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OVERVIEW

We are an established facility services provider specialising in the provision of security services and facility management services across public and private sectors in Hong Kong. We have over 10 years of experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities as well as crowd coordination and management services at various large-scale events and emergency and critical incidents in Hong Kong. Our Group has been listed on GEM since 22 October 2019.

Throughout a decade of our development, we believe our “IWS” brand has established a reputation of offering quality security services amongst our clients in Hong Kong. We had been able to secure contracts from the Railway Corporation for the provision of security services for 10 consecutive years and as at 31 August 2021, we had provided such services at all railway stations along 13 railway lines. We also provided security services at eight sea, land and railway immigration control points in Hong Kong. In addition, we provided general manned guarding, manpower support and car parking rental and management services pursuant to several mega-scale railway and transportation infrastructure contracts relating to Guangshen’gang XRL (i.e. the XRL Contracts) since its trial run in April 2018 for an initial term of approximately three years, which has been extended for an additional three years until September 2024. During the Track Record Period, we were awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to our provision of security guarding services at its headquarters and six depots for a period of two years with an initial contract sum of approximately HK\$16.7 million, and we were awarded a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years where the contract sum is approximately HK\$230.1 million, as estimated by our Directors.

We are also experienced in providing crowd coordination and management services for large-scale sports and recreational events at the largest outdoor multi-purpose recreation and sports venues in Hong Kong which can accommodate an audience capacity of 40,000. Having leveraged experience accumulated from such projects, we were successfully awarded contracts by the Railway Corporation to provide Station Control Services for crowd coordination, maintenance of order at various stations along all the railway lines during public order events from August 2019 until February 2020. We provided COVID-19 Detection Support Services primarily for collection and distribution of specimen packs at the community testing centres around Hong Kong for a free mass COVID-19 testing scheme since the launch of the first Universal Community Testing Programme in September 2020 which ran for a 14-day period with more than approximately 1.7 million persons having participated. Starting from January 2021, we were further extended for the provision of COVID-19 Detection Support Services at all Community Testing Centres, specimen collection and distribution points in various districts and vending machines at the railway stations to provide COVID-19 testing for the general public in Hong Kong.

We are committed to satisfying our clients’ different needs by providing a spectrum of facility services. In order to fulfil this commitment, in 2016, facility management services were formally introduced as one of our principal business segments covering property management

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services, car parking rental and management services, cleaning services and hotel management services. In less than five years' time, we were engaged to manage over 13 properties and facilities with a gross floor area of over 400,000 sq.ft. in Hong Kong as at 31 August 2021.

Our revenue increased by approximately 63.1% from approximately HK\$295.2 million for FY2019 to approximately HK\$481.6 million for FY2020 and decreased by approximately 24.0% to approximately HK\$365.8 million for FY2021. Our revenue increased by approximately 67.6% from approximately HK\$125.3 million for 5M2021 to approximately HK\$210.0 million for 5M2022. Our profit and total comprehensive income for the year increased by approximately 165.3% from approximately HK\$17.7 million for FY2019 to approximately HK\$47.1 million for FY2020 and further increased by approximately 40.6% to approximately HK\$66.2 million for FY2021. Our profit and total comprehensive income for the period decreased by approximately 9.5% from approximately HK\$27.3 million for 5M2021 to approximately HK\$24.7 million for 5M2022. The significant growth in revenue in FY2020 was mainly due to revenue generated from our provision of Station Control Services in light of the public order events. Although our revenue in FY2021 decreased as compared to FY2020, it was still significantly higher than our revenue in FY2019 mainly due to revenue generated from COVID-19 Detection Support Services. Nonetheless, the Station Control Services and COVID-19 Detection Support Services are non-recurring in nature. Although the Station Control Services and COVID-19 Detection Support Services are non-recurring in nature, our Directors believe that it demonstrates our flexibility and ability to provide services in response to crisis and emergency incidents and large scale unexpected events, which are also some of the reasons why we have generally been able to maintain strong relationships with our clients throughout the years, including the Railway Corporation and the HK Government Entities.

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Our business and services

We have two principal business segments, namely security services and facility management services, each with a number of key service lines:

- (i) **Security services** — Our security services comprise of the provision of general manned guarding services, manpower support services and event and crisis security services at railway stations and facilities, sea, land and railway immigration control points, public amenities, private commercial, residential and other properties in Hong Kong. In this business segment, our major clients from the Hong Kong public sector include the Railway Corporation, HK Government Entities, educational institutions and other public institutions, while our clients from the Hong Kong private sector mainly include property owners, property management companies and construction companies. In FY2020, we participated in large-scale public projects for the general public in Hong Kong for the provision of Station Control Services and COVID-19 Detection Support Services.
- (ii) **Facility management services** — Our facility management services involve the provision of property management services, car parking rental and management services, cleaning services, and hotel management services primarily in the private sector for property owners with a focus on commercial and residential properties in Hong Kong such as shopping malls, office buildings and hotel. We have also commenced the provision of such services in the public sector during FY2019.

Our large and qualified workforce

We have a large workforce deployed at our clients’ properties and workplaces designated by our clients. As at 31 August 2021, we had a workforce of 2,676 employees, including 1,744 full-time employees and 932 casual employees. Amongst our total employees, 1,303 had obtained and validly held the Security Personnel Permits, of which 1,265 were allowed to perform Category A Security Work and Category B Security Work and 38 were only allowed to perform Category A Security Work. In addition, we had a team of 75 qualified personnel for providing facility management services. Employee benefit expenses is the most significant component of our operating expenses. During the Track Record Period, our employee benefit expenses amounted to approximately HK\$252.1 million, HK\$388.5 million, HK\$250.0 million and HK\$130.8 million, respectively, representing approximately 95.8%, 96.0%, 86.2% and 76.9% of our Total Operating Expenses, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

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The leading security services provider in the Hong Kong public sector with a solid track record

We are the leading security services provider in the Hong Kong public sector. We have over 10 years of experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities in Hong Kong.

In light of the changing economic and social environment, especially following the public order events in 2019 and the outbreak of COVID-19 in early 2020, we have been expanding our scope of services under our security services segment with the provision of Station Control Services and COVID-19 Detection Support Services. Our Directors believe that our provision of such services has proven our flexibility and capability in responding to the changes in the market and ability to maintain our leading position in security services in the Hong Kong public sector as mentioned in the Frost & Sullivan Report.

With over 10 years of operating history, we have developed a solid track record of serving both public and private sectors, in particular, the Railway Corporation and the HK Government Entities. As at 31 August 2021, we were engaged to provide security services and facility management services at more than 100 different locations including 13 railway lines and eight sea, land and railway immigration control points and over 13 properties and facilities with gross floor area of over 400,000 sq.ft. in Hong Kong. During the Track Record Period, we were awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to our provision of security guarding services at its headquarters and six depots for a period of two years with an initial contract sum of approximately HK\$16.7 million, and we were awarded a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years where the contract sum is approximately HK\$230.1 million, as estimated by our Directors. We also specialise in crowd coordination and management and have served at various large-scale events and emergency and critical incidents in Hong Kong such as the 2008 Beijing Olympic Paralympic Games, the 2009 East Asian Games, public order events in 2014 and 2019 and the largest outdoor multi-purpose recreation and sports venue in Hong Kong which can accommodate an audience capacity of 40,000.

Our Directors believe that our leading position and our solid track record in the security services industry in the Hong Kong public sector has given us an advantage in maintaining our existing clients, securing new business opportunities and developing our capability to offer integrated facility services, which is crucial to the business development of our Group.

Solid client base and long-standing business relationships

During the Track Record Period, our clients were from both the public and private sectors. Our major clients in the public sector included the Railway Corporation, HK Government Entities, educational institutions and other public institutions, while our clients in the private sector were mainly property owners, property management companies and construction companies. During the Track Record Period, approximately 81.7%, 89.0%, 86.7% and 84.2% of our revenue, respectively, were attributable to our clients in the public sector.

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As at 31 August 2021, we had 27 Fixed-term Contracts with a remaining contract term of at least one year. During the Track Record Period, our recurring clients contributed approximately 99.1%, 99.3%, 96.3% and 90.6% of our total revenue, respectively. Our Directors are of the view that these contracts and recurring clients are testament to our clients’ confidence in our Group and form a stable source of our recurring revenue.

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Some of our five largest clients during the Track Record Period, including the Railway Corporation, the Immigration Authority and the Health Authority had over 10 years of business relationship with our Group as at the Latest Practicable Date. Please refer to the paragraph headed “Clients — Our largest clients” in this section for further details.

Our Directors believe that by maintaining close relationships with our clients, we are able to gain a better understanding of their needs and preferences to allow us to deliver better services. Furthermore, our ability to maintain stable relationships with our clients, in particular our reputable clients, such as the Railway Corporation and the HK Government Entities, also guarantees a stable source of revenue to our Group so that we are less exposed to any market fluctuation or instability. The profile of such reputable clients also reduce our own credit risks and strengthen our market reputation.

Ability to offer a spectrum of quality services through our qualified workforce

We are committed to providing a spectrum of quality 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. Depending on the requirements of our clients, we are able to provide our services on a single, multi-service or integrated basis.

Our services are provided through our qualified workforce. For the provision of our security services, 1,303 of our employees had obtained and validly held the Security Personnel Permits, of which 1,265 of our employees were allowed to perform Category A Security Work and Category B Security Work and 38 of our employees were only allowed to perform Category A Security Work. Other than Security Personnel Permit holders, our qualified workforce also included personnel of various training, qualifications and/or experience to cater to the different needs of our clients. As at 31 August 2021, our workforce included five employees holding the property management practitioner (Tier 1) licence for the provision of facility management services. With a workforce of various backgrounds, qualifications and capabilities, we are able to easily accommodate and respond to the different needs and requirements of our clients in a timely manner. To ensure consistent delivery of quality services, as at 31 August 2021, the performance of our qualified workforce was monitored and supervised by 22 officers and our management team. Each of our employees are also required to comply with standards, procedures and guidelines formulated by our Group. Please refer to the paragraph headed “Quality assurance” in this section for details.

Our Directors believe that as part of our ability to offer event and crisis security services, our Group is able to mobilise manpower through our existing pool of qualified workforce within a short period of time, which enables us to timely respond to urgent and/or ad-hoc demands from our clients. For example, during the Track Record Period, we have committed to some of our clients under our security services segment a performance pledge of mobilising 30 personnel within one hour. During the Track Record Period, approximately 7.5%, 3.8%, 4.3% and 3.3% of our total revenue, respectively, were attributable to Ad-hoc Contracts which were entered into between our Group and our clients, which our Directors believe were usually entered into with less than one

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day’s notice. Our Directors also believe that we are able to secure these contracts due to our capability and flexibility in mobilising manpower within a short period of time which are important strengths we have over our competitors.

Our Directors believe that, through our qualified workforce and quality assurance mechanism, we are able to offer quality services to our clients which gives us an advantage in maintaining relationships with our existing clients and securing new business opportunities which are crucial to daily operations and business development.

Strong and experienced management team

Our management team is well-experienced in security services and facility management services industries. Our Group is led by our executive Directors, namely, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, most of them having been in the security services industry for more than 10 years and are responsible for overall corporate and/or business strategic development in our Group.

As part of the core management team, our senior management team members also have in-depth industry knowledge and expertise in various areas including security services, facility management services and auditing and accounting. Mr. Choi Ming Fai Andy, our chief executive officer, has over 19 years of experience in the security services industry in Hong Kong and was a member of the Hong Kong Auxiliary Police Force for approximately 26 years. Mr. Kwong Tat Man, our general manager, has over 31 years of experience in the property management services industry and manned security services industry. He has been a member of the Royal Institution of Chartered Surveyors. He was registered as a professional housing manager on the Housing Managers Registration Board and a member of the Hong Kong Institute of Housing and the Chartered Institute of Housing. Please refer to the section headed “Directors and Senior Management — Senior management” in this [REDACTED] document for further information.

Our Directors believe that based on the experience of our management team and their in-depth knowledge of our industries and the needs of our clients, our Group is able to deliver quality and satisfactory services to our clients which are essential to our success and future developments.

BUSINESS STRATEGIES

We aim to become a leading integrated facility services provider in Hong Kong by pursuing the following business strategies:

Expanding our business in security services

According to the Frost & Sullivan Report, the market size of security services in Hong Kong would reach approximately HK\$39.9 billion in 2025, at the CAGR of approximately 7.7% from 2021 to 2025. The increase is expected to be driven by the continuous growth of newly developed real estate projects and large scale events. Our Directors intend to capture such market growth by continuing to bid for and secure certain public sector and/or large-scale contracts. During the Track Record Period and as at the Latest Practicable Date: (i) the XRL Contracts with the Railway Corporation have been extended for an additional three years with a contract sum of approximately

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HK\$265.4 million; (ii) we were awarded a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years with a contract sum of approximately HK\$230.1 million, as estimated by our Directors,

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where we have commenced providing preliminary services on 7 June 2021; (iii) we have been awarded a contract from the Health Authority in relation to COVID-19 Detection Support Services for a period of six months with an initial contract sum of approximately HK\$92.3 million; (iv) we have been awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to security guarding services at its headquarters and six depots for a period of two years with an initial contract sum of approximately HK\$16.7 million; and (v) we have been awarded a contract from the Health Authority in relation to manpower support services for a period of two years with an initial contract sum of approximately HK\$92.8 million. In order to capture the market opportunities and expand our market share, we intend to utilise the GEM Listing [REDACTED] to secure new contracts, recruit security service personnel and acquire patrol vehicles for each of the additional contracts and other potential business opportunities. Therefore, we expect to expand our business in security services.

Enhancing our capability in providing facility management services

In order to enhance the diversity of our services, having considered the market demand for integrated facility services, the opening up of cross-selling opportunities and the benefits of business diversification, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services, in 2016. According to the Frost & Sullivan Report, the total revenue of the facility management market in Hong Kong 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%. As such, our Directors intend to continue with our current business strategy of becoming an integrated facility services provider.

During the Track Record Period, our Group submitted three tenders for the provision of tunnel management services. Although we were unsuccessful in securing these tenders because we did not obtain the highest total score as compared to other competitors, we have passed all the essential requirements for the provision of tunnel management services. However, we believe that this has proven our capability in undertaking tunnel management services in the future as we have complied with the essential requirements. In addition, to further expand our business in facility management services, our Directors intend to strengthen our capability in undertaking contracts and other business opportunities. We intend to recruit additional sales and marketing personnel in order to strengthen our sales and marketing efforts at facility management services and acquire equipment since, as an integrated facility services provider, we are typically expected to possess the necessary equipment to carry out our services. Such machines and equipment include floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite.

Improving operational efficiency and scalability

Due to the labour-intensive nature of our business, it is critical for us to take advantage of the recent technological trends and developments to optimise our operational efficiency and scalability and promote effective deployment of our workforce while maintaining our quality of services. In particular, in view of the expected growth in our scale of operation, operational optimisation will become even more important to ensure our continual profitability and financial performance.

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During the Track Record Period, we have engaged software companies for the provision of design and development services on the mobile application modules to track our employees and assist our facility management service personnel in performing various property management functions. The mobile application modules shall be installed on hand-held devices. As at the Latest Practicable Date, it was used to (i) assist in the recruitment process by allowing potential candidates to submit their employment applications; (ii) record the attendance of our employees; and (iii) monitor our patrolling services by locating our facility management service personnel through the global positioning system. It facilitates the provision of our services by allowing our employees to perform a series of functions including monitoring and supervision

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through the hand-held devices, increasing operational efficiency and reducing reliance on labour. By centralising and digitalising our management and control, we expect our service quality and users' satisfaction could be significantly improved by utilising such automated technologies, thereby enhancing our brand image. Deploying automated technologies will also give rise to an increase in our scale of economies under which average staff costs per unit could be lowered through enhancing the efficient management and utilisation of our workforce, the specialisation of managerial and human resource personnel and the simultaneous execution of different contracts in various size. Our Directors are also of the view that effective communications within our workforce and management team and resources management can be better promoted and maximised.

We plan to set up a centralised operational and monitoring control room for the reception, verification and transmission of video and alarm signals and the communication of such signals to law enforcement agencies and to improve our operational efficiency, in addition to the provision of our current scope of security services. To the best knowledge of our Directors, they were not aware of any existing laws and regulations requiring the transmission and communication of video and alarm signals to law enforcement agencies as at the Latest Practicable Date. During the Track Record Period, we entered into a tenancy agreement with a landlord, which is an Independent Third Party, to lease a premise to establish the control room. According to the Frost & Sullivan Report, it is noted that (1) control room is increasingly used in the security guarding services industry in Hong Kong; (2) the use of control room increases operational efficiency and enhances the quality of security guarding services; and (3) control room is required for some tenders including those initiated by the Hong Kong Governments and multinational corporations which have high safety standard. As such, there is an increasing trend of including control room service for large-scale projects in recent years. Our Directors expect that our security services can be broadened to extend to the reception of business alert coming from our clients such as temperature or pressure information, status of cameras and video recorders on our clients' premises or opening or closing of doors, all of which can be remotely supervised. We would also be able to offer crisis coordination and management services as well as monitor and supervise certain business processes at our clients' premises remotely.

Selectively pursuing strategic acquisitions and investment opportunities

According to the Frost & Sullivan Report, the security services and facility management services industries are relatively fragmented. Our Directors are therefore of the view that there are opportunities for strategic acquisitions and investments. As at the Latest Practicable Date, we did not have any specific acquisition plans or targets and had not entered into any definitive agreements with any potential targets. The timing of any potential acquisition would depend on the identification of a suitable acquisition target and we do not have an expected timeframe for potential acquisition until a suitable opportunity comes along. When selecting an acquisition or investment target, we would consider criteria such as their service offerings and technical capability and would focus on selecting a target which could bring us opportunities in expanding our business in security services, exploring new facility management services, enhancing our operational efficiency and/or synergy through vertical integration. We expect that our potential acquisition or investment targets would mainly be small to medium sized companies with relevant licences and track record. Our Directors intend to acquire (i) a small to medium sized security services company licensed to carry out Type III security work which we believe could complement

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our plan to establish a control room as mentioned in the paragraph headed “Implementation of business strategies and use of [REDACTED] – Use of [REDACTED] – (iii) Improving operational efficiency and scalability” in this section; and/or (ii) a small to medium sized property management company which has a track record in managing a larger number of properties and greater gross floor area as compared to our Group. In addition, when selecting the potential target companies, we will consider the following: (i) a competent management team with extensive experience in security services or facility management services (as applicable); (ii) an extensive client base where the major clients do not overlap with our existing client base; (iii) long standing relationships with their clients; (iv) broad geographical coverage in Hong Kong and considerable scale in both the public and private sectors; (v) reputable with a sound track record which have operated for at least three years, including profitability and legal compliance; (vi) synergies between their services with our existing services; (vii) business prospects which align with our overall business strategy; and (viii) investment returns that we expect to achieve from the potential acquisition or investment. Our Directors believe that the potential acquisition or investment would allow us to offer our existing clients more integrated value added security services and facility management services and appeal to a broader client base in both the public and private sectors. We would then be able to leverage on their track record and relevant experience to achieve our aforesaid strategies, in particular, enhancing our capability, portfolio and competitiveness in tendering for both security services and facility management services in the future and supporting our sustainable development. We intend to fund the acquisition and investment activities with our internal resources and/or bank borrowing, as appropriate.

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IMPLEMENTATION OF BUSINESS STRATEGIES AND USE OF [REDACTED]

Implementation of business strategies since the GEM Listing

Our Group has taken active steps to strengthen our market position in the industry and support our expansion for business growth in Hong Kong since the GEM Listing.

Since the Listing on GEM, we have continued to strengthen our market position. In light of the constantly changing market environment, we have continued to explore new business opportunities and become more flexible in the scope of services that we provide. For example, we were engaged to provide Station Control Services to the Railway Corporation in FY2020 in light of the public order events and we have started to provide COVID-19 Detection Support Services following the outbreak of COVID-19. Our Directors are of the view that as we have delivered a satisfying positive performance in meeting our clients’ requirements and expectations especially for the Station Control Services contracts and COVID-19 Detection Support Services contracts, it is believed that the demand for our security services and facility management services will continue to grow. During the period from the GEM Listing Date to the Latest Practicable Date, our Group was awarded contracts through tendering with an aggregate awarded contract sum of approximately HK\$1,152.8 million. With our prominent experience and quality of services in providing security services and facility management services, our Group has achieved business growth with increasing revenue and profit after the GEM Listing. For further details of our contracts, please refer to the paragraph headed “Sales and marketing — Our major contractual terms” in this section.

Since the GEM Listing, we have utilised our [REDACTED] from the GEM Listing to recruit security service personnel, provide contract securities, acquire a patrol vehicle, expand our operational team and sales and marketing team, upgrade our information technology infrastructure and repay the outstanding bank loan.

Our Directors are of the view that the existing implementation plans have successfully helped our Group to achieve our business strategies. Our Group will continue to apply such implementation plans in pursuit of expanding our ability to secure new business opportunities in expanding our market share.

Use of [REDACTED]

The final offer price for the GEM Listing was HK\$[REDACTED] per Share, and the actual [REDACTED] from the GEM Listing were approximately HK\$[REDACTED] million, after deducting the listing-related expenses of approximately HK\$[REDACTED] million.^(Note) This amount was lower than the estimated [REDACTED] of approximately HK\$[REDACTED] million, which was based on the mid-point of the indicative offer price range of HK\$[REDACTED] per Share, as disclosed in the GEM Prospectus. In light of the difference between the actual and estimated amount of the [REDACTED], our Group has adjusted the implementation plan as disclosed in the GEM Prospectus by reducing the use of [REDACTED] on

Note: Total GEM Listing expenses amounted to approximately HK\$[REDACTED] million, of which approximately HK\$[REDACTED] million was deducted from the [REDACTED] from the GEM Listing and approximately HK\$[REDACTED] million was paid by internal resources. Out of the total GEM Listing expenses of approximately HK\$[REDACTED] million, approximately HK\$29.9 million and HK\$9.9 million were recognised in the consolidated statements of profit or loss and other comprehensive income and the consolidated statement of changes in equity, respectively.

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contract securities, acquisition of patrol vehicles, establishment of a control room, payment of outstanding bank loan and general working capital. However, given the following (i) the outbreak of COVID-19 and our failure to secure new facility management services tenders submitted during the Track Record Period which affected our plan to acquire machines and equipment to enhance our capability in providing facility management services; and (ii) the outbreak of COVID-19 which hindered our installation of the mobile application modules to improve operational efficiency and scalability, and also hindered the process of renovating and setting up the control room, and thereafter, the identification and recruitment of the security personnel licensed to provide Type III security work where the number of such security personnel in the market is limited, that after due and careful consideration, our Directors have decided to delay, for 12 months, the planned use of the unused [REDACTED] from the GEM Listing in relation to the following: (i) the acquisition of machines and equipment; (ii) the upgrade of information technology infrastructure; and (iii) the establishment of a control room whereby such unused [REDACTED] will be fully utilised by 31 March 2023.

The below table sets forth the details of our adjusted use of [REDACTED] and the actual amount utilised up to 31 August 2021 and the Latest Practicable Date:

	Planned use of [REDACTED] ⁽¹⁾ (approximately) (HK\$'000)		Planned use of [REDACTED] from the GEM Listing Date to 31 August 2021 ⁽²⁾ (approximately) (HK\$'000)		Actual use of [REDACTED] up to 31 August 2021 (approximately) (HK\$'000)		Actual use of [REDACTED] up to the Latest Practicable Date (approximately) (HK\$'000)		Unused [REDACTED] as at the Latest Practicable Date (approximately) (HK\$'000)		Expected timetable for the usage of the unutilised [REDACTED] as of the Latest Practicable Date
			%	%	%	%	%	%	%	%	
Expanding our business in security services											
(i) Recruitment of security service personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/A
(ii) Contract securities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	On or before 31 March 2022
(iii) Acquisition of patrol vehicles	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/A
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Enhancing our capability in providing facility management services											
(i) Acquisition of machines and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	On or before 31 March 2023
(ii) Expansion of our operation team and sales and marketing team	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	On or before 31 March 2022
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Improving operational efficiency and scalability											
(i) Upgrade of information technology infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	On or before 31 March 2023
(ii) Establishment of a control room	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	On or before 31 March 2023
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Payment for outstanding bank loan											
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/A
General working capital											
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/A
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	

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Notes:

- (1) The planned allocation of [REDACTED] is primarily based on the allocation of [REDACTED] as disclosed in the GEM Prospectus and adjusted based on the actual amount of [REDACTED] received from the GEM Listing as the actual amount of [REDACTED] obtained from the GEM Listing was lower than our estimation as disclosed in the GEM Prospectus mainly due to the fact that our GEM Share Offer was determined at the lower end of HK\$0.32 instead of the mid-point price range at HK\$[REDACTED] used for disclosure purpose in the GEM Prospectus. We have adjusted the implementation plan as disclosed in the GEM Prospectus by reducing the amount of use of [REDACTED] on contract securities, acquisition of patrol vehicles, establishment of a control room, payment of outstanding bank loan and general working capital, which was approximately HK\$[REDACTED] million in aggregate. This amount represented the total amount of [REDACTED] from our GEM Listing as a result of the abovementioned adjustments.
- (2) Based on the abovementioned adjustment in accordance to the actual [REDACTED] received, we have reduced the amount of use of [REDACTED] for the period from the GEM Listing to 31 August 2021 on contract securities, acquisition of patrol vehicles, payment of outstanding bank loan and general working capital, which amounted to approximately HK\$[REDACTED] million. This amount represented the portion of the planned use of [REDACTED] that we planned to utilise from the GEM Listing Date and up to 31 August 2021.

As at the Latest Practicable Date, the unused [REDACTED] from the GEM Listing amounted to approximately HK\$[REDACTED] million comprising (i) expanding our business in security services of approximately HK\$[REDACTED] million; (ii) enhancing our capability in providing facility management services of approximately HK\$[REDACTED] million; and (iii) improving operational efficiency and scalability of approximately HK\$[REDACTED] million.

(i) Expanding our business in security services

As at 31 August 2021, the actual use of [REDACTED] of approximately HK\$[REDACTED] million for expanding our business in security services was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan, representing a difference of approximately HK\$[REDACTED] million.

As at 31 August 2021, we used approximately HK\$[REDACTED] million of our [REDACTED] for the recruitment of security service personnel which was in line with the planned use based on the implementation plan disclosed in the GEM Prospectus. As at the Latest Practicable Date, the planned use of [REDACTED] from the GEM Listing for the recruitment of security service personnel had been fully utilised. As at 31 August 2021, we used approximately HK\$[REDACTED] million of our [REDACTED] for contract securities which was less than the planned use of approximately HK\$[REDACTED] million based on the implementation plan disclosed in the GEM Prospectus mainly because the renewal of XRL contracts during the Track Record Period did not require additional contract securities. As at 31 August 2021, we used approximately HK\$[REDACTED] million of our [REDACTED] for the acquisition of a patrol vehicle which was less than the planned use of approximately HK\$[REDACTED] million based on the implementation plan disclosed in the GEM Prospectus. As at the Latest Practicable Date, the planned use of [REDACTED] from the GEM Listing for the acquisition of patrol vehicles of approximately HK\$[REDACTED] million has been fully utilised in the purchase of three vehicles which are being used in existing contracts.

Our Directors currently expect that the unused [REDACTED] allocated for expanding our business in security services of approximately HK\$[REDACTED] million as at the Latest Practicable Date will be fully utilised in later periods for providing contract securities in order to meet financial requirements to undertake new contracts in the future.

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(ii) Enhancing our capability in providing facility management services

As at 31 August 2021, the actual use of [REDACTED] of approximately HK\$[REDACTED] million for enhancing our capability in providing facility management services was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan, representing a difference of approximately HK\$[REDACTED] million.

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As at 31 August 2021, we did not use any of the [REDACTED] allocated for acquiring machines and equipment and we used approximately HK\$[REDACTED] million of our [REDACTED] for expanding our operation team and sales and marketing team which was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan. As at the Latest Practicable Date, we used approximately HK\$[REDACTED] million of our [REDACTED] for expanding our operation team and sales and marketing team. The difference was mainly due to our inability to secure the 16 facility management services tenders that we submitted during the Track Record Period which included management, operation and maintenance services for tunnel, car parking management services, short-term tenancy for car park operation and cleaning services. As such, we have not utilised the allocated [REDACTED] for the acquisition of machines and equipment and the recruitment for the expansion of our operation team. We have recruited two sales and marketing personnel in order to expand our sales and marketing team to strengthen our capabilities with the aim of capturing more business opportunities in the growing facility management services market. Given that we were unable to secure new facility management services tenders submitted during the Track Record Period, our Directors have decided to delay, for 12 months, the planned use of the unused [REDACTED] from the GEM Listing in relation to the acquisition of machines and equipment whereby such unused [REDACTED] will be fully utilised by 31 March 2023. Our Group will continue to explore new business opportunities and enhance our capability in the provision of facility management services. Our Directors currently expect that the unused amount of [REDACTED] allocated for enhancing our capability in providing facility management services of approximately HK\$4.2 million as at the Latest Practicable Date will be utilised in later periods for the same purposes as disclosed in the GEM Prospectus.

(iii) Improving operational efficiency and scalability

As at 31 August 2021, the actual use of [REDACTED] of approximately HK\$[REDACTED] million for improving our operational efficiency and scalability was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan, representing a difference of approximately HK\$[REDACTED] million.

As at 31 August 2021, the actual use of our [REDACTED] of approximately HK\$[REDACTED] million for establishing a control room in Hong Kong was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan, representing a difference of approximately HK\$[REDACTED] million, mainly because the outbreak of COVID-19 and our failure to secure new facility management services tenders as mentioned above hindered the process of renovating and setting up the control room. During the Track Record Period, we have entered into a tenancy agreement with an Independent Third Party for a period of three years, to lease a premise to establish the control room. As at the Latest Practicable Date, we used approximately HK\$[REDACTED] million of our [REDACTED] for the establishment of a control room. According to the implementation plan disclosed in the GEM Prospectus, we intend to recruit additional staff to facilitate the operation of the control room. As at 31 August 2021, the actual [REDACTED] for upgrading our information technology infrastructure of approximately HK\$[REDACTED] million was less than the planned use of approximately HK\$[REDACTED] million based on the adjusted implementation plan. Such amount was mainly used for the following: (i) to acquire hardware to upgrade and enhance the performance of our existing

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software; and (ii) to develop view new mobile application modules for tracking our employees and assisting our facility management service personnel in performing various property management functions. As such, our Directors have decided to delay, for 12 months, the planned use of the unused [REDACTED] from the GEM Listing in relation to upgrading the information technology infrastructure whereby such unused [REDACTED] will be fully utilised by 31 March 2023. Our Directors currently expect that the unused amount of [REDACTED] allocated for improving operational efficiency and scalability of approximately HK\$[REDACTED] million as at the Latest Practicable Date will be utilised in later periods for the same purposes as disclosed in the GEM Prospectus.

(iv) Payment for outstanding bank loan

Based on the implementation plan disclosed in the GEM Prospectus, the amount of the [REDACTED] planned to be used for payment of the outstanding bank loan was HK\$6.0 million. However, as the actual amount of [REDACTED] obtained from the GEM Listing was lower than our estimation as disclosed in the GEM Prospectus, we have reduced the amount of use of [REDACTED] for payment of outstanding bank loan to HK\$4.5 million. As at 31 August 2021, the entire amount of HK\$[REDACTED] million was used for payment of part of our bank borrowings with a commercial bank in Hong Kong. We have used our internal resources to repay the remaining part of our bank borrowings.

Please refer to the section headed “History and Corporate Structure — [REDACTED] from GEM to Main Board” in relation to the reasons for the [REDACTED].

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OUR SERVICES

Our services may be provided on a single, multi-service or integrated basis.

Our facility services comprise of the following: (i) security services which involve general manned guarding services, manpower support services and event and crisis security services; and (ii) facility management services which involve property management services, car parking rental and management services, cleaning services and hotel management services. The following table sets out our revenue by type of services during the periods indicated:

	FY2019		FY2020		FY2021		5M2022	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Security services								
General manned guarding services								
— General services	161,855	54.8	180,288	37.4	152,722	41.8	73,486	34.9
— Station Control Services	—	—	164,438	34.2	—	—	—	—
— COVID-19 Detection Support Services ⁽¹⁾	—	—	—	—	7,425	2.0	3,274	1.6
	<u>161,855</u>	<u>54.8</u>	<u>344,726</u>	<u>71.6</u>	<u>160,147</u>	<u>43.8</u>	<u>76,760</u>	<u>36.5</u>
Manpower support services								
— General services	105,216	35.7	106,264	22.1	101,598	27.8	53,905	25.7
— COVID-19 Detection Support Services ⁽²⁾	—	—	471	0.1	75,111	20.5	67,195	32.0
	<u>105,216</u>	<u>35.7</u>	<u>106,735</u>	<u>22.2</u>	<u>176,709</u>	<u>48.3</u>	<u>121,100</u>	<u>57.7</u>
Event and crisis security services								
	<u>385</u>	<u>0.1</u>	<u>698</u>	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>267,456</u>	<u>90.6</u>	<u>452,159</u>	<u>93.9</u>	<u>336,856</u>	<u>92.1</u>	<u>197,860</u>	<u>94.2</u>
Facility management services								
— Property management services	12,958	4.4	18,479	3.8	18,679	5.1	7,924	3.8
— Others ⁽³⁾	14,757	5.0	10,933	2.3	10,298	2.8	4,235	2.0
	<u>27,715</u>	<u>9.4</u>	<u>29,412</u>	<u>6.1</u>	<u>28,977</u>	<u>7.9</u>	<u>12,159</u>	<u>5.8</u>
Total	<u><u>295,171</u></u>	<u><u>100.0</u></u>	<u><u>481,571</u></u>	<u><u>100.0</u></u>	<u><u>365,833</u></u>	<u><u>100.0</u></u>	<u><u>210,019</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Our employees were required to possess valid Security Personnel Permit in order to provide COVID-19 Detection Support Services under general manned guarding services.
- (2) Our employees were not required to possess specific qualifications in order to provide COVID-19 Detection Support Services under manpower support services.
- (3) Other facility management services include car parking rental and management services, cleaning services and hotel management services.

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Security services

During the Track Record Period, our security services were further divided into the following key service lines:



- (i) **General manned guarding services:** Our employees are required to possess Security Personnel Permit in order to carry out general manned guarding services. We secure and guard both individuals and physical properties by, among others, conducting patrols (including mobile patrols), entrance guarding, access control and alarm monitoring and response such as fire and gas detection, burglary detection and emergency management such as first aid services and communications and evacuations. During the Track Record Period, such services were generally provided at railway stations and facilities, sea, land and railway immigration control points, public amenities and private real estates. In particular, we were allowed to provide services at all railway stations along 13 railway lines operated by the Railway Corporation and eight sea, land and railway immigration control points in Hong Kong as at 31 August 2021. We were also engaged to provide Station Control Services in FY2020 and have started to provide COVID-19 Detection Support Services during 2020. Please see below for the details of these services:

- Station Control Services refer to security services in relation to the public order events provided to the Railway Corporation during FY2020 including, amongst others, crowd coordination, maintenance of order during chaos and prevention of forced entry, etc.
- COVID-19 Detection Support Services include:
 - (i) placing or assisting to place electronic wristbands on inbound passengers and installing or assisting to install or use software programs in the phones of inbound passengers at two of the immigration control points, home visit support services and health screening for various HK Government Entities; (ii) providing manpower at the DTS specimen collection centres and DTS specimen collection and delivery services to the UCTP for the LSC R&D Centre; (iii) packaging, collection and delivery of COVID-19 DTS specimen collection packs for the Health Authority; and (iv) assisting with the distribution of COVID-19 DTS specimen collection packs at 20 railway stations in Hong Kong for the Railway Corporation.

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- (ii) **Manpower support services:** Other than the provision of services through our Security Personnel Permit holders, we assist in and provide manpower to support our clients by providing them with personnel who are specifically trained, qualified and/or experienced in certain tasks and areas other than security and guarding. During the Track Record Period, these engagements included the provision of health screening services at land immigration control points. Furthermore, since the outbreak of COVID-19, our Group started providing manpower support services in relation to the COVID-19 Detection Support Services from March 2020.



- (iii) **Event and crisis security services^(Note):** Other than general manned guarding services, we specialise in crowd coordination and management and elite guarding services. During the Track Record Period, such services mainly focused on events organised by our clients or ad-hoc or emergency situations and the protection and escort of designated personnel such as guests attending events and football players. Throughout the history of our operation, we served at various large-scale events in Hong Kong, such as the 2008 Beijing Olympic Paralympic Games and the 2009 East Asian Games.

Facility management services

During the Track Record Period, our facility management services which can be further divided into the following key service lines, were mainly provided to our clients at the private sector:



- (i) **Property management services:** Our property management services typically involve account management, tenancy management, minor repair and maintenance, energy management including water supply, lighting, power and cooling system and environmental management including waste and recycling management. During the Track Record Period, such services were generally provided at private residential, commercial and industrial properties.

Note: We did not provide any event and crisis security services during FY2021 and 5M2022 because no public events were held in Hong Kong which our Directors believe was due to the outbreak of COVID-19.

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- (ii) **Car parking rental and management services:** Our car parking rental and management services comprise car park management services, car park operation which involves the leasing of car parks to vehicle users and car park rental which involves the leasing of car parks from a landlord to other third parties.



- (iii) **Cleaning services:** Our cleaning services typically involve daily cleaning services for washrooms and waste handling and periodical cleaning services for floors or ground and windows. During the Track Record Period, such services were generally provided at private commercial properties.



- (iv) **Hotel management services:** In FY2019, we operated, managed and maintained a hotel on behalf of our client. We were responsible for, among other things, sales and marketing, hiring and managing the hotel employees and financial operation. Our provision of such services discontinued since 1 April 2019 following a mutual agreement between the hotel owner and us to terminate the services. According to our Directors, if there are suitable opportunities in the future, we will consider resuming our hotel management services.

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Our geographical coverage

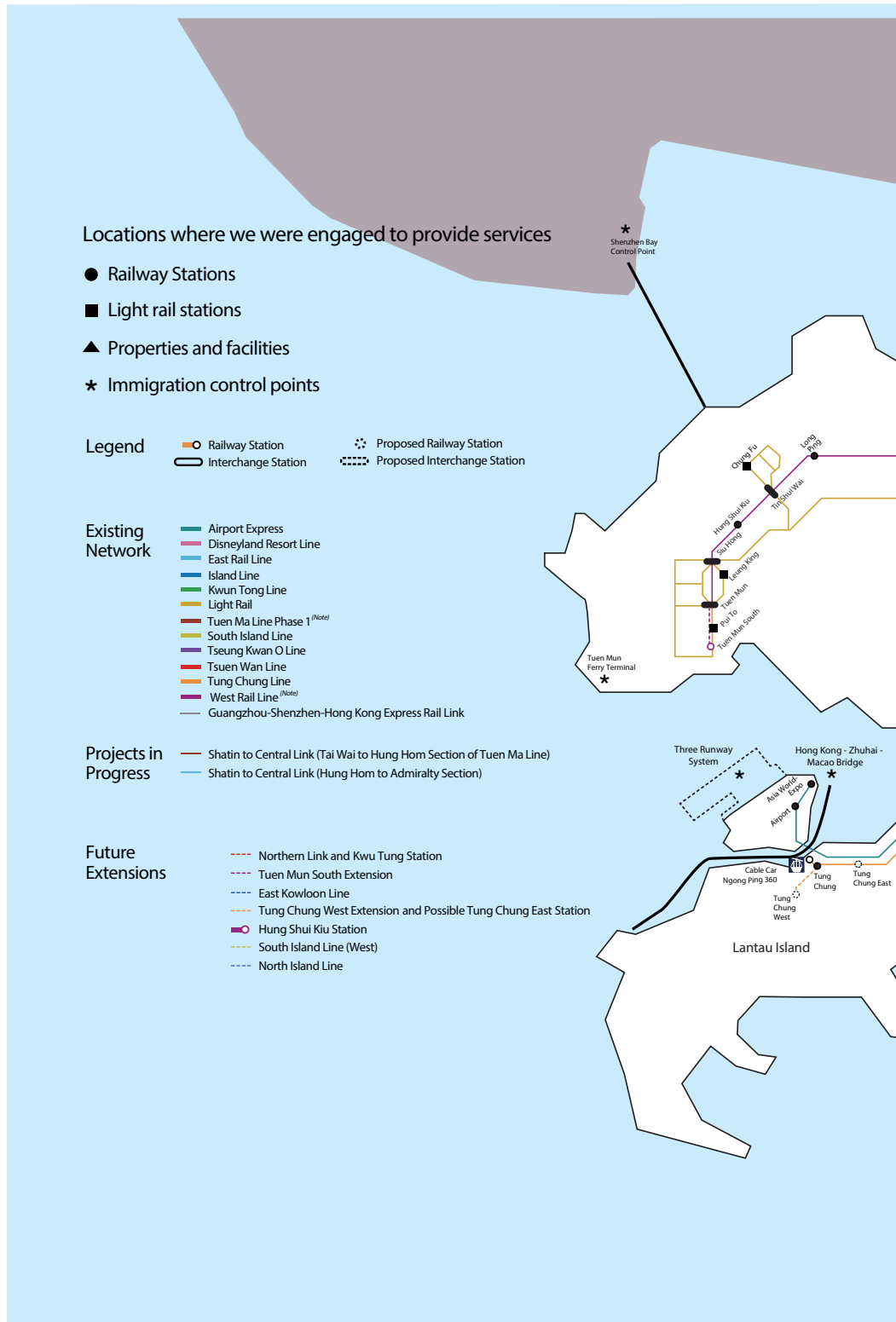
Our Group was engaged to provide services at the following locations in Hong Kong as at 31 August 2021:

<p>(A) All stations along the following railway lines</p> <ul style="list-style-type: none"> (1) Kwun Tong line (2) Island line (3) South Island line (4) Tseung Kwan O line (5) Tsuen Wan line (6) East Rail line (7) Tuen Ma line Phase 1 <i>(Note)</i> (8) West Rail line <i>(Note)</i> (9) Airport Express line (10) Disneyland Resort line (11) Tung Chung line (12) Light Rail line (13) Guangzhou-Shenzhen-Hong Kong Express Rail Link 	<p>(C) Eight immigration control points</p> <ul style="list-style-type: none"> (1) Land and railway immigration control points which serve railway passengers at: <ul style="list-style-type: none"> (i) Lo Wu (ii) Lok Ma Chau spur line (iii) Guangshen’ gang XRL (2) Land immigration control points which serve cross-boundary vehicles at: <ul style="list-style-type: none"> (i) Shenzhen Bay (ii) Man Kam To (iii) Heung Yuen Wai (iv) Lok Ma Chau (3) Sea immigration control points which serve ferry and cruise passengers at: <ul style="list-style-type: none"> (i) Macau Ferry Terminal
<p>(B) Public transportation infrastructure</p> <ul style="list-style-type: none"> (1) Hong Kong-Zhuhai-Macao Bridge 	<p>(D) Properties and facilities</p> <ul style="list-style-type: none"> (1) Commercial and industrial properties at: <ul style="list-style-type: none"> (i) Tsing Yi (ii) Kwai Chung (iii) Fanling (iv) Cheung Sha Wan (v) Causeway Bay (vi) Aberdeen (vii) Mong Kok (viii) Tseung Kwan O (2) Residential properties at: <ul style="list-style-type: none"> (i) Ho Man Tin (3) Car parks at: <ul style="list-style-type: none"> (i) Cheung Sha Wan (ii) Mong Kok (iii) Kwai Chung (iv) Tsing Yi (v) Fanling

Note: Tuen Ma line Phase I and West Rail line have merged into Tuen Ma Line which commenced services on 27 June 2021.

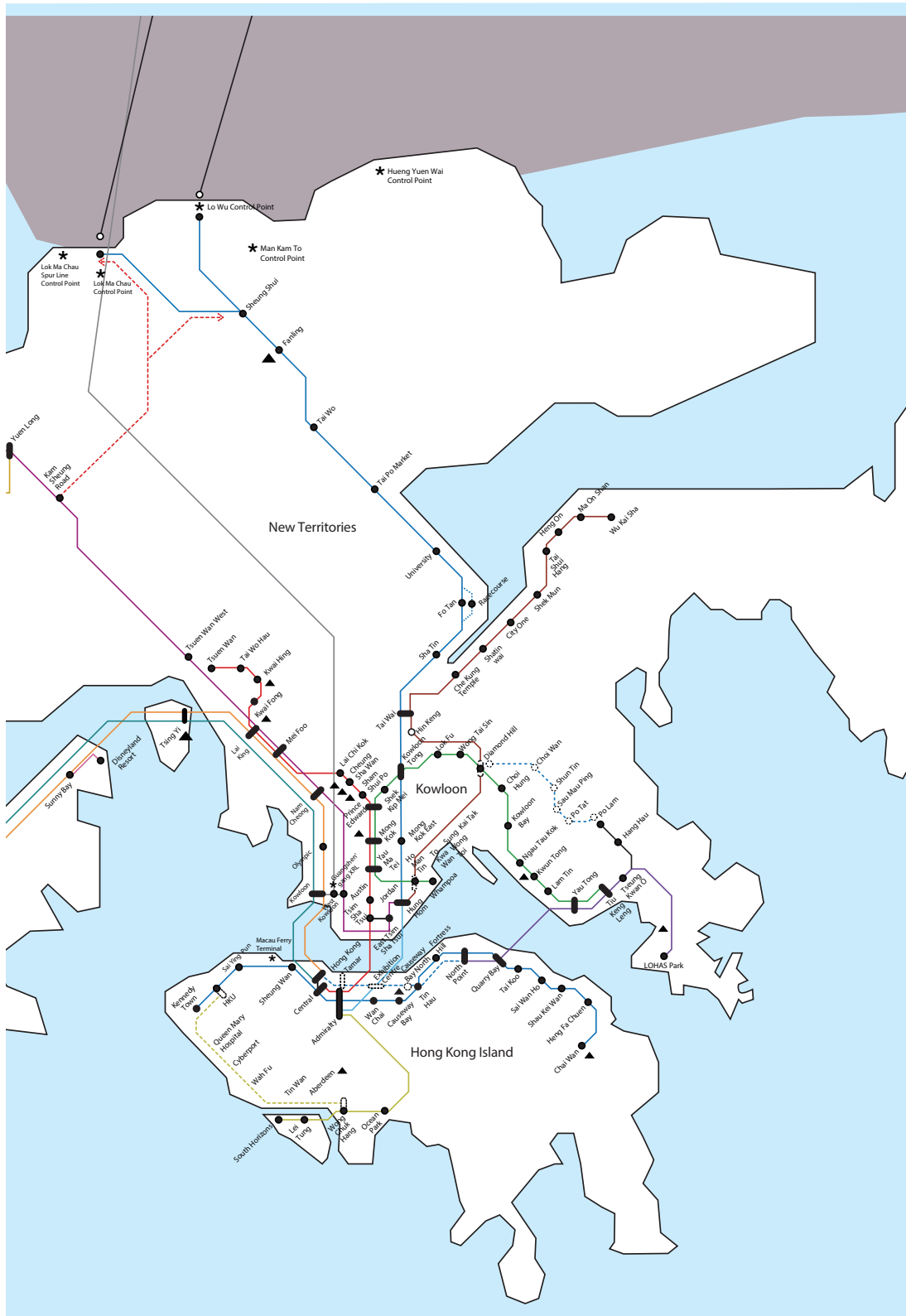
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The following map illustrates our geographical coverage in Hong Kong as at the 31 August 2021:



Note: Tuen Ma line Phase I and West Rail line have merged into Tuen Ma Line which commenced services on 27 June 2021.

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CLIENTS

During the Track Record Period, our major clients in the public sector include the Railway Corporation, HK Government Entities, educational and other public institutions, while our major clients in the private sector mainly include property owners, property management companies and construction companies. We had established business relationships of over 10 years with most of our five largest clients during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm we had no material disputes with our clients during the Track Record Period.

The following table sets forth the breakdown of our revenue by major types of clients during the periods indicated:

	FY2019		FY2020		FY2021		5M2022	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Security services								
<i>Public sector</i>								
— Railway Corporation	156,044	52.9	340,895	70.8	149,362	40.8	66,496	31.8
— Hong Kong Government Entities	74,814	25.3	81,164	16.9	161,834	44.2	107,411	51.1
— Others	<u>3,841</u>	<u>1.3</u>	<u>2,889</u>	<u>0.6</u>	<u>3,117</u>	<u>0.9</u>	<u>1,769</u>	<u>0.8</u>
	<u>234,699</u>	<u>79.5</u>	<u>424,948</u>	<u>88.3</u>	<u>314,313</u>	<u>85.9</u>	<u>175,676</u>	<u>83.7</u>
<i>Private sector</i>								
Owners, managers and construction companies of								
— Commercial properties	22,511	7.6	18,834	3.9	17,524	4.8	17,739	8.4
— Residential and other properties	<u>10,246</u>	<u>3.5</u>	<u>8,377</u>	<u>1.7</u>	<u>5,019</u>	<u>1.4</u>	<u>4,445</u>	<u>2.1</u>
	<u>32,757</u>	<u>11.1</u>	<u>27,211</u>	<u>5.6</u>	<u>22,543</u>	<u>6.2</u>	<u>22,184</u>	<u>10.5</u>
	<u>267,456</u>	<u>90.6</u>	<u>452,159</u>	<u>93.9</u>	<u>336,856</u>	<u>92.1</u>	<u>197,860</u>	<u>94.2</u>
Facility management services								
<i>Private sector</i>								
	21,196	7.2	25,855	5.4	25,865	7.1	10,916	5.2
<i>Public sector</i>								
	<u>6,519</u>	<u>2.2</u>	<u>3,557</u>	<u>0.7</u>	<u>3,112</u>	<u>0.8</u>	<u>1,243</u>	<u>0.6</u>
	<u>27,715</u>	<u>9.4</u>	<u>29,412</u>	<u>6.1</u>	<u>28,977</u>	<u>7.9</u>	<u>12,159</u>	<u>5.8</u>
Total	<u><u>295,171</u></u>	<u><u>100.0</u></u>	<u><u>481,571</u></u>	<u><u>100.0</u></u>	<u><u>365,833</u></u>	<u><u>100.0</u></u>	<u><u>210,019</u></u>	<u><u>100.0</u></u>

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Our largest clients

The following tables set out the profile of each of our five largest clients during the Track Record Period:

5M2022

Client	Client background	Services provided	Principal place of business of client	Credit terms and payment method	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Health Authority	<i>Note (1)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	78,956	37.6
Railway Corporation	<i>Note (2)</i>	Provision of security services and facility management services	Hong Kong	30 to 120 days, by bank transfer	2010	67,739	32.3
Immigration Authority	<i>Note (3)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	10,201	4.9
Client C	<i>Note (4)</i>	Provision of security services	Hong Kong	90 days, by cheque	2021	9,594	4.6
Certain members of the Ma Companies	<i>Note (5)</i>	Provision of security services and facility management services	Hong Kong	30 days, by cheque	2010	9,303	4.4
						175,793	83.8

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FY2021

Client	Client background	Services provided	Principal place of business of client	Credit terms and payment method	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	<i>Note (2)</i>	Provision of security services and facility management services	Hong Kong	30 to 120 days, by bank transfer	2010	152,474	41.7
Health Authority	<i>Note (1)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	67,093	18.4
LSC R&D Centre	<i>Note (6)</i>	Provision of security services	Hong Kong	30 days, by cheque	2020	29,985	8.2
Immigration Authority	<i>Note (3)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	29,765	8.1
Certain members of the Ma Companies	<i>Note (5)</i>	Provision of security services and facility management services	Hong Kong	30 days, by cheque	2010	21,001	5.7
						300,318	82.1

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FY2020

Client	Client background	Services provided	Principal place of business of client	Credit terms and payment method	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	<i>Note (2)</i>	Provision of security services and facility management services	Hong Kong	30 to 120 days, by bank transfer	2010	344,452	71.5
Immigration Authority	<i>Note (3)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	41,560	8.6
Health Authority	<i>Note (1)</i>	Provision of security services	Hong Kong	30 days, by cheque	2009	28,049	5.8
Certain members of the Ma Companies	<i>Note (5)</i>	Provision of security services and facility management services	Hong Kong	30 days, by cheque	2010	20,398	4.3
Client A	<i>Note (7)</i>	Provision of facility management services	Hong Kong	30 days, by cheque	2017	7,246	1.5
						<u>441,705</u>	<u>91.7</u>

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FY2019

Client	Client background	Services provided	Principal place of business of client	Credit terms and payment method	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	Note (2)	Provision of security services and facility management services	Hong Kong	30 to 120 days, by bank transfer	2010	162,563	55.1
Immigration Authority	Note (3)	Provision of security services	Hong Kong	30 days, by cheque	2009	36,801	12.4
Health Authority	Note (1)	Provision of security services	Hong Kong	30 days, by cheque	2009	25,942	8.8
Certain members of the Ma Companies	Note (5)	Provision of security services and facility management services	Hong Kong	30 days, by cheque	2010	17,661	6.0
Client A	Note (7)	Provision of facility management services	Hong Kong	30 days, by cheque	2017	7,149	2.4
						250,116	84.7

Notes:

- (1) A government department responsible for healthcare policies and the provision of basic healthcare services in Hong Kong.
- (2) A company listed on the Main Board with recorded revenue of approximately HK\$42,541 million for the year ended 31 December 2020 and a market capitalisation of approximately HK\$271.2 billion as at 31 August 2021.
- (3) A government department responsible for immigration control in Hong Kong.
- (4) Client C is a joint operation company primarily engaging in the provision of security services which is formed by (i) an indirect subsidiary of a company listed on the Stock Exchange with recorded operating income of approximately HK\$10,899.3 million for the year ended 31 December 2020; and (ii) a private company incorporated in Hong Kong.
- (5) Certain members of the Ma companies include Yan Yan Motors, Express Top Industries Limited, Golden Way Public Light Bus (Scheduled) Service Company Limited, Sheung Shui Public Light Bus (Scheduled) Service Company Limited, Better Coin Industrial Limited, Koon Wing Motors Limited, Success Transportation Limited, Brilliant Way Public Light Bus (Scheduled) Service Company Limited, Yan Yan Ho Motors Limited, Eco Tree Hotel Limited and Deluxe Tower Limited. For details of these entities and transactions, please refer to the section headed “Connected Transactions” in this [REDACTED] document.
- (6) One of the five research and development centres set up in Hong Kong by the Hong Kong Government in 2006 and under the purview of the Innovation and Technology Commission to initiate and conduct for research and development across numerous sectors, both public and private, in various core technology areas including logistics supply chain management, robotics, e-Commerce, healthcare and other related industries in Hong Kong.
- (7) A private company which principally engages in property investment.

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As at the Latest Practicable Date, save for the connected transactions set out in the section headed "Connected Transactions" in this [REDACTED] document, our Directors confirm that all of our remaining five largest clients during the Track Record Period were Independent Third Parties, and none of our Directors, their associates or any shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of the remaining five largest clients. Our Directors further confirm that none of our major clients during the Track Record Period were our suppliers during the Track Record Period.

During the Track Record Period, revenue attributable to our five largest clients amounted to approximately HK\$250.1 million, HK\$441.7 million, HK\$300.3 million and HK\$175.8 million, representing approximately 84.7%, 91.7%, 82.1% and 83.8% of our revenue, respectively, whereas revenue attributable to the Railway Corporation, our largest client for FY2019, FY2020 and FY2021, amounted to approximately HK\$162.6 million, HK\$344.5 million and HK\$152.5 million, respectively, representing approximately 55.1%, 71.5% and 41.7% of our revenue, respectively. Revenue attributable to Health Authority, our largest client for 5M2022, amounted to approximately HK\$79.0 million, representing approximately 37.6% of our revenue for 5M2022.

Client concentration

Revenue attributable to the Railway Corporation in FY2020, FY2021 and 5M2022 included revenue recognised from our provision of Station Control Services and COVID-19 Detection Support Services which may not be recurring in nature. Excluding total revenue recognised from our provision of Station Control Services and COVID-19 Detection Support Services in FY2020, FY2021 and 5M2022 which were on a project basis, the Railway Corporation accounted for approximately 55.1%, 56.8%, 50.9% and 46.2% of our revenue during the Track Record Period, respectively. Our Directors consider that despite the high client concentration, our Group's business is mutually beneficial and complementary to the Railway Corporation because we have secured contracts from the Railway Corporation for the provision of security services for 10 consecutive years and as at 31 August 2021, we had provided security services at all railway stations of all the railway lines with a large workforce for crowd coordination and control of large scale events, crisis and emergency incidents. In addition to the on-going award of contracts to us from the Railway Corporation, we have strived to expand the scope of services we provide, in particular, we started to provide security services pursuant to the XRL Contracts since FY2019, and Station Control Services and COVID-19 Detection Support Services in FY2020, so as to enhance our relationship with the Railway Corporation. Our Directors believe that this demonstrates that the Railway Corporation is satisfied with our performance and is willing to continue with the business relationship. As such, we believe that there will be strong and stable demand for our services from the Railway Corporation in the future. We believe that such long-term stable business relationships are built on our satisfactory performance over the years which would help us secure recurring business from the Railway Corporation.

With long and stable business relationship of over 10 years with most of our five largest clients as at the Latest Practicable Date, our Group has diversified and gradually developed new clients and sought new business opportunities in both the security services and facility management services industries. During the Track Record Period, we have signed a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years with a contract sum of approximately HK\$230.1

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million, as estimated by our Directors, where we have commenced providing preliminary services on 7 June 2021. In addition, we have been awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to security guarding services at its headquarters and six depots for a period of two years. During the Track Record Period, we have also explored new business opportunities for the provision of facility management services where we have submitted 17 tenders which included management, operation and maintenance services for tunnel, car parking management services, short-term tenancy for car park operation and cleaning services. As mentioned in the paragraph headed “Business strategies – Selectively pursuing strategic acquisitions and investment opportunities” in this section, in order to further enhance our capability and portfolio in tendering for facility management services, our Directors are looking into acquiring a small to medium sized property management company which has a track record in managing a larger number of properties and greater gross floor area managed as compared to our Group. As a result of our efforts to engage new customers and explore new business opportunities, we consider that we are able to maintain sustainable business growth.

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Our major contracts

During the Track Record Period and up to the Latest Practicable Date, our initial contract sum for each major facility services contract ranged from approximately HK\$10.9 million to HK\$154.7 million.

The following table sets out our contracts with (i) an initial contract sum of over HK\$10.0 million; and (ii) total revenue recognised of over HK\$10.0 million in aggregate during the Track Record Period generated from our provision of Station Control Services or COVID-19 Detection Support Services (the “**Major Contracts**”) by different stages:

Contract	Client	Contract details	Contract period	Initial contract sum (approximately) (HK\$'000)	Revenue recognised/to be recognised			
					in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in FY2021 (approximately) (HK\$'000)	in 5M2022 (approximately) (HK\$'000)
<i>(a) Contracts completed during the Track Record Period</i>								
Contract A1	Client A	Provision of security services and facility management services in respect of a shopping mall and car park in Tsing Yi	15 February 2017 to 14 February 2019	14,200	6,500	—	—	—
Contract A2	Client A	Provision of security services and facility management services in respect of a shopping mall and car park in Tsing Yi	15 February 2019 to 14 February 2021	14,800	600	7,200	7,000	—
Contract B	Immigration Authority	Security services at Lo Wu control point	1 March 2017 to 29 February 2020 and extended for two months until 1 May 2020	26,300	8,800	8,500	500	—
Contract C1 ⁽¹¹⁾	Railway Corporation	Security services at various railway stations including Tsing Yi, Hunghom and Mongkok stations, and along the Tuen Ma line	1 May 2017 to 30 April 2019 and extended for eight months until 31 December 2019	40,000	23,600	14,000	—	—
Contract C2 ⁽¹¹⁾⁽¹²⁾	Railway Corporation	Security services at various railway stations including Tsing Yi, Hunghom and Mongkok stations relating to the following:	1 May 2019 to 30 April 2021	35,200 ⁽⁷⁾				
		— General services			—	21,600	19,100	3,300
		— Station Control Services			—	15,500	—	—
		— COVID-19 Detection Support Services for vending machines at railway stations			—	—	7,400	400
Contract D1	Health Authority	Manpower support services in relation to health screening at Shenzhen Bay Port and Man Kam To control points	16 December 2017 to 15 December 2019	52,000	25,900	20,800	—	—
Contract E1	Fire Services Authority	Security guard services at various locations, including the Fire Services Headquarters Building, Fire and Ambulance Services Academy and other fire station and government complexes, etc.	1 January 2018 to 31 December 2019	11,500	6,100	4,200	—	—
Contract F1	Immigration Authority	Security services at Shenzhen Bay control point	1 February 2018 to 31 January 2021	21,000	7,000	6,600	5,800	—

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised				
				Initial contract sum <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2019 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2020 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2021 <i>(approximately)</i> <i>(HK\$'000)</i>	in 5M2022 <i>(approximately)</i> <i>(HK\$'000)</i>
Contract G	Immigration Authority	Security services at Lok Ma Chau control point	1 February 2018 to 31 January 2021	18,500 ⁽⁷⁾	7,100	7,000	6,800	—

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised				
				Initial contract sum (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in FY2021 (approximately) (HK\$'000)	in 5M2022 (approximately) (HK\$'000)
Station Control Contract A1 ⁽¹¹⁾	Railway Corporation	Security services, amongst others, crowd coordination, maintenance of orders during chaos and prevention of forced entry, at various stations along all railway lines etc.	14 August 2019 to 13 November 2019	N/A ⁽²⁾	—	121,600	—	—
Station Control Contract A2 ⁽¹¹⁾⁽¹¹⁾	Railway Corporation	Security services, amongst others, crowd coordination, maintenance of orders during chaos and prevention of forced entry, at various stations along all railway lines etc.	14 November 2019 to 13 February 2020	N/A ⁽²⁾	—	27,300	—	—
COVID-19 Detection Support Contract A	LSC R&D Centre	Manpower support services to the UCTP at the collection points for submitting specimens and delivery of specimen collection packs	17 August 2020 to 31 August 2020	11,400	—	—	5,000 ⁽³⁾	—
COVID-19 Detection Support Contract B	LSC R&D Centre	Manpower support services at specimen collection points of the UCTP	17 August 2020 to 31 August 2020	16,800 ⁽⁷⁾	—	—	21,200	—
COVID-19 Detection Support Contract C	Health Authority	Manpower support services at the Community Testing Centres for specimens submission and distribution points of DTS specimen collection packs	8 January 2021 to 7 April 2021 and extended for two months until 7 June 2021	78,500	—	—	31,500	24,800
Total:				<u>340,200</u>	<u>85,600</u>	<u>254,300</u>	<u>104,300</u>	<u>28,500</u>

Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised					subsequent to 5M2022 (approximately) (HK\$'000)
				Initial contract sum (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in FY2021 (approximately) (HK\$'000)	in 5M2022 (approximately) (HK\$'000)	

(b) Ongoing contracts as at 31 August 2021

(i) Firstly awarded in FY2019

XRL Contract A ⁽¹¹⁾	Railway Corporation	Security services and car parking management services at West Kowloon station of the Hong Kong section of the Guangshen'gang XRL	1 April 2018 to 15 September 2021, with an option to extend for three years until September 2024 ⁽¹²⁾	134,100 ⁽⁷⁾	46,000	51,600	44,900	16,300	1,500
XRL Contract B ⁽¹¹⁾	Railway Corporation	Provision of services for station customer service centres and backend accountability for the Hong Kong Section of the Guangshen'gang XRL	1 July 2018 to 15 September 2021, with an option to renew for three years until September 2024 ⁽¹²⁾	75,300	22,400	21,300	18,000	6,400	4,400
XRL Contract C ⁽¹¹⁾	Railway Corporation	Provision of station assistants, trolley and porter management, traffic control management and train attendants for the Hong Kong section of the Guangshen'gang XRL	1 July 2018 to 15 September 2021, with an option to extend for three years until September 2024 ⁽¹²⁾	154,700 ⁽⁷⁾	60,200	60,500	51,500	20,500	1,700
Contract A3 ⁽¹¹⁾	Client A	Security services and facility management services in respect of a shopping mall and car park in Tsing Yi	15 February 2021 to 14 February 2023	14,800 ⁽⁸⁾	—	—	600	3,200	11,000

(ii) Firstly awarded in FY2020

Contract H	Immigration Authority	Provision of security guards for crowd control management services at Hong Kong-Zhuhai-Macao Bridge-Hong Kong Port	15 April 2019 to 15 April 2022	35,500	—	11,200	11,500	4,800	7,000
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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised					
				Initial contract sum (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in FY2021 (approximately) (HK\$'000)	in SM2022 (approximately) (HK\$'000)	subsequent to SM2022 (approximately) (HK\$'000)
Contract I	Client B ⁽⁴⁾	Provision of security services in respect of oil depots in Tsing Yi and Chai Wan	1 May 2019 to 30 April 2024	11,900	—	2,200	2,400	200	—
Contract D2 ⁽¹⁾	Health Authority	Manpower support services in relation to health screening at Shenzhen Bay Port and Man Kam To control points	16 December 2019 to 15 December 2021	75,100 ⁽⁵⁾	—	7,300	31,000	16,300	8,800
Contract E2 ⁽¹⁾	Fire Services Authority	Security guard services at various locations, including the Fire Services Headquarters Building, Fire and Ambulance Services Academy and other fire station, etc.	1 January 2020 to 31 December 2022	18,400	—	1,400	5,600	2,500	8,200
Contract J	A government department mainly responsible for maintaining safety of the harbour and ports and monitoring shipping traffic in Hong Kong	Provision of site managing services for public cargo working areas	1 February 2020 to 31 January 2023	35,300	—	2,000	11,900	4,900	16,700
Contract K	Health Authority	Manpower support services in relation to health screening at Heung Yuen Wai control point	14 February 2020 to 13 February 2022	45,300 ⁽⁶⁾	—	—	4,200	3,000	27,400
(iii) Firstly awarded in FY2021									
Contract L	A tertiary educational institution in Hong Kong	Security services for vocational training campuses in Chai Wan and Tsing Yi	1 January 2021 to 31 December 2022	10,900 ⁽⁷⁾	—	—	1,400	2,300	7,300
Contract M	The primary and largest law enforcement and disciplined services under the Security Bureau of Hong Kong	Provision of security guard services	1 February 2021 to 31 January 2024	11,700	—	—	600	1,700	9,300
Contract F2 ⁽¹⁾	Immigration Authority	Security services at Shenzhen Bay control point	1 April 2021 to 1 April 2024	30,900	—	—	—	3,300	27,600
Contract C3 ⁽¹⁾⁽¹¹⁾	Railway Corporation	Security services at various railway stations including Tsing Yi, Hunghom and Mongkok stations, and along Tuen Ma line	1 May 2021 to 30 April 2023	32,700	—	—	—	10,600	22,100

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised					
				Initial contract sum (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in FY2021 (approximately) (HK\$'000)	in SM2022 (approximately) (HK\$'000)	subsequent to SM2022 (approximately) (HK\$'000)
Contract N	Client C ⁽⁹⁾	Security services at the site of the three-runway system project at the Hong Kong International Airport	7 June 2021 to 30 June 2025	230,100 ⁽¹⁰⁾	—	—	—	9,600	220,500 ⁽¹⁰⁾
COVID-19 Detection Support Contract D	Health Authority	Manpower support services at the Community Testing Centres for specimen submission and distribution points of DTS specimen collection packs	8 June 2021 to 7 December 2021 and extended for 3 months until 7 March 2022	92,300	—	—	—	33,500	105,000
Contract O ⁽¹¹⁾	Railway Corporation	Station assistants services, amongst others, crowd control, disseminate safety messages, answering enquiries and handling complaints of passengers, at various stations along all railway lines, etc.	1 July 2021 to 30 June 2023	42,400	—	—	—	5,300	37,000
Contract P	A public transport operator in Hong Kong providing bus services to the general public	Security guarding services at its headquarters and six depots	1 August 2021 to 31 July 2023	16,700	—	—	—	700	16,000
Total:				<u>1,068,100</u>	<u>128,600</u>	<u>157,500</u>	<u>183,600</u>	<u>145,100</u>	<u>531,500</u>

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Contract	Client	Contract details	Initial contract period	Initial contract sum (approximately) (HK\$'000)	Revenue recognised/to be recognised subsequent to 5M2022 (approximately) (HK\$'000)
<i>(c) Contracts that were newly awarded as at the Latest Practicable Date</i>					
XRL Contract D	Railway Corporation	Security services, baggage scanning and car parking management services at West Kowloon station of the Hong Kong Section of the Guangshen's gang XRL	23 September 2021 to 22 September 2024	99,100	99,100
XRL Contract E	Railway Corporation	Provision of services for station customer service centres and backend accountancy for the Hong Kong Section of the Guangshen'gang XRL	23 September 2021 to 22 September 2024	40,600	40,600
XRL Contract F	Railway Corporation	Provision of station assistants, trolley & porter management, traffic control management and train attendants for the Guangshen'gang XRL	23 September 2021 to 22 September 2024	125,700	125,700
Contract D3 ⁽¹⁾	Health Authority	Manpower support services in relation to health screening of Shenzhen Bay Port and Man Kam To control points	16 December 2021 to 15 December 2023	92,800	92,800
Total:				<u>358,200</u>	<u>358,200</u>

Notes:

- (1) This contract is an extension or renewal of its previous numbered contract.
- (2) This contract does not have an initial contract sum and is based on an actual usage basis upon the Railway Corporation's request for our Station Control Services.
- (3) The actual usage of manpower required by the LSC R&D Centre was less than the planned amount. As such, the revenue recognised was less than the initial contract sum.
- (4) Client B is an indirect subsidiary of one of the largest integrated energy and chemical companies in the PRC, where its H-shares are listed on the Main Board, the New York Stock Exchange and the London Stock Exchange, and its A-shares are listed on the Shanghai Stock Exchange, with recorded operating income of approximately RMB2,105,984 million for the year ended 31 December 2020.
- (5) The sum does not include an optional additional scope of services to be provided to the Health Authority being approximately HK\$54.5 million, where it is expected that no material amount is likely to be recognised during its term.
- (6) The sum does not include an optional additional scope of services to be provided to the Health Authority being approximately HK\$32.4 million, where it is expected that no material amount is likely to be recognised during its term. In addition, the actual usage of manpower required by the Health Authority was less than the planned amount. As such, the revenue recognised/to be recognised was less than the initial contract sum.
- (7) There were adjustments in the manpower deployment plan by the client according to actual needs where more manpower was required. As such, the revenue recognised/to be recognised was more than its initial contract sum.
- (8) According to the automatic extension clause in this contract, it has been automatically extended for two years until 14 February 2023. As such, the revenue recognised/to be recognised was more than its initial contract sum.
- (9) Client C is a joint operation company primarily engaging in the provision of security services which is formed by (i) an indirect subsidiary of a company listed on the Stock Exchange with recorded operating income of approximately HK\$10,899.3 million for the year ended 31 December 2020; and (ii) a private company incorporated in Hong Kong.

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- (10) The initial contract sum and the amount of revenue to be recognised subsequent to 5M2022 are estimated by our Directors.
- (11) During the Track Record Period, all contracts with the Railway Corporation were obtained through tendering.
- (12) The contract has been extended. For details, please refer to the paragraph headed “Sales and Marketing — Our major contracts — (c) Contracts that were newly awarded as at the Latest Practicable Date” in this section.

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Due to the nature of our services, the contracts we entered into with our clients can generally be categorised into (i) Fixed-term Contracts with a fixed contract term typically ranging from three months to three years; (ii) Ad-hoc Contracts including contracts and invoices provided on an ad-hoc or urgent basis with a term ranging from one day to one month; and (iii) Event Contracts for a single-purpose event. The following table sets out our revenue breakdown during the Track Record Period by type of contract:

Contracts	FY2019			FY2020			FY2021			5M2022		
	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts	(HK\$'000)	%
Fixed-term	58	268,905 ⁽²⁾	91.1	72	462,496 ⁽³⁾	96.0	82	350,273 ⁽⁴⁾	95.7	86	203,038 ⁽⁵⁾	96.7
Ad-hoc	2,062	22,008	7.5	1,841	18,170	3.8	1,091	15,560	4.3	544	6,981	3.3
Event	66	4,258	1.4	68	905	0.2	—	—	—	—	—	—
Total	2,186	295,171	100.0	1,981	481,571	100.0	1,173	365,833	100.0	630	210,019	100.0

Notes:

- (1) The number of Fixed-term Contracts refers to the sum of ongoing Fixed-term Contracts as at the beginning of the year and Fixed-term Contracts newly awarded, extended and renewed during the relevant year.
- (2) Approximately HK\$130.3 million were from Fixed-term Contracts that were ongoing as at 31 August 2021 while the remaining were revenue from completed projects as at 31 August 2021.
- (3) Approximately HK\$167.0 million were from Fixed-term Contracts that were ongoing as at 31 August 2021 while the remaining were revenue from completed projects as at 31 August 2021.
- (4) Approximately HK\$206.1 million were from Fixed-term Contracts that were ongoing as at 31 August 2021 while the remaining were revenue from completed projects as at 31 August 2021.
- (5) Approximately HK\$164.2 million were from Fixed-term contracts that were ongoing as at 31 August 2021 while the remaining were revenue from completed projects as at 31 August 2021.

Our major contractual terms

A significant portion of our revenue were derived from Fixed-term Contracts during the Track Record Period. The contractual terms of a typical Fixed-term Contract, which is legally binding, are summarised below:

Service fee and payment terms : Depending on the type of services to be provided, service fees are generally charged on a lump-sum basis or actual usage basis with reference to the cost of rendering such services and shall be payable generally within 30 days after the invoice is being issued.

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- Insurance : Generally, our Group has to take out, at our expenses and maintain and renew upon expiry (i) the public liability insurance; and (ii) the employees' compensation insurance. In particular, the Railway Corporation and the HK Government Entities typically require our Group to obtain such insurance policies in the joint names of our relevant operating subsidiary and them together as additional insured(s). Please refer to the paragraph headed "Insurance" in this section for further details.
- Deployment of guards/
manpower : The security guards and other employees arranged by our Group shall be fit to carry out security duties and/or other duties as specified in the contracts and other qualifications, and may have to hold valid Security Personnel Permit. For details, please refer to the paragraph headed "Employees — Licences and qualifications of employees" in this section.
- Minimum wage : Generally, for contracts which we are required to provide personnel, our Group has to confirm our abidance to the statutory minimum wage at the request of our clients or annually.
- Price adjustment : Generally, for contracts where we are required to provide personnel, the prescribed minimum hourly wage rate is revised by the Hong Kong Government under the Minimum Wage Ordinance from time to time and subject to the agreed formula as specified in the respective contract. For details, please refer to the paragraph headed "Sales and Marketing — Pricing policy" in this section.
- Indemnity : In one of the contracts with our client for the provision of security services, our Group shall fully indemnify any and all liabilities, claims, losses, damages, costs (including, without limitation, legal costs and expenses) arising out of or in connection with the provision of the service provided by our Group. The indemnity obligation shall survive expiry or termination of the agreement.
- Termination : Unless there is any default on either party, generally, parties may terminate the contract provided that a 30-day prior notification in writing is served.

In general, Fixed-term contracts range from three months to three years where some contracts contain an option to extend or renew for up to three years.

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For public sector and/or large-scale contracts, our financial capability would be assessed by our clients. Depending on individual clients, an amount equivalent to 2% or 5% or 6% (as the case may be) of the contract sum may be payable directly or if so required by the clients as contract security in the form of, among other things, contract deposit, for each contract at the start of our engagement in accordance with the relevant contracts. Such contract securities are generally refunded three months subsequent to the completion of the service contract.

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The following table sets out movement of our Fixed-term Contracts during the Track Record Period and up to the Latest Practicable Date by number of contracts and total contract sums:

	FY2019		FY2020		FY2021		5M2022		Subsequent to 5M2022 and up to the Latest Practicable Date	
	No. of contracts	Total contract sum ⁽³⁾ (HK\$'000)	No. of contracts	Total contract sum ⁽³⁾ (HK\$'000)	No. of contracts	Total contract sum ⁽³⁾ (HK\$'000)	No. of contracts	Total contract sum ⁽³⁾ (HK\$'000)	No. of contracts	Total contract sum ⁽³⁾ (HK\$'000)
Fixed-term Contracts										
As at the beginning of the year/period	37	292,994	43	755,063	43	838,138	55	873,122	58	1,242,087
New engagements	12	458,456	11	227,270	17	116,690	11	328,220	3	2,338
Extensions/Renewal	9	47,852	18	229,274	22	52,182	20	201,925	5	359,594
Completion	(15) ⁽¹⁾	(44,239)	(29)	(373,469)	(27) ⁽²⁾	(133,888)	(28)	(161,180)	(5)	(492,036)
As at the end of the year/period	43	755,063	43	838,138	55	873,122	58	1,242,087	61	1,111,983

Note:

- (1) One of our Fixed-term Contracts in FY2019 in relation to the provision of hotel management services discontinued since 1 April 2019 following a mutual agreement between the hotel owner and us to terminate the services because according to our Directors, the hotel experienced a downturn in its business.
- (2) One of our Fixed-term Contracts in FY2021, namely Contract I, was terminated by Client B on 30 April 2021 following a mutual agreement between Client B and us because according to our Directors, Client B is a PRC based company and decided to engage a PRC service provider.
- (3) Total contract sum is the initial contract sum plus the sum based on actual usage.

We take into account various factors when considering whether to renew or extend any expired contracts including the scale or contract sum of the contracts, profitability, the availability of our resources at the time of renewal or extension, clients' profile and credibility, availability of tenders, etc.

For contracts that do not include an option to extend or renew the duration of the contract term, we are required to submit new tenders upon the expiration of existing or renewed contracts or bid for new contracts from time to time. Extension or renewal of some of our existing contracts may also be subject to a set of criteria including our performance and the quality of services which we provide and we are under continuous supervision and inspection of our clients. During the Track Record Period, the renewal or extension rates of our expired Fixed-term Contracts were approximately 60.0%, 62.1%, 81.5% and 71.4%, respectively, and 100.0% for the period subsequent to 5M2022 and up to the Latest Practicable Date. The renewal or extension rate is calculated by the number of renewal contracts divided by the number of completed or terminated contracts. Contracts are considered renewed when we are required to prepare and submit a tender submission or quotation in order to secure a new contract containing substantially the same terms and conditions and scope of services as the original contract which has expired. During the Track

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Record Period, such contracts were mainly contracts with various HK Government Entities and the Railway Corporation. Contracts are considered extended when the original contract contains terms which allow the parties to extend the original term of the contract without our Group preparing and submitting a tender submission or quotation.

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The following table sets out details of the expiry profile of our Fixed-term Contracts that were on-going as at 31 August 2021 and newly awarded up to the Latest Practicable Date which shall be undertaken for the periods indicated:

Type of Fixed-term Contracts	No. of contracts on hand	Revenue recognised/to be recognised					Subsequent to FY2024 to FY2024	Total sum ⁽¹⁾
		up to 5M2022	in 7M2022 (approximately)	in FY2023	in FY2024			
		(a)	(b)	(c)	(d)	(e)	(f) = sum of (a) to (e)	
Major contracts⁽²⁾								
— On-going	18	614,451	232,432	149,032	79,112	71,101	1,146,128	
— Newly awarded/extension	4	—	57,766	134,867	121,334	44,233	358,200	
Subtotal	22	614,451	290,198	283,899	200,446	115,334	1,504,328	
Non-major contracts⁽³⁾								
— On-going	40	52,533	25,044	16,562	1,778	42	95,959	
— Newly awarded/extension	4	—	2,266	1,111	355	—	3,732	
Subtotal	44	52,533	27,310	17,673	2,133	42	99,691	
On-going contracts⁽⁴⁾	58	666,984	257,476	165,594	80,890	71,143	1,242,087	
Newly awarded/extension contracts⁽⁵⁾	8	—	60,032	135,978	121,689	44,233	361,932	
Total	66	666,984⁽⁷⁾	317,508	301,572	202,579	115,376	1,604,019	
<i>% of total sum</i>		41.6%	19.8%	18.8%	12.6%	7.2%	100.0%	

Notes:

- (1) The total sum includes revenue which was actually recognised up to 5M2022, having taken into account of the subsequent change in contract sum and other ad-hoc revenue recognised up to the Latest Practicable Date.
- (2) Major contracts refer to the contracts with (i) an initial contract sum of over HK\$10.0 million; and (ii) total revenue recognised of over HK\$10.0 million in aggregate during the Track Record Period generated from our provision of Station Control Services or COVID-19 Detection Support Services.
- (3) Non-major contracts refer to the contracts with (i) an initial contract sum of below HK\$10.0 million; and (ii) total revenue recognised of below HK\$10.0 million in aggregate during the Track Record Period generated from our provision of Station Control Services or COVID-19 Detection Support Services.
- (4) On-going Fixed-term Contracts refer to the on-going contracts as at 31 August 2021.
- (5) Newly awarded/extension contracts refer to the contracts which were awarded/extended up to the Latest Practicable Date but commenced subsequent to 5M2022.

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- (6) Such sum included approximately HK\$169.4 million to be recognised in FY2024, approximately HK\$100.4 million in FY2025 and approximately HK\$15.0 million in FY2026, respectively.
- (7) Approximately HK\$129.7 million was recognised in FY2019, approximately HK\$167.0 million was recognised in FY2020, and approximately HK\$206.1 million was recognised in FY2021, and approximately HK\$164.2 million was recognised in 5M2022.

Pricing policy

We typically charge service fees for our security services and facility management services either on a lump-sum basis or actual usage basis and such service fees are payable on a monthly basis or upon completion of services.

Our service fees are determined on a cost-plus basis with reference to a number of factors, including the urgency of the intended timetable, location, complexity of the work or services, estimated time to be spent on the preparation of the work or services and any factors affecting the supply of manpower. Our clients may be entitled to vary the terms of the contract, including the total contract sum of a fixed fee contract, during the contract duration. For example, there were several proposals on manpower and services variation for the XRL Contracts. The XRL Contracts had an initial period from 1 April 2018 to 15 September 2021 for an original contract sum of approximately HK\$364.1 million. After revised manpower and service plans were agreed and finalised by the parties together with the revision of statutory minimum wage effective from 1 May 2019, the total contract sum of the XRL Contracts was adjusted from approximately HK\$364.1 million to approximately HK\$394.5 million where there was an increase in the required manpower and addition of services. This was because of the change in the deployment plan of the Railway Corporation resulting in adjustment of duties performed by these personnel together with the effect of the revision of statutory minimum wage which took effect from 1 May 2019. Another instance was in May 2021, we were informed by the Health Authority to revise the original contract end date from 7 April 2021 to 7 June 2021 by way of written notice by the Health Authority. Our Directors are of the view that this revision of contract period was due to the ongoing demand for our services due to the outbreak of COVID-19.

Our clients may sometimes also require our security services urgently, such as unexpected crowd control at railway stations, public order events in 2014 and 2019 and temporary relief of existing personnel. In addition, our Station Control Services provided during FY2020 were required on an actual usage basis by the Railway Corporation. Under such circumstances, with a list of full-time and casual employees, our Group will mobilise necessary manpower to satisfy ad-hoc demand from our clients. While it is part of our strengths to be able to respond to our clients and satisfy their demands within a short period of time, our management also recognises the risk on the failure to enter into formal written agreements for such contracts. Therefore, our Directors believe that other than the typical factors we consider in assessing the potential of a project, we would only undertake such contracts when the client involved is a recurring client and that we are able to obtain at least a signed quotation or purchase order or an email confirmation from the client before commencement of work. Upon completion, our Group will issue an invoice to the client. For the associated risks, please refer to the section headed "Risk Factors — Risks relating to our business — Failure to enter into formal written agreements in respect of our services

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provided upon urgent demand may lead to uncertainty in terms of our engagement. If we do not receive service fees for such urgent demand, our results of operations and financial conditions may be adversely affected” in this [REDACTED] document.

We have also taken into account the potential impact of change in statutory minimum wage pursuant to the Minimum Wage Ordinance from time to time. Some of our contracts provide a mechanism for our Group to adjust our service fees according to the change in statutory minimum wage as notified by our clients or as initiated by us. During the Track Record Period, certain of our major contracts representing approximately 54.0%, 70.0%, 39.6% and 40.7% of our total revenue, respectively, contain such adjustment mechanism. Some of our contracts, however, are silent on the possibility of price adjustment and are therefore subject to negotiation. Our Directors believe that as at the Latest Practicable Date, following the revision of the statutory minimum wage to HK\$37.5 per hour on 1 May 2019, our service fees in respect of our major contracts where such adjustment mechanism is available have been adjusted accordingly (except for the contracts which were entered into or renewed after the revision of the statutory minimum wage in May 2019 had been announced). Our Directors confirm that there are no loss-making contracts during the Track Record Period and up to the Latest Practicable Date, and do not expect to incur any loss from our Group’s contracts on hand in FY2022.

In light of the increasing labour costs and the labour-intensive nature of our business, it is important for us to accurately estimate our cost in preparing tenders or pricing our services. We believe that our clients expect accurate assessment of costs (including potential increases in labour costs) prior to submitting any tenders or entering into any service contracts. As such, we generally consider potential changes in labour costs as early as when we estimate our fees during the tendering or quotation stage rather than adjusting our fees on an ad-hoc basis. We generally rely on our accurate assessment of costs in the stage of preparing terms of our initial offer as a way to pass potential increase in service costs to clients and to tackle the risk of cost increment over time, and rely on our cost control measures to avoid cost overrun. For the risks involved, please refer to the section headed “Risk Factors — Risks relating to our business — Our provision of services on a fixed fee basis could subject us to losses if we subsequently incur excess expenses in delivering our services to clients” in this [REDACTED] document.

Payment and credit policy

Our management is responsible for formulating our credit policy and our finance department is responsible for implementing and monitoring the settlement of our receivables from time to time. Before accepting any new client, our Group assesses the potential client’s credit quality and defines credit limits by client. Credit limits attributed to clients and credit terms granted to clients are reviewed regularly.

Our clients normally settle by cheque or bank transfer in HK\$. Our Group issues invoices on a monthly basis or upon completion of our services. The credit period that we granted to our clients during the Track Record Period was approximately 30 to 120 days. The majority of the trade receivables that is neither past due nor impaired have no history of defaulting on repayments.

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All of our contracts with the Railway Corporation (including the XRL Contracts) were subject to a process of certification during the Track Record Period as described below. For these contracts, we usually issue draft monthly invoices setting out (i) the particulars of our services provided; and (ii) the revenue generated in the previous month to the Railway Corporation. The Railway Corporation would then review, verify and reconcile with attendance records (the "**Certification**"). Once the Certification has been obtained from the Railway Corporation by us (the "**Date of Certification**"), in general we would promptly and officially issue the final invoice. The relevant uncertified revenue would be reclassified as our trade receivables on the Date of Certification. Such accounting treatment of our uncertified revenue and trade receivables is also set out in the section headed "Financial Information" of, and the Accountants' Reports in Appendix I to, this [REDACTED] document. Payment for the final invoice is to be settled typically within around 30 days from the Date of Certification.

The amount of uncertified revenue, which was mainly attributable to the XRL Contracts, as at 31 March 2019, 2020 and 2021 and 31 August 2021 amounted to approximately HK\$57.6 million, HK\$47.4 million, HK\$34.7 million and HK\$26.8 million, respectively. As at Latest Practicable Date, approximately HK\$23.1 million or 86.3% of our uncertified revenue as at 31 August 2021 have been subsequently billed and fully settled by the Railway Corporation. The amount of trade receivables attributable to the XRL Contracts as at 31 March 2019, 2020 and 2021 and 31 August 2021 amounted to approximately HK\$17.1 million, HK\$0.3 million, HK\$4.1 million and HK\$1.5 million, respectively. As at Latest Practicable Date, none of the trade receivables attributable to the XRL contracts as at 31 August 2021 had been settled. Please refer to the section head "Financial Information — Description of certain items of consolidated statements of financial position — Uncertified revenue".

Marketing

During the Track Record Period, we conduct our business through direct sales and referral.

As at 31 August 2021, we had one sales and marketing personnel who was responsible for (i) administrative work and support; (ii) conducting market research and implementing sales and marketing initiatives regularly to assess and identify market opportunities; (iii) preparing and/or submitting tender documents; and (iv) providing quotations. In addition to our management team, our sales and marketing personnel are also responsible for maintaining good client relationship with our existing clients.

In order to better reach out to our target clients in new or developing market segments in a cost-effective manner, during the Track Record Period, we engaged two sales agents, which have business connections with some of our existing and potential clients primarily in the private sector. The sales agents are responsible for referral services which include facilitating our Group in the promotion, arrangement and negotiation of security service contracts with our clients. During the Track Record Period, the projects introduced by our Group's sales agents were largely related to commercial and residential properties in the private sector in Hong Kong and the clients were mainly property and facility management companies and private companies, such as Wonderland International Holdings Limited.

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Our two sales agents are a sole proprietorship and a private company mainly engaging in the provision of referral services of security guards in Hong Kong. Our Directors confirm that, as at the Latest Practicable Date, the two sales agents, who were Independent Third Parties, were not our former employees and, to their best knowledge and information, (i) save for the above engagement, the sales agents did not and do not have any other past or present relationships (business, employment, financial or otherwise) with us, Shareholders, Directors and senior management of our Company and our subsidiaries and their respective

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associates; and (ii) prior to becoming our exclusive sales agents, the two sales agents provided similar services to other security services companies in Hong Kong. As at the Latest Practicable Date, the sales agents had more than five years of business relationship with our Group.

Material terms of our co-operation with the sales agents

- Commission : Commission is equal to profit margin less a fixed amount times the number of shift — with the profit margin being the difference between the unit rate of the security services provided in one shift and the wage of the security guard(s) of the same shift
- Payment terms : Payment of the commission will be issued on a monthly basis and will be made within one month after the completion of services of the preceding month
- Exclusivity : The sales agents have contractually undertaken that they will only carry out their activities exclusively on behalf of our Group
- Non-solicitation: : During the term of the agreement and for a period of one year following the termination of the agreement, the service providers agree not to solicit any of our employees on behalf of any other business enterprise nor to induce any of our employees to terminate or breach an employment, contractual or other relationship with our Group
- The service providers shall not, directly or indirectly, disclose to any person, firm or corporation the names or addresses of any of our clients or any other information pertaining to them. Neither shall the service providers call on, solicit, take away any of our clients on whom the service providers have called or with whom the service providers became acquainted during the term of the agreement
- Termination : Either parties may terminate the agreement by one month's prior notification in writing

Our Directors confirm, to their best knowledge and belief, the sales agents have no contractual relationship with and are independent of our clients and we are their sole customer. During the Track Record Period, revenue generated through the sales agents amounted to approximately HK\$9.6 million, HK\$9.5 million, HK\$5.3 million and HK\$2.5 million, respectively, which accounted for approximately 3.3%, 2.0%, 1.4% and 1.2% of our revenue, respectively, while the commission paid to the sales agents amounted to approximately HK\$2.3 million, HK\$2.1 million, HK\$1.1 million and HK\$0.5 million, respectively, representing approximately 0.9%, 0.5%, 0.4% and 0.3% of our Total Operating Expenses, respectively, which would be translated into an effective commission rate to the sales

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agents ranging from approximately 20.4% to 23.9% on revenue generated through the sales agents for facilitating our Group in the promotion, arrangement and negotiation of security service contracts with our clients for the Track Record Period.

Pursuant to the formula for calculating sales commission paid to the sales agents as disclosed above, our Group is entitled to a minimum profit margin for each project introduced by our Group's sales agents. Our Directors consider that the existing commission payment scheme would also provide adequate incentives to motivate the sales agents to bring in new projects and retain existing projects, where the projects introduced by the sales agents generated margins (i.e. calculated based on revenue less direct employee benefit costs of the relevant employees and attributable to the respective service contracts divided by revenue and multiplied by 100%) ranging from approximately 32.8% to 39.5% for the Track Record Period. If the commissions paid to the sales agents are taken into account, the margins of such projects would range from approximately 12.4% to 15.6% for the Track Record Period. As such, our Directors believe that our Group's current engagement of the sales agents is fair and reasonable. According to the Frost & Sullivan Report, the engagement of sales agents for sourcing new clients is not uncommon in the security services industry. It further stated that in light of the competitive business environment, some market participants would adopt the commission model mentioned above since it reduces the uncertainty in cost control and is effective in maintaining profitability as commission would only be paid when there is a profit. According to the Frost & Sullivan Report, the commission rate varies in the industry and is negotiated between the agent and the security services provider on arm's length and case-by-case basis. Having considered the above and the allocation of work, risks and rewards between the sales agents and our Group, our Directors are of the view, and the Sole Sponsor concurs, that the commission arrangement with such sales agents were reasonable and in line with the market practice.

Our Group has also devoted resources in electronic platforms by developing our website to promote our security services. During the Track Record Period, our expenses relating to our sales and marketing activities amounted to approximately 0.8%, 0.4%, 0.3% and 0.3% of our total revenue, respectively.

Seasonality

Our Group had not experienced material seasonal fluctuations during the Track Record Period.

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OUR OPERATION

In order to provide security services, a security services company must obtain the Security Company Licence under the laws of Hong Kong. During the Track Record Period, IWS Security has been a Type I Security Company Licence holder. Please refer to the section headed “Regulatory Overview” in this [REDACTED] document for further details. Since 2015, our quality management system in respect of the provision of guarding services in Hong Kong has also complied with recognised international standards.

The following table sets out the licence and certification held by members of our Group as at 31 August 2021:

Issuing body	Description of licence/ certification	Qualification/ Standard	Holder	Period of validity
Security and Guarding Services Industry Authority	Security Company Licence	Type I — Provision of security guarding services	IWS Security	23 December 2016 — 22 December 2021 ^(Note)
Certification Asia (HK) Limited	Quality Management System accreditation for the provision of guarding services in Hong Kong	ISO9001:2015	IWS Security	18 September 2021 to 8 October 2024
Certification Asia (HK) Limited	Occupational Health & Safety management system accreditation for the provision of security services in Hong Kong	ISO45001:2018	IWS Security	27 March 2021 — 27 March 2024
Certification Asia (HK) Limited	Environmental Management System accreditation for the provision of security services in Hong Kong	ISO14001:2015	IWS Security	27 March 2021 — 27 March 2024
Certification Asia (HK) Limited	Quality Management System accreditation for the provision of cleansing services in Hong Kong	ISO9001:2015	IWS Cleaning	16 December 2020 — 16 December 2023
Property Management Services Authority	Property Management Company Licence	N/A	IWS Property	25 August 2021 — 24 August 2024

Note: As at the Latest Practicable Date, the Security Company Licence has been renewed for a period of five years from 23 December 2021 to 22 December 2026.

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For details of the permits, registrations or qualifications held by our employees, please refer to the paragraph headed “Employees — Licences and qualifications of employees” in this section.

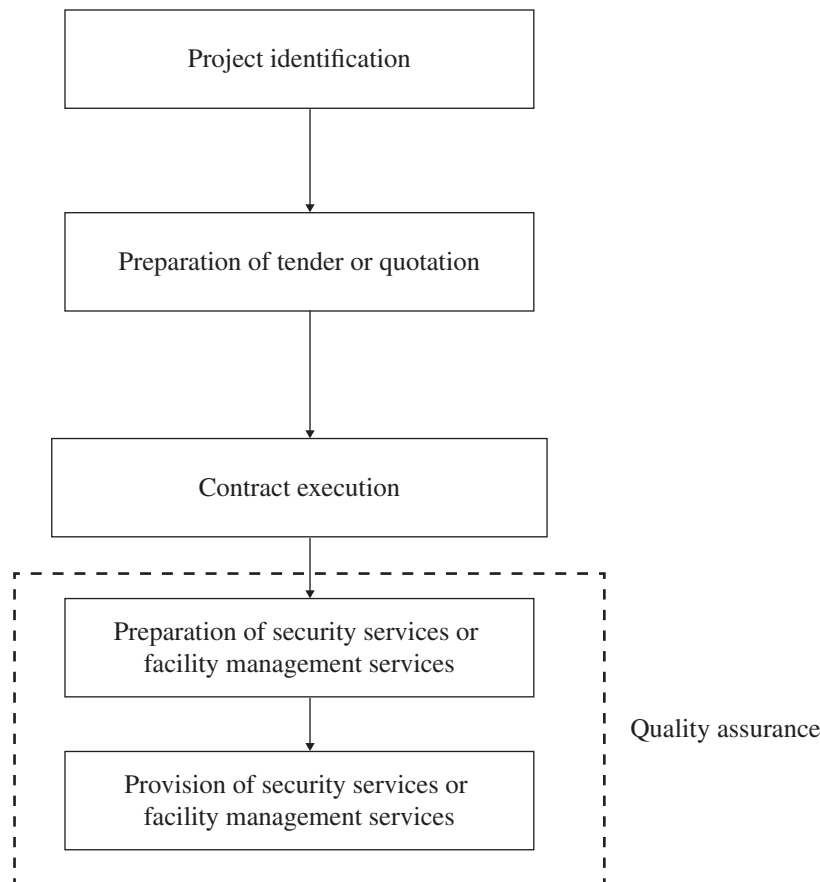
As confirmed by Ms. Yeung Wing Yan Wendy, our legal counsel as to Hong Kong laws, our Group had obtained all the approvals, permits, consents, licences, permissions, authorisations, certificates and/or registrations required for its business and operations during the Track Record Period and as at the Latest Practicable Date. Ms. Yeung Wing Yan Wendy, our legal counsel as to Hong Kong laws, further confirmed that IWS Security had been in compliance with conditions of such Security Company Licence and that there would be no impediment to renew the above Security Company Licence.

Our workflow

Our services may be rendered and completed within one day on an ad-hoc or urgent basis or provided over a fixed period of typically up to three years under a Fixed-term Contract.

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The general workflow for our services is illustrated by the following chart and key stages:



Project identification

During the Track Record Period, our contracts were mainly secured through tendering (open tender or tender invitation). Our remaining contracts were generally secured after undergoing a direct negotiation and quotation process with our potential clients. During the Track Record Period, revenue from tendering accounted for approximately 81.4%, 88.9%, 74.8% and 55.1% of our total revenue, respectively. Based on 26, 27, 57 and 20 tenders submitted during the Track Record Period with known results, our tender success rates (based on the number of tenders) as at 31 August 2021 were approximately 34.6%, 44.4%, 50.9% and 20.0%, respectively. We experienced a lower tender success rate in FY2019 to a certain extent because of our failure in the two tenders in relation to car parking rental and management services and four tenders in relation to cleaning services, which our Directors believe was due to our insufficiency of financial resources that were drained by our commitments under current projects, in particular the XRL contracts. We also experienced a lower tender success rate in 5M2022 because according to our Directors, our price quotations were not as competitive as the other contenders.

Tenders are offers or proposals with prescribed terms and conditions made for acceptance and are commonly conducted openly. Tendering is mainly required for security services contracts by our clients in the public sector including the Railway Corporation and the HK Government Entities. Our remaining contracts are mainly secured without open procedures.

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The factors we generally take into account when evaluating the potential of a project include the wages such as the potential impact of change in minimum wage, requirement on equipment and uniform, location and the potential labour supply at the location. The availability of our financial resources would also affect our evaluation of the project and our strategy in tendering or providing quotation for such project. As a service provider for the Railway Corporation, we generally need to first apply for pre-qualification as a tenderer in order to qualify for the tendering process. Such assessment includes our financial eligibility, safety and environmental management capability and technical scoring. Some of our existing major clients evaluate tenders based on various financial and non-financial considerations. For example, some of the contracts that we submitted a tender for during the Track Record Period prohibited tenderers from submitting a tender if the tenderer had accumulated a specified number of demerit points over a certain period of time due to the tenderer's prior breach of contractual obligations. Clients such as the Railway Corporation and the HK Government Entities usually maintain an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. A standard tender process takes approximately ten weeks from the receipt of tender invitation to the announcement of the tender result, while a standard quotation takes approximately one to two days from quotation to entering into a contract.

Preparation of tender or quotation

After understanding our clients' instructions and requirements, our sales and marketing and operation teams will prepare the tender submissions or quotations with reference to our available resources and the expected manpower required for the job and take into account various factors including expected profit margin, the location, the background of our client, urgency of the intended timetable, prevailing market rates, complexity of the work or services, estimated time to be spent on the preparation of the work or services and any factors affecting the supply of human resources. Our Group's tender submissions or quotations will then be submitted to our management for final approval. Management plans which include plans on the requirements on our employees, health and safety and procedures in handling emergency situations would also be formulated at this stage. When new contracts are awarded to us from tender, we shall enter into agreements with our clients which are legally binding. For details of these agreements, please refer to the paragraph headed "Sales and marketing — Our major contractual terms" in this section.

Preparation and provision of services

The preparation stage consists of forming a project management team for each of the projects to assist in preliminary allocation of resources required and ensuring our Group has sufficient resources for current and future works.

A meeting would be held at this stage to formulate detailed work plans such as instruction briefs and work instructions. These instruction briefs and work instructions, together with the management plans, are distributed to each of the relevant personnel prior to the commencement of work as guidelines. If specialised manpower is required, our Group will recruit qualified personnel who can fulfil the requirements of our clients at this stage as well.

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Quality assurance or evaluation and reviews

Quality of our services are monitored and maintained throughout each of our engagement starting from the recruitment and screening process up to the completion of a contract. Please refer to the paragraph headed “Quality Assurance” in this section for further details.

QUALITY ASSURANCE

We understand the importance of providing quality services and implemented a set of measures on each key operational process starting from recruitment and formulated guidelines and policies to be adhered to by our employees to ensure they could meet the demands and requirements of our clients and work in a safe environment at the same time. Occasionally, upon our client’s specific requests, we may also arrange our employees to attend training at our own expense.

As at 31 August 2021, with the support of 22 officers, our chief executive officer and general manager are responsible for overseeing our quality assurance system. For their biographies, please refer to the section headed “Directors and Senior Management” in this [REDACTED] document.

Since September 2015, we have been accredited with ISO 9001:2008 quality management system standard for the provision of guarding services in Hong Kong. Upon its expiration, we were subsequently accredited with ISO9001:2015 quality management systems standard for the provision of guarding services in Hong Kong. We have been accredited with the same standard in December 2020 for the provision of cleansing services in Hong Kong.

Recruitment and screening

Our Group has a standard recruitment and screening process so that our Group can assess the background, the employment history, academic background, professional qualifications, the integrity and experience to match the requirements of our clients. All of our employees are required to complete an application form in relation to their background upon applying to become our employees. In addition, our Group will conduct reference checks on the employment history of applicants who applied for the position of security personnel, and will check the validity of their Security Personnel Permit against the list of revoked/cancelled/suspended Security Personnel Permit as provided by the Hong Kong Police Force of Licensing Department. Our Group will be notified if the Security Personnel Permit of our employees are revoked by the Hong Kong Police Force of Licensing Department.

Guidelines and policies for our employees

Our employees’ general conduct is governed by our employee handbook which is distributed at orientation. Our code of conduct provides for the maximum working hours for our security service personnel and other employees, punctuality and work handover requirements and our employees are required to familiarise themselves in relation to the location deployed, to comply with their job responsibilities and to carry out their job responsibilities with fairness and courtesy. Our security service personnel and other employees are not allowed to drink liquor during their working hours and have to observe all the laws and regulations. In light of the outbreak of COVID-19 and our provision of the COVID-19 Detection Support Services, we have taken extra

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precautions in providing a safe and healthy work environment to our employees which include wearing masks, maintaining at least 1.5 metres between seats, implementing work-from-home arrangements and conducting temperature checks at entrances. Sometimes, our clients will also impose additional codes of conducts on our employees.

For each contract, the relevant personnel are given and are expected to comply with the management plans, instruction briefs and work instructions:

- *management plans* — they are generally formulated at the tender or quotation preparation stage for our client. After we are awarded with the contract, these plans are distributed to the employees designated for the contract. They cover our recruitment and screening process such as the requirements on our employees, supervision plan on staff performance such as the duties of different employees and reporting requirement, health and safety control such as guidelines in case of raining and lifting heavy object and contingency plan on handling different situations such as procedures in case of theft, fire or gas leakage;
- *instruction briefs* — they are generally prepared and distributed to the relevant employees after a contract is awarded to us. They aim to provide our employees with background information and certain procedures and guidelines specific to the site such as the opening hours and closing hours of the site and the visitor registration procedures; and
- *work instructions* — same as instruction briefs, they are generally prepared and distributed to the relevant employees after a contract is awarded to us. They aim to set out our client's specific instructions and requirements in detail such as uniform, equipment and the duties of each employees.

In relation to the contracts with the HK Government Entities, our Group is also required to maintain a deployment record of all security service personnel deployed at each location which is submitted to the HK Government Entities at the commencement of the contract period or as when required by the HK Government Entities. Furthermore, the HK Government Entities may also require our Group to perform planned but random supervisory inspections at different locations at least twice a month.

Internal monitoring

Our Company has acquired and installed a 24-hour reporting system to closely monitor the attendance of our security service personnel. Generally, our security service personnel have to report their attendance by phone. If the system fails to receive the security service personnel's report by the designated time, the system will automatically make calls to the respective post to identify and confirm that security service personnel is on duty as scheduled to ensure sufficient manpower are deployed to the venue.

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We also conduct regular on-site visits to understand and evaluate the actual duties and performance of our employees. We also maintain a computer database on our licence holders to keep track of the expiration dates of their respective licences and qualifications.

Regular external audit

The Crime Prevention Bureau of the Hong Kong Police Force will conduct inspection annually on our Group. We will be requested to prepare a list of documents, including letter of authorisation, valid business registration certificate, valid employees' compensation insurance policy, valid public liability insurance policy, updated employee list which should consist of, among others, the name of the security service personnel and the expiry dates of the corresponding Security Personnel Permits.

Client evaluation and complaint handling system

We consider client feedback a valuable tool for improving our services. We take client feedback seriously and have in place procedures to ensure that feedback and complaints from clients get handled in a timely and appropriate manner. We have a number of channels for soliciting and receiving client feedback, such as a 24-hour hotline and face-to-face meetings.

We have implemented a complaint handling policy, and all of the complaints lodged by our clients in respect of the services provided will be handled by the relevant managers. When handling complaints, the employee involved will submit an incident report and the appointed operations manager will conduct a thorough investigation. We will carry out investigation by retrieving the conversation recordings of the complaint case and conducting an interview with the relevant employee. Our contract liaison manager will then compile an interim reply to the complainant within 48 hours and the appointed operations manager will subsequently complete a detailed investigation report. Our contract liaison manager will, depending on the nature, degree of seriousness and circumstances of the complaint and other relevant factors such as the relationship with the complainant, consider appropriate remedial actions for the client and disciplinary action against the employee. Once appropriate remedial actions have been determined, we will follow up with the relevant client in respect of remedial arrangements and apology. If we decide that no remedial action is necessary, we will nevertheless pledge to improve the standards of our services in the future.

Our Directors confirm that we did not receive any material complaints and were not subject to any disciplinary actions imposed by any government authorities in respect of the quality of the services that we provided which could have resulted in any material adverse impact on the operations or financial conditions of our Group and no material compensation or penalty was paid to resolve any complaints during the Track Record Period.

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SUPPLIERS

Due to the nature of our business, we do not have any major suppliers and no costs incurred from any single supplier accounted for more than 9% of our Total Operating Expenses for each year during Track Record Period. In relation to the provision of COVID-19 Detection Support Services for the community COVID-19 testing programmes in FY2020, we subcontracted independent logistics service providers to provide delivery and pick up services for specimen collection and distribution.

Our suppliers are generally selected after obtaining quotations for comparison. The comparison analysis would be recorded with the approval of our management. For new suppliers, audits and background checks, such as obtaining of corporate documents, are also carried out. During the Track Record Period, as confirmed by our Directors, we did not experience any material delay in receiving products or services from our suppliers and we had no material disputes with our suppliers.

The contract terms in relation to transactions between our suppliers and our Group are generally set out in a sales order or contract and include: (i) the type and scope of services or type and model of goods; and (ii) the contract sum. During the Track Record Period, we did not enter into any long-term or exclusive contract with our suppliers and we make our payments to our suppliers in HK\$.

As at the Latest Practicable Date, save as disclosed in Note 28 of the Accountants' Report in Appendix I to this [REDACTED] document, our Directors confirm that all of our suppliers during the Track Record Period were Independent Third Parties, and none of our Directors, their associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our suppliers.

EMPLOYEES

As the security services industry and facility management services industry are labour-intensive industries, we believe our continued success depends in part upon our ability to maintain a stable team of operational workforce to deliver consistent and quality services to our clients.

We recruit our employees from the open market, mainly from publication of job advertisements and referrals. As at 31 March 2019, 31 March 2020, 31 March 2021 and 31 August 2021, we had a total of 2,178, 1,941, 2,042 and 2,676 employees, respectively. Our employees as at 31 August 2021 included 1,744 full-time and 932 casual employees, respectively, who were all stationed in Hong Kong. We maintain a pool of casual employees in order to satisfy ad hoc or urgent work requests from our clients. Having performed screening procedures in advance at time of recruitment, we are also able to ensure the consistent delivery of quality services.

Our employee turnover rate^(Note) in respect of the full-time employees was approximately 17.1%, 48.2%, 41.6% and 23.4% for FY2019, FY2020, FY2021 and 5M2022, respectively. In FY2020 primarily due to our termination of employment with approximately 280 employees, the majority of which was effective in April 2019, in relation to the provision of our services at the

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High Speed Rail Hong Kong West Kowloon Station, our employee turnover rate increased from approximately 17.1% for FY2019 to approximately 48.2% for FY2020. For details, please refer to the paragraph headed “Employees — Labour dispute” below. The employee turnover rate

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remained relatively high in FY2021 at approximately 41.6% because of the exit of a number of employees providing services at certain immigration control points for the Health Authority, which our Directors believe to be because of the outbreak of COVID-19.

Note: Employee turnover rate is calculated by dividing the number of employees who left our Group by the average number of employees during the relevant period

The following table sets out a breakdown of the number of our employees by function as at 31 August 2021:

	No. of employees with Security Personnel Permit	No. of non-licensed employees	Total
Management	3	9	12
Operations Officers	8	19	27
Security services			
— Full-time	1,045	576	1,621
— Casual	<u>223</u>	<u>698</u>	<u>921</u>
	1,279	1,302	2,581
Facility management services			
— Full-time	21	44	65
— Casual	<u>2</u>	<u>8</u>	<u>10</u>
	23	52	75
Sales and marketing	—	1	1
Human resources and finance	<u>1</u>	<u>18</u>	<u>19</u>
	<u>1,303</u>	<u>1,373</u>	<u>2,676</u>

We enter into individual written employment contracts with our full-time and casual employees covering matters which generally include work location, scope of work, work hours, wages, employee benefits and grounds for termination. We also require all our employees to sign the code of conduct form to adhere to the provisions to provide quality services with integrity, commitment and professionalism. The provisions include prevention of bribery, provisions governing the acceptance of gifts and handling of confidential information.

Furthermore, in order to retain our existing employees, we also offer attractive remuneration package to our employees which comprise basic salaries, bonuses and/or other employee benefits such as mandatory provident fund schemes, compensation for employment-related accidents and

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diseases. The remuneration package is subject to annual review. We also participate in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Our Directors confirm that, during the Track Record Period, wages of all of our employees were no less than the applicable statutory minimum wage rate as amended or supplemented from time to time. For the risk factor relating to the statutory minimum wage, please refer to the section headed "Risk Factors — Risks relating to our industry — With the implementation of the Minimum Wage Ordinance, we may fail to retain labour in a cost effective way, or fail to transfer the rising labour costs to our clients, which may adversely affect our profitability" in this [REDACTED] document.

During the Track Record Period, our employee benefit expenses were approximately HK\$252.1 million, HK\$388.5 million, HK\$250.0 million and HK\$130.8 million, respectively, representing approximately 95.8%, 96.0%, 86.2% and 76.9% of our Total Operating Expenses, respectively.

Licences and qualifications of employees

In connection with our security services and facility management services, in addition to our corporate licences, our employees are required to obtain the following licences and qualifications or to be trained in the performance of their duties:

- ***Security Personnel Permit:*** Pursuant to the Security and Guarding Services Ordinance, our security personnel involved in the provision of security services are required to hold a valid Security Personnel Permit. The Security Personnel Permit is valid for a period of up to five years or such shorter period as the Commissioner of Police may specify. As at 31 August 2021, 1,303 of our employees had obtained and validly held the Security Personnel Permits, of which, 1,265 of our employees were allowed to perform Category A Security Work and Category B Security Work and 38 of our employees were only allowed to perform Category A Security Work.
- ***Qualifications relating to the XRL Contracts:*** In order to carry out some of our obligations under the XRL Contracts, as at 31 August 2021, approximately 25 of our employees undertook different courses related to their duties organised by the Railway Corporation and obtained such qualifications. These qualifications are usually valid for one year.
- ***Competent Person (Track):*** Some of our security personnel involved in the provision of security services to the Railway Corporation are required to hold certain qualifications. Such qualifications are usually valid for one year and our employees must annually pass the relevant oral and written assessments to renew their respective qualifications.
- ***Qualification regarding technicians:*** Our technicians involved in minor electrical repair and maintenance work such as changing of light bulbs in the provision of property management services for our clients are required to be registered electrical workers. As at 31 August 2021, we employed six Grades A and B electrical work-registered personnel.

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- **Port Facility Security Officer Certificate:** In order to provide security services for a port facility, as at 31 August 2021, two of our employees obtained the corresponding certificates of port facility security officer in accordance with the requirements of the International Ship & Port Facility Security Code, SOLAS Amendments 2002 and MSC Circular 1188.
- **Property management practitioner licence:** During the three-year transitional period as mentioned in the paragraph headed "Our operation" in this section of the [REDACTED] document regarding the licencing regime after the passing of PMSO, our employees who performed managerial or supervisory function in relation to our facility management services are required to hold property management practitioner (Tier 1) licence and/or property management practitioner (Tier 2) licence. This is also one of the criteria to obtain the property management company licence. As at 31 August 2021, five of our employees held the property management practitioner (Tier 1) licence.

We record details of the licences and permits of our employees in a computer database and regularly monitor the status of their respective validity.

Labour dispute

In around March 2019, the provision of our services at the High Speed Rail Hong Kong West Kowloon Station (the "**West Kowloon Station**") was reviewed and it was concluded that, after around six months of operation, we were able to provide our services smoothly where certain additional staff initially engaged at the commencement stage became redundant. As such, we terminated the employment with approximately 280 employees who had generally been employed since August 2018, which led to demonstrations of certain laid-off employees at the West Kowloon Station to protest against such terminations. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, in respect of the above lay-offs, we are neither in breach of the relevant employment contracts nor non-compliant with the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Nevertheless, we made a provision for lay-off payment of approximately HK\$1.3 million during FY2019, and provided such amount to most of the laid-off employees as pension. The protest was settled in early April 2019. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, no legal proceeding was commenced against us in respect of the above lay-offs.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered or experienced any material labour disputes with any of our employees and trade unions, which would have materially affected our business operations and financial performance.

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OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the Occupational Safety Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers must, so far as reasonably practicable, ensure the safety and health at work of all their employees. We strive to minimise workplace accidents and injuries through our stringent safety measures and policies. We require all of our employees to strictly adhere to our safety

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measures and policies. We believe that high standards in workplace health and safety is critical to maximising our operational efficiency and, in turn, help us compete effectively. Since March 2021, we have been accredited with ISO45001:2018 occupational health and safety management system standard for the provision of security services in Hong Kong.

We have implemented various policies and measures, which include, among others:

- policies that regulate the code of conduct of our employees;
- regular occupational health and safety reminders to our employees;
- a supervision plan which includes briefing on strict compliance with the Occupational Safety and Health Ordinance, preventative measures to be taken by security service personnel to minimise dangerous situations and incidents from arising, and hazards and dangerous chemicals training;
- charts to illustrate the chain of command are placed on-site at the locations that our employees are dispatched to facilitate effective communication in the event of emergencies and other incidents;
- guidelines to assist our security service personnel to prevent the occurrence of incidents or accidents and to handle such incidents or accidents should they arise; and
- an emergency manual and procedures that provide for handling procedures in emergency situations including bomb explosion, flooding, unidentified gas leakage, black rainstorm or typhoon signal no. 8 or above, theft or pickpocketing, arson, fire or smoke found.

During the Track Record Period and up to the Latest Practicable Date, after the implementation of the enhanced policies and guidelines over the course of time since January 2016 and additional precautions since the outbreak of COVID-19 in 2020, our Directors confirm that there was no material breach of work safety rules by our employees or any significant incident or accident in relation to our employees' safety, and, as advised by our Hong Kong Legal Advisers, we did not experience any non-compliance with the applicable laws and regulations relevant to the work safety and health issues. For details of the guidelines and policies our Group adopted in response to the outbreak of COVID-19, please refer to the paragraph headed "Quality Assurance — Guidelines and policies of our employees" in this section.

Procedure for recording and handling employee injuries or accidents at work

Due to the nature of our business, we may be subject to claims from employees for work-related injuries. We therefore maintain a set of procedures to record and handle employee injuries or accidents at work and their work-related personal injuries claims. Our Group will determine the nature of the injuries of our employees, the seriousness of injury and attend to the filing requirements, where necessary.

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During the Track Record Period, all our employees' compensation and/or personal injury claims against our Group were covered by our insurance, and our employees were not involved in any fatal or material work injuries or accident which had a material and adverse impact on our

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business operations. Besides, none of our employees contracted COVID-19 as a result of their performance of the COVID-19 Detection Support Services. For further details of our insurance policies, please refer to the paragraph headed “Insurance” in this section. For details of our ongoing and potential employees’ compensation and/or personal injury claims, please refer to the paragraph headed “Occupational health and safety — Litigation, claims and legal compliance” in this section.

While we have formulated and implemented a set of quality assurance measures, including the management plans, instruction briefs and work instructions, the properties or personnel that we secure, guard, manage and/or serve are still subject to security breaches, theft, burglary, loss or damage, bodily harm and accidents resulting in personal injury which are beyond our control. For example, there were a number of public order events in or around multiple railway stations in FY2020. We may be liable for losses suffered by our clients if it is caused by our staff’s negligence or our breach of contract. Where potentially dangerous incident, such as a protest, conflict or damage of property, happens in or around a railway station, our staff are responsible for reporting such incident to the station controller, but not for making any decision, or handling the incidents, so as to maintain station order. As our responsibility is reporting incidents, our Directors are of the view that we are not liable for any personal injury or property damage caused by such incident, unless our staff fail to report such incident or are otherwise negligent in carrying out their duties. Our Directors confirm that none of our Group or our employees were directly involved as tortfeasor or victim and we were not liable for any loss or damages in such incidents and our operations were not adversely affected by such incidents. Our Directors further confirm that none of our Group or our employees were directly involved as tortfeasor or victim and we were not liable for any loss or damages in other similar incidents (if any) during the Track Record Period. During the Track Record Period, we were not subject to any fine, penalty, compensation, claim or proceedings as a result of incidents of such nature (if any). For the associated risk, please refer to the section headed “Risk Factors — Risks relating to our business — Security breach, theft, burglary, any loss of property occurring at and/or any damage to the properties or bodily harm or any accidents resulting in personal injury to the personnel secured, guarded, managed and/or served by us could adversely affect our business, results of operations, financial position and reputation” in this [REDACTED] document.

Litigation, claims and legal compliance

As confirmed by our Directors, we had not been involved in any incidents which, as considered by our Directors, is either a material impact non-compliance or systemic non-compliance in accordance with the interpretation of the Stock Exchange’s Guidance Letter HKEX-GL63-13, and we had complied with all applicable Hong Kong laws and regulations for our business activities and operations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Due to the nature of our industry, we are prone to employees’ compensation and personal injury claims. During the Track Record Period and up to the Latest Practicable Date, there were (i) eight settled litigation claims against our Group as defendants, of which seven of the claims were made by seven different employees that involved labour disputes and employees’ compensation claims and one involved personal injury claim; and all eight litigation claims were settled with an aggregate settlement amount of approximately HK\$0.7 million; and (ii) eight

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unsettled litigation claims against our Group as defendants, of which six involved employee's compensation claims and two involved personal injury claims, the respective compensation amount of which is to be assessed by the court. All costs and expenses in respect of the claims set out above were fully covered by our Group's insurance policies.

Our Directors confirm that, to their best knowledge after making all reasonable enquiries, save for certain legal proceedings set out above, as at the Latest Practicable Date; (i) no member of our Group was engaged in any litigation, arbitration or claim of material importance; (ii) there was no litigation, arbitration or claim pending or threatened by third parties against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition; and (iii) no claim has been made by our client against us in respect of the conflicts or destruction of property associated with the protests that took place in or around railway stations.

INSURANCE

We maintain various insurance policies, both voluntarily and upon the request of our clients at our expense on the terms and conditions approved by our clients with prescribed coverage, to cover our risks in respect of our business operations and our employees. The insurance policies requested by our clients typically include (i) public liability insurance, which may be required by our client to be obtained exclusively for the relevant contract; and (ii) employees' compensation insurance policies. During the Track Record Period, two of our major clients required our Group to obtain public liability insurance in the joint names of our relevant operating subsidiary and our client together as additional insured(s).

The insurances policies maintained by our Group during the Track Record Period include:

- **Public liability insurance policy:** The policy covers our liability to pay compensation in respect of loss or damage to property occurring within specified locations in Hong Kong as a result of an accident or prescribed incident. We took out eight public liability insurance policies to cover our business operations, where renewed policies under substantially the same terms was not treated as additional policies:

Public liability insurance for security services

- (1) When determining application for a Security Company Licence for Type I security work, the Security Authority will also take into account whether the applicant is appropriately insured for the extent of its business subject to a minimum of HK\$10.0 million per incident for public liability. In this regard, we have taken out a public liability insurance policy with a limit of HK\$10.0 million in any one claim and during the period of insurance, covering anywhere within Hong Kong for our security services;

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Public liability insurance upon customer request or for other services

- (2) The Railway Corporation requires our Group to obtain such public liability insurance policy in the joint names of our relevant operating subsidiary and them together as additional insureds. As such, we have taken out a public liability

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insurance with a limit of HK\$50.0 million in any one claim and unlimited number of claims during the period of insurance, covering all railway stations and stops of Hong Kong;

- (3) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our provision of the COVID-19 Detection Support Services to the HK Government Entities;
 - (4) We have also taken out a public liability insurance with a limit of HK\$20.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our services provided to one of the HK Government Entities responsible for fire-fighting and rescue on land in Hong Kong;
 - (5) We have also taken out a public liability insurance with a limit of HK\$30.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our services provided to the HK Government Entities as well as our property management services and car parking management services;
 - (6) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim during the insurance period, which covers our cleaning services provided anywhere in Hong Kong;
 - (7) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim during the insurance period, which covers our facility management services provided to one of the private properties we managed in Hong Kong; and
 - (8) We have also taken out a public liability insurance with a limit of HK\$20 million in aggregate during the insurance period, which covers our security guarding service provided to one of the largest bus companies in Hong Kong.
- **Employees' compensation insurance policy:** The employees' compensation insurance policy which we maintain is in accordance with the Employees' Compensation Ordinance. The policy covers our liability to make any payment in respect of the bodily injury or death of our all employees arising out of an accident.
 - **Group medical insurance policy:** Medical insurance policies are maintained for our full-time employees.
 - **Third party motor-vehicle insurance policy:** Third party motor-vehicle insurance covers any liability, loss, claim or proceedings against us for any third party death or bodily injury, or third party property damage caused by any of our insured drivers in relation to our vehicles for patrolling purposes.
 - **Directors and officers insurance policy:** Directors' and officers' liability insurance policies are maintained for our Directors.

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During the Track Record Period, our total insurance cost (which included the public liability insurance policy and third party motor-vehicle insurance policy) amounted to approximately HK\$0.04 million, HK\$0.1 million, HK\$0.1 million and HK\$0.1 million, respectively. Our costs for employees' compensation insurance policy and group medical insurance policy amounted to

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approximately HK\$0.6 million, HK\$1.3 million, HK\$1.8 million and HK\$0.7 million during the Track Record Period, respectively, which were included in our employee benefit expenses. Our Directors consider our insurance coverage to be customary for and consistent with businesses of our size, type and is adequate with respect to our business operations. As mentioned above, we maintain public liability insurance policies with higher limit of indemnity covering locations where our employees provide services and in accordance with the requirements of the Railway Corporation or the HK Government Entities. As such, our Directors believe that we have adequate insurance to cover the public liability which may arise from our provision of security services and facility management services.

INFORMATION TECHNOLOGY AND INTELLECTUAL PROPERTY

Other than our accounting software which we generate management accounts regularly to monitor the performance of our business and human resources management system which we maintain our employees’ profile and attendance records, we did not rely on any major information technology system for our business operation. During the Track Record Period, we did not conduct any technological research and development activities, or incur any research and development costs.

As at the Latest Practicable Date, we had two registered trademarks at the Intellectual Property Department Hong Kong which we consider are material to our business. For further details on our Material Intellectual Property rights, please refer to the section headed “B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this [REDACTED] document.

For the risks associated with our unregistered logos or our intellectual properties, please refer to the paragraph headed “Risk Factors — Risks relating to our business — Damage or failure to protect our brand name and trademarks may affect the attractiveness of our services” in this [REDACTED] document.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors after having made all reasonable enquiries, we had not infringed or had not been alleged to infringe any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or involved in any material intellectual property dispute.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our Group’s operational activities do not significantly generate industrial pollutants, and we did not incur material costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that we will not incur significant costs for compliance with applicable environmental protection rules and regulations in the future. Nevertheless, we recognise the importance of environmental protection and we strive to meet the expectation of the community for healthy standards of living and working environment. We have implemented environmental protection measures, such as encouraging the use of recycled paper and providing separate recycling bins for different types of refuse, reducing consumption of energy and purchasing high energy efficient appliances, and arranging training courses to enhance our employees’ awareness on environmental

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conservation. Furthermore, our Group has also implemented social and corporate governance measures to ensure that we have established a healthy and safe working environment for our employees, such as implementing occupational safety and health management practices, prohibiting dangerous activities, complying with relevant local labour rules and regulations, and providing an equal and fair working environment. As at the Latest Practicable Date, we had not recorded any material non-compliance in respect of any applicable laws and regulations on environmental protection. Since March 2021, we have been accredited with ISO14001:2015 environmental management system standard and ISO45001: 2018 occupational health and safety management system standard for the provision of security services in Hong Kong.

We consider environmental, social and governance (“**ESG**”) essential to the development of our Group. Accordingly, our Board has adopted a comprehensive ESG policy since the GEM Listing in accordance with the GEM Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on environmental protection, nurturing and protecting staff in order to practice corporate social responsibility in our daily operations. To ensure the effectiveness of our ESG policy, our Board bears the primary responsibilities of overseeing and reporting of our Group’s ESG strategies, as well as identifying and assessing ESG related issues. The ESG policy has stipulated our Board’s roles and responsibilities which is illustrated in the following. Our Board is responsible for overseeing environmental, social and climate-related issues, evaluating, prioritising and managing material ESG and climate-related issues, while one of our Directors is designated to monitor all ESG and climate-related matters and the execution of the ESG policy and related measures. Also, our Board reviews our Group’s overall ESG performance from time to time and oversees the coordination between departments according to their respective targets. In addition, our Board closely monitors the latest regulatory requirements for ESG disclosure, such as the ESG Reporting Guide issued by the Stock Exchange. Every year, our Board reviews and discusses the content and quality of ESG report to ensure compliant disclosure.

We have adopted various strategies and measures to evaluate and manage the material ESG-related issues and to ensure our compliance with the Stock Exchange’s requirements on ESG, including but not limited to, discussing among our management team from time to time to ensure all the material ESG areas are recognised and reported, and ensuring the recommendations and the requirements on ESG under the GEM Listing Rules are complied with. Our Board has conducted stakeholder engagement through different communication channels, and materiality assessment on ESG and climate-related issues to identify the material ESG issues towards our Group and our stakeholders. During the materiality assessment, internal stakeholder surveys have been carried out, and industry-specific issues were considered by using materiality maps together with assistance from third party consultants. During the Track Record Period, our Group has identified material social and climate-related issues that are highly relevant to our Group’s business, while no material environmental issues were identified. These social and climate-related issues may present a variety of risks and opportunities for our Group. And our Group will continue to monitor related performances.

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Material Issues	Potential Risks, Opportunities and Impacts
Physical impacts of climate change	Climate change may bring potential physical impacts such as disruption of security services due to risks like increasingly frequent extreme weather conditions. These potential physical impacts resulting from climate change may eventually increase operational costs. Our Group will as well view it as an opportunity to fine-tune the policies in responding extreme weather conditions.
Training and development	As a security service provider, our Group's operation highly depends on its manpower. Employees lacking experiences and qualifications may expose our Group to the risk of the violation of contracts or even non-compliance with relevant laws and regulations, which in turn may result in potential increased compliance costs and fines.
Employees' rights and benefits	Our Group's failure in complying with labour laws and internationally accepted norms and standards (such as but not limited to basic human rights related to child labour, forced labour, exploitative labour, fair wages and overtime pay, and other basic workers' rights) may lead to non-compliance with relevant laws and regulations and pose risk to increase in compliance costs and fines.
Employment engagement, diversity and inclusion	This opportunity may embrace the building of our Group into a diverse and inclusive enterprise. On the other hand, neglecting the issues of discriminatory practices on the bases of race, gender, ethnicity, religion, and other factors may lead to bad reputation of our Group or even the violation of relevant regulations.
Occupational health and safety	Employees may be exposed to risks related to their health and safety if our Group failed to deliver safety standards and manage on-site personnel. As a result, our Group may expose to the risk of non-compliance with relevant laws and regulations and increase in cost for compensation.
Service quality management	Our Group's failure in handling emergencies, employees with poor performance or work attitude, and other issues concerning poor service quality may damage our Group's reputation as a security services provider.
Business ethics	Our Group may be exposed to risks related to ethical conduct such as fraud, corruption and bribery if we failed to uphold services that satisfy the highest professional and ethical standards of the industry. This may lead to costs for litigation and fines for non-compliance. During the Track Record Period, there was no legal action against our Group and our employees regarding corruption, and our Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

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We intend to continue the adoption of the abovementioned practices upon the [REDACTED] to comply with the requirements on ESG under the Main Board Listing Rules. Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group. Our Board may assess or engage independent third parties to evaluate the ESG risks and review our existing, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

To combat climate change and manage carbon emissions, our Group has formulated corresponding work arrangements and measures in response to severe weather conditions, such as typhoons and rainstorms. Our Group will issue safety warnings in a timely manner to notify employees and personnel working outside of the relevant special work arrangements to ensure the safety of our employees. Our Group will keep track of climate-related issues and assess and monitor climate-related risks to optimise our management from time to time.

Our Group has taken into account the quantitative information that reflects our Group’s management on risks relating to pollutants, greenhouse gas emissions and resources consumption. Greenhouse gas emissions comprise of scope 1 direct emissions, the direct emissions from the fuel combustion in vehicles, scope 2 energy indirect emissions, the emissions resulting from the use of purchased electricity, and scope 3 other indirect emissions, the emissions that occur outside our Group. The details of air emissions, greenhouse gas emissions and resources consumption during the Track Record Period are as follows:

	5M2022	FY2021	FY2020	FY2019
Air Emissions from Vehicles				
Nitrogen oxides (kg)	1.34	2.90	5.62	5.46
Sulphur oxides (kg)	0.03	0.06	0.11	0.10
Particulate matter (kg)	0.10	0.21	0.41	0.40
Greenhouse Gases				
Total greenhouse gas emissions (tonnes CO ₂ e)	15	30	42	43
Greenhouse gas emissions per HKD million (tonnes CO ₂ e/million HKD)	0.07	0.08	0.09	0.15
Scope 1 — Direct emissions (tonnes CO ₂ e)	6	12	20	19
Scope 2 — Energy indirect emissions (tonnes CO ₂ e)	4	9	13	15
Scope 3 — Other indirect emissions (tonnes CO ₂ e)	5	9	9	9
Use of Resources				
Total energy consumption (MWh)	31	67	96	98
Energy consumption per HKD million (MWh/million HKD)	0.15	0.18	0.20	0.33
Gasoline (MWh)	20	42	71	69
Purchased electricity (MWh)	11	25	25	29

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Our Group has incurred approximately HK\$61,000, HK\$117,000 and HK\$45,000 for the year ended 31 March 2019, 2020 and 2021 respectively, in environmental compliance costs including costs for vehicle maintenance, water and electricity bills etc. Our Group's budgets for environmental compliance and related risk mitigation for the year ended 31 March 2022 and 2023 are approximately HK\$700,000 and HK\$100,000, respectively, as expenses to meet our Group's upcoming targets in environmental related issues.

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PROPERTIES

As at 31 August 2021, we did not own any properties and we leased one property for use as our headquarters, a number of car parks for our car parking rental and management services and one property for use as our control room, with the following details of our major leases set out below:

Location	Usage	Area	Landlord	Monthly rental fee	Expiry date
1/F, Hang Seng Castle Peak Road Building 339 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong	Office	4,045 sq.ft.	Independent Third Party	HK\$68,765 (for the period from 16 August 2020 to 15 August 2021) and HK\$72,810 (for the period from 16 August 2021 to 15 August 2023)	15 August 2023
G/F, 1/F, 2/F, 3/F and Podium Floor Hing Wah Apartments 38 Hing Wah Street Cheung Sha Wan Kowloon Hong Kong	Car parking space	22 parking slots	Yan Yan Motors, a member of the Ma Companies ^(Note)	HK\$22,000	30 April 2023
Parking slots 1–20 G/F., Wah Fu Court 110 Soy Street Mong Kok Kowloon Hong Kong	Car parking space	20 parking slots	Yan Yan Motors, a member of the Ma Companies ^(Note)	HK\$58,000	30 June 2023
Unit A, 12/F, Chinachem 333 Plaza, No.333 Castle Peak Road, Kowloon	Office	710 sq.ft.	Independent Third Party	HK\$13,600	23 May 2024

Note: During the Track Record Period, we leased a number of car parks in Hong Kong for our business operation from Yan Yan Motors, a member of the Ma Companies, which constitute exempt continuing connected transactions. For details, please refer to the section headed “Connected Transactions” in this [REDACTED] document.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and, on this basis, we are not required under rule 5.01A of the Main Board Listing Rules to include in this [REDACTED] document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this [REDACTED] document is exempted from compliance with the requirements of section 342(1)(b) of the

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Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

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HEDGING

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any hedging activities.

MARKET COMPETITION

According to the Frost & Sullivan Report, the security services and facility management services markets in Hong Kong are fragmented and competitive. In 2020, there were approximately over 600 players in the security services industry in Hong Kong, while there were approximately 900 facility management companies (including property management and car parking rental and management services providers) and 1,000 cleaning companies in Hong Kong. The security services market is relatively fragmented with the top five players contributing to approximately 11.3% of the entire market in terms of revenue. Our Group is the fifth largest security services provider in Hong Kong in 2020, accounting for approximately 1.2% of total revenue. Our Directors believe that we have strong brand recognition and a proven track record of providing a spectrum of quality services with solid base of reputable client base which enable us to differentiate ourselves in the industry and continue to capitalise market opportunities. For details about the markets in which our Group operates in, please refer to the section headed “Industry Overview” in this [REDACTED] document.

INTERNAL CONTROL AND RISK MANAGEMENT

We believe that effective internal control and risk management are critical to our success. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit.

We have also established an internal control system, covering areas such as operations including risk assessment, financial reporting, cost management, pricing for projects, staff recruitment and training to information technology system control. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

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In the course of conducting our business, we are exposed to various types of risks, including business risks, financial risks, operation and other risks. Our Board is ultimately responsible for the risk management of our Group and the risk management system is reviewed at least once a year. The objectives of risk management process are to ensure that our operations would be in full compliance with the Corporate Governance Code contained in Appendix 14 to the Main Board Listing Rules (the “**Corporate Governance Code**”) and the applicable laws and regulations which enhance the governance and corporate management process as well as to safeguard our Group against unacceptable levels of risks and losses. The risk management process of our Group would involve, among others, (i) a quarterly risk identification and analysis exercise which involve assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) a quarterly review of the implementation of the risk management plans and fine tune when necessary.

We have engaged an independent professional firm to review the effectiveness of our internal control measures. Furthermore, in preparation for the [REDACTED], on 12 January 2021, our Group appointed an internal control consultant to perform a detailed review of our Group’s financial procedures, systems, and internal controls with an aim to, among other matters, improve our Group’s corporate governance and ensure compliance with the applicable laws and regulations. The scope of the internal control review included the areas of corporate governance, risk management, financial, operations and compliance. Upon completion of such review, it was identified that there was a lack of segregation of duties in terms of the access right and authority to a newly launched human resources management system where the senior management, being the administrators of the system, have full access rights to view and alter the records of payroll and employees’ personal information. The internal control consultant made recommendations and we have taken the following remedial actions: (i) the access right to human resources management system has been reset where the Chief Executive Officer’s access right has been restricted from creating and altering employees’ personal information; and (ii) relevant policies and procedure in relation to the segregation of duties in terms of the access right and authority to the human resources management system have been formulated. The internal control consultant also performed a follow-up review on the status of our actions to address the findings in the abovementioned evaluation and did not identify any material weakness or raise any further recommendation in the review.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Main Board Listing Rules) after the [REDACTED], we will continue to adopt the following internal control measures:

- we have established a risk management committee to, among other things, advise our Board on risk-related issues and oversee risk management framework. For details, please refer to the section headed “Directors and Senior Management — Board committees — Risk management committee” in this [REDACTED] document;
- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

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- induction trainings were arranged for our Directors, our company secretary or head of finance department so as to discuss and study the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulation, and if necessary, additional trainings on the legal and regulatory requirements applicable to our business operations would be arranged from time to time;
- all management and staff of our Group are required to report to and/or notify our Directors, our compliance officer or our external legal advisers promptly of any non-compliance or potential non-compliance events;
- we have appointed Red Solar Capital Limited as our compliance adviser since the GEM Listing to advise our Group on matters relating to compliance with the GEM Listing Rules and we will continue such appointment upon the [REDACTED] for advice on matters relating to compliance with the Main Board Listing Rules; and
- we have appointed Iu, Lai & Li Solicitors & Notaries as our Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations since October 2019 and we will continue such appointment upon the [REDACTED] for advice on matters relating to compliance with the Main Board Listing Rules and the applicable Hong Kong laws and regulations.