company H	75.6	6.2%
	Sub-total	1,058.8	86.2%
	Others	169.1	13.8%
	Total revenue	1,227.9	100.0%

Notes:

Company E is a private company and provides Type I and III security services, including security guarding and security systems related services in Hong Kong.

Company F is a private company and provides Type I and III security services, including guarding services, event security services, security & alarm system monitoring, security consultancy services, and security and alarm services, in Hong Kong.

Company G is the subsidiary of a listed company in Hong Kong specializing in property management services and provides Type I and III security service, including security guarding and security system related services.

Company H is the subsidiary of a listed company and provides Type I security services, engaged in facility management, cleaning, engineering and maintenance, security services and landscape maintenance.

Entry barriers

Capital requirements — In light of the labour-intensive nature of general manned guarding, event and crisis security management and manpower support services, a considerable amount is required as the pre-requisite wage expense to recruit security personnel as well as to provide adequate training, and the incurring of other costs as a result of the provision of ad-hoc services required by clients. With

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effect from 1 May 2019, the statutory minimum wage has been raised to HK\$37.5 per hour in accordance to the Minimum Wage Ordinance (Cap. 608), which is expected to further increase operational costs pressure and poses hindrance to new entrants. The statutory minimum wage remains at the same level and continues to apply until 30 April 2023. Besides, security service providers are generally required to provide contract securities as part of the terms and conditions to securing a tender. In general, the market participants are required to have substantial cash outlays at the early stage of the projects while most of the payments are received at the later stage of those projects. It is not uncommon for companies, regardless of the business scale, to commit to a performance bond as part of the conditions of the contract. As such, the limited financial capability and number of workforces of new entrants have put strain on the potential exposure to opportunities.

Business relationship — Notable players of the industry have secured a source of revenue and market position, which is largely attributable to the established long-term relationship with the key accounts, such as the Hong Kong Government, property developers and railway operators. Particularly in the public sector, the government and major infrastructural corporations, being the major clients, have been referring to a limited pool of security companies, accredited to the thorough understanding of the specifications and requirements. Accordingly, the lack of ample business relationship serves as an entry barrier for new market entrants to cater to complex requirements in large scale projects. Besides, time and efforts are needed for new market entrants to adapt to client needs and develop relevant domain knowledge.

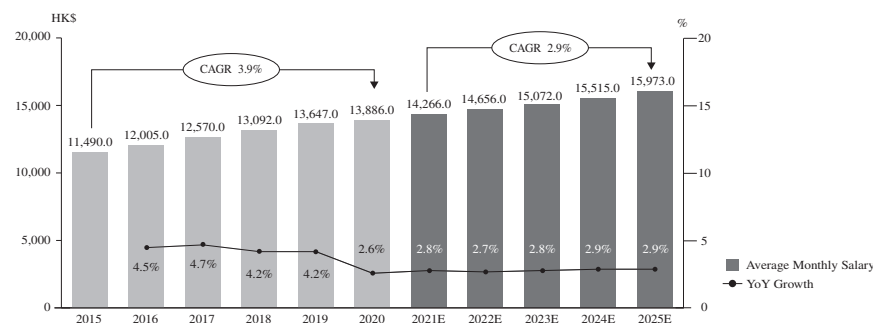
Track record — The track record and project references serve as a pivotal assessment criterion in a tendering process. Potential clients are likely to search for security service providers with relevant experiences in each category of services, i.e., security license of Type I security work, Type II security work and Type III security work. Credible track record for (i) quality of works; (ii) capacity to handle sizeable projects, i.e. large housing estates, public transits and government facilities, etc.; (iii) remarkable projects; and (iv) competitive advantages over other industry players, collectively serve as critical metrics to differentiate under the fierce competition. New market entrants without sound reputation and experience in provision of general manned guarding service, would compromise a company’s overall competitiveness in the market and may face difficulties in securing contracts and new clients.

Recruiting and retaining of employees — The security services industry is featured with a comparatively higher proportion of engagement of temporary, contracted or part-time workers. The characteristic has entailed a high mobility of the labour market in security industry, while retaining expertise and experienced security personnel may encounter difficulties without a sustainable offer package to the employees. On the other hand, security personnel often require up-to-date pre-service training to be acquainted to different circumstances for a better business profile with variety of projects. As such, new market entrants with limited resources and effort, may face difficulties in retaining, recruiting and training employees.

Cost analysis

The regulation of statutory minimum wage regulation came into effect in 2011 as regulated by the Minimum Wage Ordinance. The security services industry is considered labour intensive. With the effects of monetary inflation, the monthly salary of workers in the security services industry increased from approximately HK\$11,490 in 2015 to approximately HK\$13,886 in 2020, representing a CAGR of approximately 3.9% from 2015 to 2020. The number of valid security personnel permit holders increased during the same period and the effects of statutory minimum wage diminished in recent years and lead to a decreasing yearly growth rate of average monthly salary of security guards. Moving forward, the average monthly salary of security guards is expected to reach approximately HK\$15,973.0 in 2025, representing a CAGR of approximately 2.9%.

Average Monthly Salary of Security Guards (Hong Kong), 2015-2025E



Source: Census and Statistics Department of Hong Kong

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OVERVIEW OF HONG KONG FACILITY MANAGEMENT SERVICES MARKET

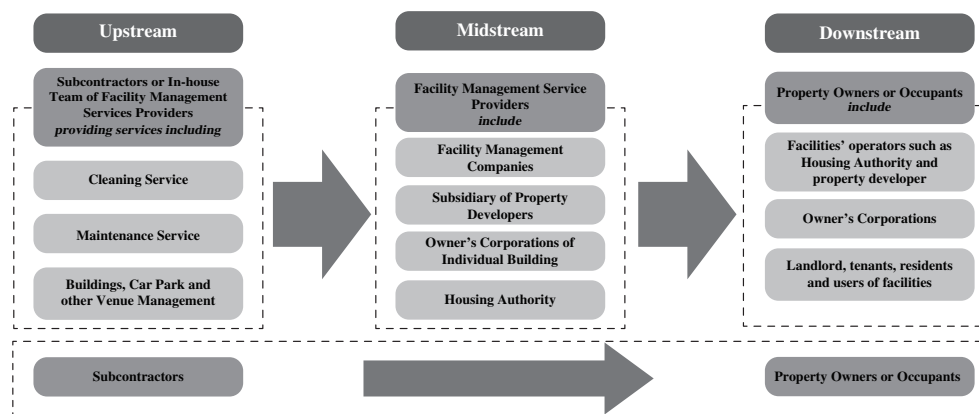
Facility management is the integrated management of various activities or interactions arising from the use or occupation of premises. Facility management services generally include (i) property management services; (ii) car parking rental and management services; (iii) cleaning services; and (iv) hotel management services.

Property management services cover the operation and other supporting services to owners, tenants and users of facilities, such as periodic meeting with different parties, complaint handling, etc. Car parking rental and management services refer to handling daily operation and provision of rental service of a car park. Cleaning services include general cleaning, pest management, waste management and other services such as landscaping, animal corpse disposal, room service, etc. Hotel management services refer to operation, management and maintenance of hotel, including sales and marketing, hiring and managing the hotel employees and financial operation.

Value chain analysis

In general, the value chain of facility management market in Hong Kong consists of subcontractors, facility management service providers and property owners or occupants. Some of the cleaning and maintenance services are provided directly to property owners and occupants.

Value Chain Facility Management Market



Source: Frost & Sullivan

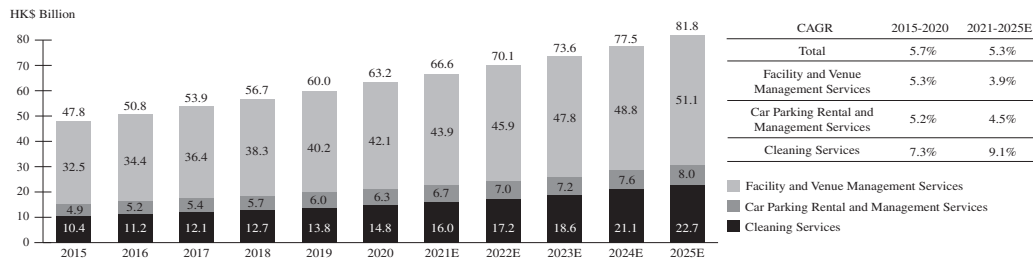
Market size

The facility management market in Hong Kong has experienced a growth from approximately HK\$47.8 billion in 2015 to approximately HK\$63.2 billion in 2020, representing a CAGR of approximately 5.7%. Given the effectiveness, simplicity, and standard services, the rising popularity of outsourcing practices translate into demand for integrated solutions and streamlined facilities management services for customers. It is expected to maintain a growing trend and reach approximately HK\$81.8 billion by 2025, representing a CAGR of approximately 5.3% from HK\$66.6 billion in 2021. Residential is the largest sector of facility management service market in Hong Kong which is forecasted to grow at a CAGR of approximately 5.7% from 2021 to 2025, primarily due to the rising needs for living place. To optimise the use of industrial buildings, a set of revitalisation measures to facilitate the redevelopment and wholesale conversion of older industrial buildings are launched in order to provide more floor space for Hong Kong's changing social and economic needs, leading to a slight drop in the industrial market size.

With the continued growth of property development market in Hong Kong, the facility and venue management services, car parking rental and management services and cleaning services market each maintain a stable growth rate. The facility and venue management services market including hotel management services is the largest part of the facility management services market in Hong Kong, which have experienced a growth in market size from approximately HK\$32.5 billion in 2015 to approximately HK\$42.1 billion in 2020, representing a CAGR of approximately 5.3% and is forecasted to reach HK\$51.1 billion in 2025 with a CAGR of approximately 3.9% from 2021 to 2025. The cleaning services market recorded a growth of a CAGR of approximately 7.3%, from approximately HK\$10.4 billion in 2015 to approximately HK\$14.8 billion in 2020 while the car parking rental and management services market increased from approximately HK\$4.9 billion in 2015 to approximately HK\$6.3 billion in 2020, representing a CAGR of approximately 5.2%.

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Market Size of Facility Management Services and Breakdown by Services Type (Hong Kong), 2015-2025E



Source: Frost & Sullivan

Market drivers and trends

Rising housing supply — According to “2020 Policy Address”, the Government has set the public and private housing supply target for the 10-year period from 2020 to 2030 being 301,000 units and 129,000 units, respectively. The government has also mapped out multiple sites that could be revitalised for development, encompassing the Siu Ho Wan Depot Site which could be developed into residential units, rezoning of urban squatters in Cha Kwo Ling, Ngau Chi Wan, etc., development of Tuen Mun West for residential units and other beneficial uses, as well as the Lantau Tomorrow Vision as a multi-pronged land creation plan, which collectively elevate land supply and the demand for construction projects. In the meantime, it has also stated that the Hong Kong Government is exploring new measures to increase public housing supply, in order to tackle the housing issues. For example, the Hong Kong Housing Authority (HKHA) is exploring the feasibility of redeveloping individual factory estates for public housing uses. The expected rise of housing supply would boost the demand for facility management services, including venue and facility management, car parking rental and management and cleaning services.

Provision of more parking spaces — According to the Transport and Housing Bureau, total number of licensed cars in Hong Kong recorded in 2019 was more than 790 thousand while there are only around 750 thousand parking spaces available in Hong Kong. In order to meet the demand for parking spaces, the Hong Kong Government is exploring measures continuously to increase the supply of parking spaces, such as providing incentives for private developers to provide more public underground public parking spaces which in turn increase the demand for car parking rental and management services.

Increase in public awareness in facility hygiene — The outbreak of COVID-19 since 2020 in Hong Kong has raised public awareness for hygiene, which has induced prompt demand for environmental cleaning services. Compared to other industries, the demand for facility hygiene management is countercyclical, while all types of building such as residential estates and commercial offices and shopping malls are covered to implement sterilization on surroundings and access control management. In the long term, the reliance on facility cleaning service is forecasted to grow with the collective effort devoted by the general public and the government to minimise the risk of further outbreaks. In addition, facility management service providers are likely to diversify their cleaning services in response to the increasing demand from customers.

Growing public awareness of facility safety — Key factors contributing to the growth of facility management include increasing public awareness and security concerns and willingness to invest in building facilities and management. In response to the incidents concerning the safety of buildings and facilities (e.g. the collapse of a green roof at City University of Hong Kong in May 2016, and malfunctioning escalators and elevators in Times Square in August 2015), professional advisory services are driven accordingly. These include the forming of owners’ corporations or other residents’ organisations, preparing management audit reports, application for various loans and funding schemes and following up on repair works. In general, corporates are investing millions of dollars in security technology with the intention of increasing security, protecting people and assets, and solving security issues. Increasing number of facility management companies are placing emphasis on the surveillance technology and video analytics, ensuring high system availability and reliability, and facilitates manpower deployment for quality of facility management and higher operational efficiency. Surveillance systems are used to monitor, record, store any potential evidence to protect the interest of general public.

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Rising complexity and requirements for facility management services — Introduction to the mix of office, commercial and non-pollution industrial uses is now becoming increasingly common, and is driving the number of office and the revitalisation of the retail business in the traditional industrial areas in Hong Kong. These development projects and change of land uses not only contribute to the rise of facility management services but also lead to the rising complexity and requirement for facility management services. The service scope is expected to expand from operation, management and cleaning to monitoring, control system management and maintenance of facility. The rising needs for customised and integrated multi services solutions are heightened in the redeveloped buildings, which would translate into business opportunities for the industry.

Market opportunities and challenges

Continuous urban renewal — As stated in the Annual Report 2019–20 of Urban Renewal Authority (“URA”), there were more than 10,000 buildings in Hong Kong aged 50 years or above, and the number is forecasted to reach 28,000 by 2046. To address the aging problem, the government has increased the three-year target of 10,000 units of transitional housing to 15,000 units, in order to relieve the pressure of families living in unpleasant living conditions. Old buildings will be redeveloped into new buildings. Currently, there are over 40 ongoing redevelopment or preservation projects initiated by the URA, with an estimated supply of 15,943 residential units and 375,368 square metres of commercial gross floor area by completion. In addition, the expenditure on URA projects from 2020 to 2025 is estimated to reach HK\$60 billion as compared to the previous projection of HK\$34 billion from 2019 to 2025. As a result, the demand for facility management services arising from continuous redevelopment projects is anticipated to become higher.

Established educational framework for entry personnel — In light of the establishment of the property management practitioner license stipulated under the Property Management Services Ordinance, the Property Management Services Authority has introduced a comprehensive framework of the pathway to attain the professional qualifications of the facility management services industry. Several education institutions have been appointed as the official course providers to provide all around course in regard to code of conducts, management and communication skills and building maintenance and optimization. Overall, the rollout of the licensing system and the provision of educational program on one hand poses entry barrier to new market entrants, while on the other hand elevates the quality of delivery and industry standards for practitioners, supervisors and managers.

Rising needs for value-added services — With the higher living standards and growing number of residential and commercial building in the market, property owners, residents and visitors are having higher expectation and requirements on facility management services. In view of this rising trend, facility management services providers continue to enhance their service coverage and quality in order to provide clients with more value-added services. For example, facility management services providers would establish online booking system and organise training courses for the sports and recreation facilities available in private residential premises and offer parcel delivery, transportation, tools for lending and catering services.

Higher cost of operation — The facility management services industry is considered as a labour intensive industry and labour cost accounts for a substantial proportion of the cost structure. The implementation and bi-annual review of statutory minimum wage has put a financial pressure on facility management services providers. With effect from 1 May 2019, the Statutory Minimum Wage rate is raised from HK\$34.5 per hour to HK\$37.5 per hour, which may drive up the salary of licensed managerial and supervisory staff. The prevailing Statutory Minimum wage rate will continue to apply until 30 April 2023 and the next round of review will be conducted in October 2022.

COMPETITIVE LANDSCAPE OF HONG KONG FACILITY MANAGEMENT MARKET

The facility management services market in Hong Kong is competitive and fragmented as reflected by the large number of companies. As estimated, there are approximately 900 facility management companies (including property management and car parking rental and management services providers) and 1,000 cleaning services companies in Hong Kong in 2020. With the government’s support and on-going urban renewal projects, the land and housing supply is expected to grow and further the potential growth of facility management services.

The leading market participants of facility management services in Hong Kong usually offer a wide variety of services including property and facility management, repair and maintenance, environmental hygiene services, clubhouse and car parking rental and management services, etc. in order to gain market share in the competitive environment. Large sized property developers usually appoint one of their subsidiaries or associated companies to manage the properties they develop because the property developers may enjoy the advantage of owning large shares of the property development and maintain substantial control over such properties.

INDUSTRY OVERVIEW

The facility management services market is relatively competitive fragmented with the top five players contributing to 16.6% of the entire market in terms of revenue. Our Group recorded the revenue of HK\$29.0 million for the provision of facility management services in Hong Kong 2020, with the market share of 0.05%.

Ranking and Market Shares of the Facility Management Market in Hong Kong

Rank	Company	Estimated Revenue in 2020 (HK\$ Million)	Approximate Market Share (%)
1	Company B	3,010.5	4.8%
2	Company I	2,505.0	4.0%
3	Company J	2,344.3	3.7%
4	Company K	1,631.4	2.6%
5	Company L	1,003.2	1.6%
	Sub-total	10,494.4	16.6%
	Others	52,705.6	83.4%
	Total revenue	63,200.0	100.0%

Source: F&S

Note:

Company I is a listed company in Hong Kong engaged in the provision of building cleaning services, street cleaning services, public transport modes cleaning and other cleaning services.

Company J is listed company in Hong Kong specializing in real estate development and property management.

Company K is listed company in Hong Kong and provides E&M engineering services, property management, security services, insurance brokerage and landscaping services.

Company L is listed company in Hong Kong engaged in property development and investment, aircraft leasing, pub operation and investment, utility asset operation and property management.

Entry barriers

Business relationship and industry connection — Existing established facility management services providers have generally built up strong industry connection with their existing clients such as property developers and owners based on proven track record and reputation built on previous project delivery. In addition, facility management services providers are required to maintain good business relationship with their sub-contractors of certain specialized services such as cleaning, repair and maintenance services providers, which would further ensure the quality of services. Thus, industry connection will be a key entry barrier in the facility management services industry in Hong Kong.

Licensing Requirement — The forthcoming licensing regime proposed by the Property Management Services Authority is expected to pose an additional barrier for new market entrants on both company and staff level. In particular, facility management services providers engaged in more than one category of property management services are required to obtain a license, while the management and supervisory staff of a facility management services company is required to obtain the facility management practitioners license.

Industry knowledge — Facility management covers a wide range of professional services such as repair and maintenance for buildings and facilities, cleaning services and car park management, which requires respective industry know-how, experience and relevant qualified professionals and management staff. As a result, new entrants without prior knowledge or experience in the facility management services industry may encounter the operational issues.

COMPETITIVE STRENGTHS OF OUR GROUP

According to Frost & Sullivan, our Group is the top five leading security service provider and ranked top in the public sector of the security service industry in 2020. Several competitive strengths have differentiated our Group from our competitors, including,

Established relationship with downstream clients — Our Group has established long-standing and stable business relationship and fostered customer stickiness with various downstream clients, particularly in the public sector of the security services industry and facility management industry. Such profound relationships with downstream stakeholders have enabled our Group to effectively communicate and minimise potential errors during project execution, which in turn strengthen our Group’s credibility in the market. Continual recurrence of similar projects contributed to our Group’s extensive know-how, experience and capability to handle dynamic challenges and circumstances in the market, which is conducive for our Group to retain existing customers, and garner further opportunities through our market reputation and referral from existing customers, thereby solidifying the market position of our Group. Relationship developed with downstream clients is built on the trust and quality of service in the past project delivery, which reduces the time and cost in communication and coordination, thus making the delivery of services more efficient. In addition, the Group has

INDUSTRY OVERVIEW

demonstrated its capacity in large-scale project delivery, in aspects of capital requirement, resources deployment and types of service offerings. The scale of operation, particularly in public sector, comes as the indistinguishable asset among other market participants.

Wide range of service offerings through a qualified workforce — With extensive capacity, capability and scalability, our Group is able to offer wide spectrum of services including general manned guarding services, manpower support services, event and crisis security services, property management services, car parking rental and management services, cleaning services and hotel management services. Leveraging the holistic offerings and qualified workforce, our Group is able to offer integrated and one-stop service in a reliable manner and accommodate to various types of premises and facilities, which ensure the consistency and quality of work and save the client’s need to engage different parties, thereby creating synergies and operational efficiency. The wide range of services offering of the Group enables it to address the rising complexity of customers’ requirements and lowers the cost of engaging different services providers. The Group is one of the few market participants who are able to provide security services in Hong Kong.

Visionary and experienced management team — Led by a group of high-caliber management team with at least 10 years of market practice and proven track record, our Group has developed into one of the fully fledged market leaders in the security services industry and facility management industry. With extensive knowledge and experience, our Group is able to deliver market savvy insights and strategies to cater to the needs of the clients, which contributes to sustainable business prospect and customer relationships.

Please refer to “Business — Competitive strengths” in this [REDACTED] document for further details.