You should read this section in conjunction with our audited Historical Financial Information (as defined in the Accountants' Report), including the notes thereto, as set out in the Accountants' Report included in Appendix I to this **[REDACTED]** *document. Our Group's Historical Financial Information has been prepared in accordance with accounting policies that conform with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this **[REDACTED]** *document.*

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.

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, while it decreased by approximately 9.5% from approximately HK$27.3 million for 5M2021 to approximately HK$24.7 million for 5M2022. Excluding non-recurring GEM Listing expenses incurred in FY2019 and FY2020 and non-recurring **[REDACTED]** expenses incurred in FY2021 and 5M2022, our adjusted profit and total comprehensive income would have increased by approximately 138.4% from approximately HK$26.3 million for FY2019 to approximately HK$62.6 million for FY2020 and would have further increased by approximately 13.2% to approximately HK$70.9 million for FY2021, and it would have increased by approximately 20.9% from approximately HK$27.3 million for 5M2021 to approximately HK$33.0 million for 5M2022.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 23 March 2018 as an exempted company with limited liability under the Companies Act. Through a corporate reorganisation as further explained in note 2 of the Accountants' Report included in Appendix I to this **[REDACTED]** document, on 25 May 2018, our Company became the holding company of the subsidiaries now comprising our Group (the "Reorganisation"). Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the financial information has been prepared as if the Company had always been the holding company of our Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2019 include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the year ended 31 March 2019, or since their respective dates of incorporation, where this is a shorter period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Demand of facility services in the Hong Kong market

Our business and results of operations are affected by the demand for facility services in Hong Kong. Our revenue generated from providing security services was mainly contributed by customers from the public sector. Changes in economic activities in Hong Kong, including expansion and development of public infrastructure, especially cross-border infrastructure, increasing number of events and exhibitions or ad-hoc or emergency situations in Hong Kong and growing tourism industry, would affect the businesses of our public sector customers, which in turn may affect demand for our security services, business and results of operations.

On the other hand, our revenue generated from providing facility management services was mainly contributed by customers from the private sector; in particular, customers from commercial, residential and other properties. Growing number of shopping malls and commercial buildings in Hong Kong implies not only an expanding customer base of commercial properties for our facility management services, but also more cross-selling opportunities for us to serve them with our security services. Moreover, rising land and housing supply and accelerated urban renewals of aging buildings in Hong Kong might affect the number of private residential properties which in turn may affect demand for our facility management services.

According to the Frost & Sullivan Report, the security services market in Hong Kong is forecast to reach HK$39.9 billion in 2025, at a CAGR of approximately 7.7% from 2021 to 2025. In particular, the market size of security services in the Hong Kong public sector will grow from approximately HK$1,313.9 million in 2021 to HK$1,640.8 million in 2025 with a CAGR of approximately 5.7%. It is estimated that the total length of the railway network will lengthen from approximately 218 km at present to 270 km in 2021 and over 300 km by 2031 at the cost of approximately HK$110.0 billion. Our Directors believe this will present us with further business opportunities. On the other hand, the facility management services market in Hong Kong is forecast to maintain a growing trend and reach approximately HK$81.8 billion by 2025, representing a CAGR of approximately 5.3% from 2021 to 2025.

However, there is no assurance that the market size and demand for facility services including number of customers in the public sector and private sector, will continue to grow or maintain at the current level in the future. In the event that such demand decreases, our business and results of operations will probably be adversely affected.

Tendering and renewal of contracts

We obtain new contracts through tendering or tender invitation. For details regarding our tendering process, please refer to the section headed "Business — Our workflow" in this **[REDACTED]** document. For the Track Record Period, revenue generated as a result of tendering accounted for approximately 81.4%, 88.9%, 74.8% and 55.1% of our total revenue, respectively, with our tender success rates being approximately 34.6%, 44.4%, 50.9% and 20.0%, respectively.

Extension or renewal of contracts upon expiry depends on various considerations of our customers, especially quality and price of our services. During the Track Record Period, our recurring clients contributed approximately 99.1%, 99.3%, 96.3% and 90.6% of our total revenue, respectively. The contract renewal or extension rates of our expired Fixed-term Contracts for the Track Record Period also reached approximately 60.0%, 62.1%, 81.5% and 71.4%, respectively. 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 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. We take into account various factors when considering whether to renew or extend any expired contracts including but not limited to the scale or contract sum of the contracts, profitability, the availability of our resources at the time of renewal extension, clients' profile and credibility, etc. Though we devote our best effort to monitor and maintain quality services throughout each of our engagement starting from the recruitment and screening process, we cannot assure you that we will meet the tendering requirements or that our overall score under the customers' evaluation system can be maintained for contract extension or renewal. Moreover, for extension or renewal of contracts, we may be required to lower our services fees or offer better terms to existing customers, and any failure to reduce our costs accordingly may reduce our profit margins. As such, our profitability and results of operation would be adversely affected depending on our continued ability to achieve successful tenders or renew or extend existing contracts.

For certain contracts including public sector 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 or performance bond, for each contract at start of our engagement in accordance with the relevant contracts. As we aim to secure more public sector and/or large scale contracts, we expect there will be an increase in request for contract securities. Should we fail in our liquidity management, these requirements on contract securities may put a strain on our cash resources and liquidity.

Employee benefit expenses

Our business operation is relatively labour intensive. As at 31 August 2021, we had a workforce of 2,676 employees including 1,744 full-time and 932 casual employees, respectively. For 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 more than 76.0% of our Total Operating Expenses for the respective periods. For our security services segment, the employee benefit expenses before the adjustment of the government grant in relation to Employment Support Scheme were approximately HK$226.1 million, HK$344.1 million, HK$245.8 million and HK$116.8 million, respectively, for the Track Record Period, of which approximately 90.5%, 93.9%, 90.8% and 88.1% were attributable to the public sector and the remainder of approximately 9.5%, 6.1%, 9.2% and 11.9% were attributable to the private sector for the corresponding period. For our facility management services segment, the employee benefit expenses before the adjustment of the government grant in relation to the Employment Support Scheme were approximately HK$17.0 million, HK$16.9 million, HK$14.8 million and HK$6.7 million, respectively, for the Track Record Period, of which approximately 68.9%, 80.3%, 80.3% and 82.9% were attributable to the private sector for the corresponding period and approximately 31.1%, 19.7%, 19.7% and 17.1% were attributable to public sector. Hence, any increase in our employee benefit expenses will adversely affect our profitability and results of operations, and such impact might be further intensified by any adjustment of statutory minimum wage.

Moreover, we recognised non-taxable government grant of approximately HK$39.7 million for FY2021, which was a wage subsidy from the Hong Kong Government under the Employment Support Scheme. However, there can be no assurances that we will continue to receive similar amounts of grants or at all in the future. If we do not receive similar grants in the future, our results of operations and financial condition could be adversely affected.

Hong Kong introduced the minimum wage legislation under the Minimum Wage Ordinance which dictated a statutory minimum wage of HK$28.0 per hour with effect from 1 May 2011. Starting from May 2019, the statutory minimum wage was revised to HK$37.5 per hour which remains and continues to apply until 30 April 2023. Higher statutory minimum wage rate may result in higher wages for our employees, resulting in extra costs. Even though some of our contracts contain mechanism to adjust our service fee according to the change in statutory minimum wage as notified by our clients or as initiated by us, we, endeavour to control operating expenses, may not be able to transfer partly/completely such increment to our customers in a timely manner, which might eventually adversely affect our profitability and results of operations.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our employee benefit expenses on our profit before taxation for the Track Record Period. Fluctuations are assumed to be 5% and 10% for the corresponding periods, respectively.

Hypothetical fluctuations	**Impact on profit before taxation**			
	FY2019	**FY2020**	**FY2021**	**5M2022**
Employee benefit expenses	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
+/-5%	-/+12,606	-/+19,423	-/+12,499	-/+6,541
+/-10%	-/+25,213	-/+38,846	-/+24,999	-/+13,083

Service mix

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. In order to enhance the diversity of our services to our clients, having considered the market demand for integrated facility services, the opening up of cross-selling opportunities and the benefits of business diversification, we started offering some of our facility management services, including property management services, car parking rental and management services and cleaning services in 2016.

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.

During the Track Record Period, our business and results of operations were affected by our service mix and our segment margins vary across our two segments. For FY2019, segment margin for security services and facility management services were approximately 15.4% and 38.7%, respectively. For FY2020, segment margin for security services and facility management services were approximately 23.9% and 46.6% respectively. For FY2021, segment margin for security services and facility management services were approximately 30.7% and 55.6% respectively. For 5M2022, segment margin for security services and facility management services were approximately 24.4% and 44.8% respectively. The increase in the segment margin for our security services from approximately 15.4% for FY2019 to approximately 23.9% for FY2020 was mainly attributable to the XRL Contracts and the Station Control Services contracts during FY2020 which commanded higher margins. The continued increase to approximately 30.7% for FY2021 was mainly because of the government grant received during FY2021 which contributed an approximately 10.6% increase in the segment margin. The subsequent decrease in the segment margin for our security services to approximately 24.4% for 5M2022 was mainly because we did not receive the above government grant in 5M2022. The increase in the segment margin of our facility management services from approximately 38.7% for FY2019 to approximately 46.6% for FY2020 was mainly because of the gain on sub-leasing for car parks of approximately HK$1.2 million in FY2020. The continued increase to approximately 55.6% for FY2021 was mainly because of the government grant received during FY2021 which contributed an approximately

7.6% increase in the segment margin. The subsequent decrease in the segment margin for our facility management services from approximately 55.6% for FY2021 to 44.8% for 5M2022 was also because we did not receive the above government grant in 5M2022. Any change in the structure of revenue contribution from our two business lines or change in segment margin of any business line may have a corresponding impact on our overall profit margin.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial statements. See note 4 of the Accountants' Report set out in Appendix I to this **[REDACTED]** document for details.

Revenue recognition

We recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

- our Group's performance creates or enhances an asset that the customer controls as our Group performs; or

- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue relating to provision of general manned guarding services, event and crisis security services, manpower support services, property management services, car park management services, cleaning services and hotel management services is recognised over time on a straight-line basis over the period of service as the customer simultaneously receives and consumes the benefits provided by our performance as we perform.

A contract asset represents our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments". In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict our performance in transferring control of goods or services.

As a practical expedient, if we have a right to consideration in an amount that corresponds directly with the value of our performance completed to date, for example, service contracts in which we bill a fixed amount for each hour of service provided, we recognise revenue in the amount to which we have the right to invoice.

Government grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received. Please refer to note 4 of the Accountants' Report set out in Appendix I to this **[REDACTED]** document for details.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Please refer to note 4 of the Accountants' Report set out in Appendix I to this **[REDACTED]** document for details.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

Our Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets and other item which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables, finance lease receivables, amounts due from a non-controlling shareholder of a subsidiary, a related company and subsidiaries and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Our Group recognises an impairment gain or loss in profit or loss through a loss allowance account.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For further details, please refer to note 4 of the Accountants' Report set out in Appendix I to this **[REDACTED]** document.

Adoption of HKFRS 16 Leases

Our Group has applied HKFRS 16 for the first time during the year ended 31 March 2020. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

Our Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, our Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, our Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, our Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings as at 1 April 2019 without restating the financial information for the year ended 31 March 2019.

Before the application of HKFRS 16, our Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, the adjustment on discounting effect is insignificant to be recognised at the date of initial application, 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, our Group is not required to make any adjustment on transition for leases in which our Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and financial information for the year ended 31 March 2019 has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, the adjustment on discounting effect is insignificant to be recognised at the date of initial application, 1 April 2019. Please refer to note 4 of the Accountants' Report set out in Appendix I to this **[REDACTED]** document for details.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income for the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this **[REDACTED]** document:

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)	*(HK$'000)*
Revenue	295,171	481,571	365,833	125,309	210,019
Other income (1)	347	508	1,661	829	179
Other gains and losses, net (2)	(2)	1,212	32	—	—
Impairment losses on financial assets, net	(250)	(833)	(47)	—	(390)
Employee benefit expenses (3)	(252,127)	(388,463)	(249,988)	(89,058)	(130,826)
Selling and marketing expenses (3)	(2,507)	(2,142)	(1,141)	(479)	(585)
Other operating expenses (3)	(8,418)	(14,144)	(38,759)	(7,491)	(38,767)
[REDACTED] expenses	(8,515)	(15,525)	(4,655)	—	(8,268)
Finance costs	(822)	(2,066)	(130)	(38)	(58)
Profit before taxation	22,877	60,118	72,806	29,072	31,304
Income tax expense	(5,128)	(13,030)	(6,594)	(1,762)	(6,639)
Profit and total comprehensive income for the year/period	17,749	47,088	66,212	27,310	24,665
For illustrative purpose:					
Adjusted net profit (4)	26,264	62,613	70,867	27,310	32,933

Notes:

(1) Other income mainly include bank interest income, advertisement sponsorship in relation to the GEM Listing, employee's compensation received, administrative fee income in relation to COVID-19 and sundry income.

(2) Other gains and losses mainly represent (loss) gain on disposal of property, plant and equipment and gain on sub-leasing of car parks.

(3) Operating expenses consist of employee benefit expenses, selling and marketing expenses and other operating expenses.

(4) Adjusted net profit was calculated based on the profit and total comprehensive income for the year excluding non-recurring GEM Listing expenses and **[REDACTED]** expenses. This is a non-HKFRS measure.

In addition to the HKFRS measures in our consolidated financial statements, we also use the non-HKFRS financial measure of adjusted net profit to evaluate our operating performance. Our Directors believe that this non-HKFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenue from providing security services and facility management services across public and private sectors in Hong Kong. Our service fees are determined 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.

During the Track Record Period, our facility services comprise of: (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 for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	(HK$'000)	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)* (unaudited)	%	*(HK$'000)*	%
Security services										
General manned guarding services										
— General services	161,855	54.8	180,288	37.4	152,722	41.8	63,483	50.7	73,486	34.9
— Station Control Services	—	—	164,438	34.2	—	—	—	—	—	—
— COVID-19 Detection Support Services	—	—	—	—	7,425	2.0	—	—	3,274	1.6
	161,855	54.8	344,726	71.6	160,147	43.8	63,483	50.7	76,760	36.5
Manpower support services										
— General services	105,216	35.7	106,264	22.1	101,598	27.8	43,158	34.3	53,905	25.7
— COVID-19 Detection Support Services	—	—	471	0.1	75,111	20.5	6,602	5.3	67,195	32.0
	105,216	35.7	106,735	22.2	176,709	48.3	49,760	39.6	121,100	57.7
Event and crisis security services	385	0.1	698	0.1	—	—	—	—	—	—
	267,456	90.6	452,159	93.9	336,856	92.1	113,243	90.3	197,860	94.2
Facility management services										
— Property management services	12,958	4.4	18,479	3.8	18,679	5.1	7,740	6.2	7,924	3.8
— Others *(Note)*	14,757	5.0	10,933	2.3	10,298	2.8	4,326	3.5	4,235	2.0
	27,715	9.4	29,412	6.1	28,977	7.9	12,066	9.7	12,159	5.8
Total	295,171	100.0	481,571	100.0	365,833	100.0	125,309	100.0	210,019	100.0

Note:

Other facility management services include car parking rental and management services, cleaning services and hotel management services.

Our revenues generated from general manned guarding services accounted for approximately 54.8%, 71.6%, 43.8% and 36.6% of our total revenue during the Track Record Period, respectively. Excluding the revenue generated from Station Control Services and COVID-19 Detection Support Services, our revenue generated from general manned guarding services accounted for approximately 54.8%, 37.4%, 41.8% and 34.9% of our total revenue during the Track Record Period, respectively. Please refer to the section headed "Business — Our services" of this **[REDACTED]** document for further details of our security services.

Employee benefit expenses

During the Track Record Period, our employee benefit expenses comprised of the following: (i) directors' and chief executives' emoluments; (ii) other staff salaries, wages and allowances and bonuses; and (iii) retirement benefit scheme contributions (excluding those for directors and chief executive). Our employee benefit expenses amounted to approximately HK$252.1 million, HK$388.5 million, HK$250.0 million amd HK$130.8 million during the Track Record Period, respectively, which accounted for approximately 95.8%, 96.0%, 86.2% and 76.9% of our Total Operating Expenses, respectively. The following table sets out a breakdown of our employee benefit expenses by business segment for the periods indicated:

	FY2019			FY2020			FY2021			5M2022		
	No. of headcount as at 31 March 2019	*(HK$'000)*	*%*	*No. of headcount as at 31 March 2020*	*(HK$'000)*	*%*	*No. of headcount as at 31 March 2021*	*(HK$'000)*	*%*	*No. of headcount as at 31 August 2021*	*(HK$'000)*	*%*
Security services												
Full time	1,614			1,327			1,367			1,621		
Casual	431			503			538			921		
	2,045	226,146	89.7	1,830	344,113	88.6	1,905	245,796	84.9	2,542	116,823	89.3
Facilities management services												
Full time	80			56			70			65		
Casual	9			8			9			10		
	89	16,998	6.7	64	16,948	4.4	79	14,806	5.1	75	6,713	5.1
Others [Note]	44	8,983	3.6	47	27,402	7.0	58	29,087	10.0	59	7,290	5.6
	2,178	252,127	100.0	1,941	388,463	100.0	2,042	289,689	100.0	2,676	130,826	100.0
Less: government grant		–			–			(39,701)			–	
		252,127			388,463			249,988			130,826	

Note: Others mainly include employee benefit expenses paid/payable to our management and senior management and other back-office support staff, who were not directly related to the provision of security services and facility management services.

Employee benefit expenses were particularly high in FY2020 despite the lower number of headcount because higher salaries were paid to the security services personnel deployed for the provision of general manned guarding services relating to the Station Control Services contracts during the public order events, which contributed a significant portion of the increase in our revenue in FY2020, as compared to other security services personnel deployed for the provision of other general manned guarding services.

Selling and marketing expenses

During the Track Record Period, our selling and marketing expenses comprised of the following: (i) commission expenses paid to sales agents; and (ii) advertising and promotion expenses. Our selling and marketing expenses amounted to approximately HK$2.5 million, HK$2.1 million, HK$1.1 million and HK$0.6 million during the Track Record Period, respectively, which accounted for less than 1.0% of our Total Operating Expenses for each of the periods.

Other operating expenses

Our other operating expenses amounted to approximately HK$8.4 million, HK$14.1 million, HK$38.8 million and HK$38.8 million during the Track Record Period, respectively, and accounted for approximately 3.2%, 3.5%, 13.4% and 22.8% of our Total Operating Expenses for the respective periods. The following table sets out a breakdown of our other operating expenses for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	(HK$'000)	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)* (unaudited)	%	*(HK$'000)*	%
Motor vehicles rentals and expenses	2,178	25.9	2,154	15.2	1,427	3.7	533	7.1	708	1.8
Rent and rates	1,805	21.4	109	0.8	91	0.2	38	0.5	38	0.1
Uniform	1,543	18.3	474	3.3	762	2.0	357	4.8	285	0.7
Depreciation of property, plant and equipment	689	8.2	714	5.0	774	2.0	297	4.0	356	0.9
Cleaning services fee	497	5.9	1,501	10.6	1,512	3.9	634	8.5	603	1.6
Bank charges	365	4.3	535	3.8	738	1.9	318	4.2	350	0.9
Legal and professional fee	248	3.0	3,123	22.1	4,223	10.9	1,854	24.8	1,290	3.3
Auditor's remuneration	200	2.4	1,570	11.1	1,200	3.1	500	6.7	500	1.3
Depreciation of right-of-use assets	—	—	1,678	11.9	1,455	3.7	595	7.9	650	1.7
Subcontracting costs	—	—	—	—	23,788	61.4	1,508	20.1	32,664	84.3
Others *Note*	893	10.6	2,286	16.2	2,789	7.2	857	11.4	1,323	3.4
Total	8,418	100.0	14,144	100.0	38,759	100.0	7,491	100.0	38,767	100.0

Note: Others mainly include expenses in relation to repair and maintenance, printing, stationary and telecommunication utilities, building management fee, insurance expenses and other operating expenses.

[REDACTED] expenses

Our **[REDACTED]** expenses comprised of professional and other expenses in relation to our GEM Listing and **[REDACTED]**, which amounted to approximately HK$8.5 million, HK$15.5 million, HK$4.7 million and HK$8.3 million during the Track Record Period, respectively.

Finance costs

Our finance costs represented interest on bank borrowings and interest on lease liabilities, which amounted to approximately HK$0.8 million, HK$2.1 million, HK$0.1 million and HK$58,000 during the Track Record Period, respectively.

Income tax expense

Hong Kong profits tax during the Track Record Period was calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of our Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2 million of assessable profits was taxed at 8.25% and the remaining assessable profits was taxed at 16.5%.

Our income tax expense during the Track Record Period were approximately HK$5.1 million, HK$13.0 million, HK$6.6 million and HK$6.6 million, respectively. For reasons of the fluctuations, please refer to the paragraph headed "Review of historical results of operation" in this section.

The effective tax rates during the Track Record Period were approximately 22.4%, 21.7%, 9.1% and 21.2%, respectively. Excluding the GEM Listing expenses of approximately HK$8.5 million incurred in FY2019 and approximately HK$15.5 million incurred in FY2020, and the **[REDACTED]** expenses of approximately HK$4.7 million incurred in FY2021 and approximately HK$8.3 million incurred in 5M2022, which were non-deductible for tax purposes, the effective tax rates would be approximately 16.3%, 17.2%, 8.5% and 16.8% for the respective periods. The effective tax rate was lower in FY2021 because of the non-taxable government grant in relation to the Employment Support Scheme of approximately HK$39.7 million received for FY2021. Excluding such non-taxable government grant and the **[REDACTED]** expenses, our effective tax rate for FY2021 would be 17.5%.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

5M2022 compared to 5M2021

Revenue

Our revenue increased by approximately HK$84.7 million or 67.6% from approximately HK$125.3 million for 5M2021 to approximately HK$210.0 million for 5M2022, such increase was a result of the increase in revenue as explained below:

Security services

Our revenue generated from our security services segment increased by approximately HK$84.7 million or 74.8% from approximately HK$113.2 million for 5M2021 to approximately HK$197.9 million for 5M2022. Such increase was mainly due to (i) an increase in revenue derived from manpower support services because of (a) an increase in revenue derived from the provision of COVID-19 Detection Support Services of approximately HK$59.7 million; and (b) an increase in revenue derived from the Railway Corporation for the provision of station assistants services of approximately HK$8.5 million; and (ii) an increase in revenue derived from general manned guarding services because of (a) revenue generated from the provision of security services at the site of the three-runway system project at the Hong Kong International Airport by not less than HK$9.8 million; and (b) revenue generated from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to provision of security guarding services at its headquarters and six depots by not less than HK$0.7 million.

Facility management services

Our revenue generated from our facility management services segment remained relatively stable at approximately HK$12.1 million and HK$12.2 million for 5M2021 and 5M2022, respectively.

The total estimated revenue to be recognised from ongoing and newly awarded contracts amounted to approximately HK$841.6 million subsequent to 5M2022.

Please refer to the section headed "Business — Sales and marketing — Our major contractual terms" in this **[REDACTED]** document for further details in relation to our completed, ongoing and newly awarded contracts.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$41.7 million or 46.8% from approximately HK$89.1 million for 5M2021 to approximately HK$130.8 million for 5M2022. Such increase was mainly due to (i) increase in total headcount for the newly awarded general manned guarding services contracts including the three-runway system project at the Hong Kong International Airport; and (ii) government grants from the Employment Support Scheme of approximately HK$19.9 million recognised in 5M2021 resulting in compensation for employee benefit expenses being net off against the employee benefit expenses during the period, while no government grants were received in 5M2022.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at approximately HK$0.5 million and HK$0.6 million for 5M2021 and 5M2022, respectively.

Other operating expenses

Our other operating expenses increased by approximately HK$31.3 million or 417.3% from approximately HK$7.5 million for 5M2021 to approximately HK$38.8 million for 5M2022. Such increase was mainly due to subcontracting costs of approximately HK$32.7 million incurred by us during 5M2022 for engaging independent service providers to provide manpower and logistics services to support our provision of COVID-19 Detection Support Services.

Income tax expense

Our income tax expense increased by approximately HK$4.8 million or 266.7% from approximately HK$1.8 million for 5M2021 to approximately HK$6.6 million for 5M2022. Such increase was mainly due to: (i) incurrence of **[REDACTED]** expenses of approximately HK$8.3 million during 5M2022 which was non-deductible for tax purposes; and (ii) receipt of government grants of approximately HK$19.9 million in 5M2021 which was non-taxable for tax purposes.

Profit and total comprehensive income for the period

As a result of the foregoing, profit and total comprehensive income for the period decreased by approximately HK$2.6 million or 9.7% from approximately HK$27.3 million for 5M2021 to approximately HK$24.7 million for 5M2022. Our net profit margin decreased from approximately 21.8% for 5M2021 to approximately 11.7% for 5M2022.

Excluding non-recurring **[REDACTED]** expenses of approximately nil and HK$8.3 million incurred in 5M2021 and 5M2022, respectively, and government grant received of approximately HK$19.9 million and nil in 5M2021 and 5M2022, respectively, our profit and total comprehensive income for the period would amount to approximately HK$7.4 million and HK$33.0 million for 5M2021 and 5M2022, respectively for the reasons stated above. Our net profit margin would increase from approximately 5.9% for 5M2021 to approximately 15.7% for 5M2022 mainly due to the higher margin of COVID-19 Detection Support Services.

FY2021 compared to FY2020

Revenue

Our revenue decreased by approximately HK$115.7 million or 24.0% from approximately HK$481.6 million for FY2020 to approximately HK$365.8 million for FY2021, such decrease was mainly due to the combined effect of our two business segments as explained below:

Security services

Our revenue generated from our security services segment decreased by approximately HK$115.3 million or 25.5% from approximately HK$452.2 million for FY2020 to approximately HK$336.9 million for FY2021. Such decrease was primarily because our provision of general manned guarding services relating to the Station Control Services contracts during the public order events which occurred in FY2020 generated revenue of approximately HK$164.4 million, but such contracts expired in FY2021 following the decrease in public order events, partially off-set by an increase in revenue of approximately HK$70.0 million generated from our provision of manpower support services relating to the COVID-19 Detection Support Services contracts for the UCTP and related support services.

Facility management services

Our revenue generated from our facility management services segment remained relatively stable at approximately HK$29.4 million and HK$29.0 million for FY2020 and FY2021, respectively.

Please refer to the section headed ''Business — Sales and marketing — Our major contractual terms'' in this listing document for further details in relation to our completed, ongoing and newly awarded contracts.

Employee benefit expenses

Our employee benefit expenses decreased by approximately HK$138.5 million or 35.6% from approximately HK$388.5 million for FY2020 to approximately HK$250.0 million for FY2021. Such decrease was mainly due to: (i) decrease in total headcount following the expiration of the Station Control Services contracts around the end of FY2020 which lead to the decrease in the number of full-time and casual security services personnel; and (ii) government grant in relation to the Employment Support Scheme of approximately HK$39.7 million arising from the outbreak of COVID-19 recognised and net off against the employee benefit expenses for FY2021.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately HK$1.0 million or 46.7% from approximately HK$2.1 million for FY2020 to approximately HK$1.1 million for FY2021. Such decrease was mainly due to the decrease in commission paid to our sales agents who had business connections with clients primarily in the private sector, and as such was in line with the decrease in revenue from our private sector during the same period.

Other operating expenses

Our other operating expenses increased by approximately HK$24.6 million or 174.0% from approximately HK$14.1 million for FY2020 to approximately HK$38.8 million for FY2021. Such increase was mainly due to subcontracting costs of approximately HK$23.8 million incurred by us for engaging independent service providers to provide manpower and logistics services to support our provision of COVID-19 Detection Support Services in FY2021 following the outbreak of COVID-19. The manpower services included arranging for staff to assist with collection of specimen packs at various collection points while the logistics services included the delivery of specimen packs from various collection points to laboratories.

Income tax expense

Our income tax expenses decreased by approximately HK$6.4 million or 49.4% from approximately HK$13.0 million for FY2020 to approximately HK$6.6 million for FY2021. Such decrease was mainly because of the government grant of approximately HK$39.7 million recognised during FY2021 which was non-taxable in nature. As such, our income tax expense decreased.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately HK$19.1 million or 40.6% from approximately HK$47.1 million for FY2020 to approximately HK$66.2 million for FY2021. Our net profit margin increased from approximately 9.8% for FY2020 to approximately 18.1% for FY2021.

Excluding the non-recurring GEM Listing expenses of approximately HK$15.5 million incurred in FY2020 and non-recurring **[REDACTED]** expenses of approximately HK$**[REDACTED]** million incurred in FY2021, our profit and total comprehensive income for the year would be approximately HK$62.6 million for FY2020 and HK$70.9 million for FY2021. Such increase was mainly due to the government grant received which was partially off-set by the decrease in our revenue in FY2021 for the reasons stated above. Excluding the non-recurring GEM Listing expenses, the non-recurring **[REDACTED]** expenses and the government grant, our net profit margin would be adjusted to approximately 13.0% for FY2020 and approximately 8.5% for FY2021. Such decrease was mainly because the Station Control Services contracts in FY2020 commanded higher margins.

FY2020 compared to FY2019

Revenue

Our revenue increased by approximately HK$186.4 million or 63.1% from approximately HK$295.2 million for FY2019 to approximately HK$481.6 million for FY2020, such increase was a result of the increase in revenue from our two business segments as explained below:

Security services

Our revenue generated from the security services segment increased by approximately HK$184.7 million or 69.1% from approximately HK$267.5 million for FY2019 to approximately HK$452.2 million for FY2020 which was primarily due to the increase in revenue from general manned guarding services attributable to the XRL Contracts of approximately HK$5.6 million and the Station Control Services contracts of approximately HK$164.4 million which our Directors believe to be due to the public order events in FY2020.

Facility management services

Our revenue generated from the facility management services segment increased by approximately HK$1.7 million or 6.1% from approximately HK$27.7 million for FY2019 to approximately HK$29.4 million for FY2020. Such increase was mainly because of the increase in revenue from property management services from approximately HK$13.0 million in FY2019 to HK$18.5 million in FY2020 primarily due to the following: (i) contracts awarded to us near the end of FY2019 for a period of more than one year which contributed to a portion of our revenue during FY2020; and (ii) we have started providing property management services to the incorporated owners of several industrial buildings during FY2020, partially offset by the cessation of our provision of hotel management services which generated revenue of approximately HK$2.2 million in FY2019 following a mutual agreement between the hotel owner and us to terminate the services.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$136.3 million or 54.1% from approximately HK$252.1 million for FY2019 to approximately HK$388.5 million for FY2020. Such increase was mainly due to the following: (i) the increase in total headcount for the XRL Contracts and the Station Control Services contracts during FY2020 for the reasons explained above where there were increases in the number of full-time and casual security services personnel; and (ii) bonuses of approximately HK$15.4 million payable to our management.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at approximately HK$2.5 million for FY2019 and HK$2.1 million for FY2020.

Other operating expenses

Our other operating expenses increased by approximately HK$5.7 million or 68.0% from approximately HK$8.4 million for FY2019 to approximately HK$14.1 million for FY2020. Such increase was mainly due to the following: (i) the increase in auditors' remuneration of approximately HK$1.4 million which represented professional fees paid to auditors for work performed following the GEM Listing; (ii) the increase in legal and professional fees of approximately HK$2.8 million incurred during the process of and after the GEM Listing; and (iii) the increase in cleaning services fee of approximately HK$1.0 million as a result of the increase in new contracts for facility management services.

Income tax expense

Our income tax expenses increased by approximately HK$7.9 million or 154.1% from approximately HK$5.1 million for FY2019 to approximately HK$13.0 million for FY2020. Such increase was a result of the increase in our profit before taxation and expenses in relation to the GEM Listing incurred during FY2020, which was non-deductible for tax purposes.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately HK$29.3 million or 165.3% from approximately HK$17.7 million for FY2019 to approximately HK$47.1 million for FY2020, and our net profit margin increased from approximately 6.0% for FY2019 to approximately 9.8% for FY2020. Such increases were mainly attributable to the XRL Contracts and the Station Control Services contracts during FY2020 which commanded higher margins.

Excluding non-recurring GEM Listing expenses of approximately HK$8.5 million and HK$15.5 million incurred in FY2019 and FY2020, respectively, our profit and total comprehensive income for the year would amount to approximately HK$26.3 million and HK$62.6 million for FY2019 and FY2020, respectively, and our net profit margin would increase from approximately 8.9% for FY2019 to approximately 13.0% for FY2020 for the reasons stated above.

NET CURRENT ASSETS

	As at 31 March			As at 31 August	As at 31 October
	2019	**2020**	**2021**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Current assets					
Trade and other receivables and deposits	123,923	120,004	100,372	124,653	146,404
Finance lease receivables	—	673	701	713	718
Amount due from a non-controlling shareholder of a subsidiary	—	2	2	2	2
Amount due from related companies	960	112	303	99	124
Tax recoverable	—	401	8,173	5,789	5,416
Bank balances and cash	27,096	78,874	127,159	131,490	90,098
	151,979	200,066	236,710	262,746	242,762
Current liabilities					
Trade and other payables and accrued expenses	35,327	35,193	43,587	41,424	35,544
Amount due to a non-controlling shareholder of a subsidiary	7,198	—	—	—	—
Amount due to a related company	106	94	93	—	—
Lease liabilities	—	712	1,703	1,902	1,910
Bank borrowings	57,000	12,000	—	—	—
Dividend payable	—	—	—	—	—
Tax payable	5,215	9,532	1,721	5,976	7,879
	104,846	57,531	47,104	49,302	45,333
Net current assets	47,133	142,535	189,606	213,444	197,429

Our net current assets increased from approximately HK$47.1 million as at 31 March 2019 to approximately HK$142.5 million as at 31 March 2020, which was mainly due to the following: (i) the increase in bank balances and cash by approximately HK$51.8 million mainly due to the payment received from the Railway Corporation near the end of FY2020 and the receipt of the GEM Listing **[REDACTED]** during the same period; (ii) decrease in bank borrowings by approximately HK$45.0 million following our repayment of bank loans during FY2020; and (iii) decrease in amount due to a non-controlling shareholder of a subsidiary by approximately HK$7.2 million where the amount represented a deposit paid by a non-controlling shareholder on behalf of our Group to a third party for bidding a new service contract and such deposit was subsequently refunded to the non-controlling shareholder because the bidding was unsuccessful. Please refer to the paragraph headed "Indebtedness — Amount due to a non-controlling shareholder of a subsidiary" in this section for details.

Our net current assets increased from approximately HK$142.5 million as at 31 March 2020 to approximately HK$189.6 million as at 31 March 2021, which was mainly due to the following: (i) the increase in our bank balances and cash by approximately HK$48.3 million which is in line with the increase in profit and total comprehensive income for FY2021; and (ii) increase in tax recoverable by approximately HK$7.8 million because the provisional tax paid for FY2021 calculated based on the assessable profit for FY2020 was higher than the tax provision for FY2021.

Our net current assets increased from approximately HK$189.6 million as at 31 March 2021 to approximately HK$213.4 million as at 31 August 2021, which was mainly due to the increase in trade and other receivables and deposits by approximately HK$24.3 million as a result of the increase in trade receivables because of amounts due from Client C of approximately HK$9.3 million in relation to the provision of security services at the site of the three-runway system project at the Hong Kong International Airport and amounts due from the Railway Corporation of approximately HK$8.5 million in relation to the provision of security services to them.

Our net current assets decreased from approximately HK$213.4 million as at 31 August 2021 to approximately HK$197.4 million as at 31 October 2021, which was mainly due to the approval and settlement of dividends of approximately HK$26.0 million.

We have adopted HKFRS 16 for the accounting period beginning on 1 April 2019 as stated in note 3 of the Accountants' Report contained in Appendix I to this **[REDACTED]** document. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position for the accounting period beginning on 1 April 2019. As at 30 June 2021, our total lease liabilities amounted to approximately HK$4.0 million.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade and other receivables and deposits

The following table sets out the breakdown of our current trade and other receivables and deposits as at the dates indicated:

	As at 31 March			As at 31 August
	2019	**2020**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Trade receivables	49,421	59,502	60,474	93,281
Uncertified revenue	57,621	47,436	34,740	26,746
Deposits *Note*	10,691	7,906	1,370	1,412
Other receivables and prepayments	1,902	5,160	2,266	3,159
Prepayments for **[REDACTED]** expenses and issue cost	360	—	1,522	55
Deferred issue costs	3,928	—	—	—
Total current trade and other receivables and deposits	123,923	120,004	100,372	124,653

Note: Including current portion of the contract deposits of approximately HK$10.3 million, HK$7.0 million, HK$1.3 million and HK$1.3 million as at 31 March 2019, 2020 and 2021 and 31 August 2021, respectively. On the other hand, we also had non-current portion of contract deposits of approximately HK$1.1 million, HK$6.8 million, HK$8.8 million and HK$8.8 million as at 31 March 2019, 2020 and 2021, and 31 August 2021, respectively.

Trade receivables

Our trade receivables were mainly receivables from our provision of security services and facility management services to our customers. Our trade receivables increased from approximately HK$49.4 million as at 31 March 2019 to approximately HK$59.5 million as at 31 March 2020 which was consistent with the growth in our revenue. Our trade receivables further increased to approximately HK$60.5 million as at 31 March 2021 primarily due to trade receivables of approximately HK$31.9 million in relation to COVID-19 Detection Support Services provided to the Health Authority. Our trade receivables further increased to approximately HK$93.3 million as at 31 August 2021 mainly due to trade receivables due from Client C of approximately HK$9.3 million in relation to the provision of security services at the site of the three-runway system project at the Hong Kong International Airport mostly with credit period of 90 days and trade receivables of approximately HK$8.5 million in relation to the provision of security services to the Railway Corporation.

Before accepting any new customers, we would assess the potential customer's credit quality and define credit limits by customer. During the Track Record Period, the credit term we granted to our customers was generally for a period of 30 to 120 days. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

The following table sets out the ageing analysis of trade receivables, net of loss allowance, based on invoice date as at the dates indicated:

	As at 31 March			As at 31 August
	2019	**2020**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
0 — 30 days	40,698	38,250	45,708	57,249
31 — 60 days	1,586	7,582	11,859	24,973
61 — 90 days	1,089	4,171	1,699	10,596
91 — 120 days	1,471	2,639	904	175
Over 120 days	4,577	6,860	304	288
Total	49,421	59,502	60,474	93,281

Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables where there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances.

In determining the recoverability of a trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

For trade receivables from related parties with gross carrying amount of approximately HK$2.2 million, HK$4.6 million, HK$4.7 million and HK$4.5 million as at 31 March 2019, 2020 and 2021 and 31 August 2021, respectively, our management team makes individual assessment on the recoverability of trade receivables from related parties based on historical settlement records and past experience, and also quantitative and qualitative information that is reasonable and supportable forward-looking information. Based on assessment by our management, the expected credit loss on trade receivables for related parties is not material.

As part of our credit risk management, we apply internal credit rating for our third party customers. The debtors with significant balances as at 31 March 2019, 2020 and 2021 and 31 August 2021 with gross carrying amount amounting to HK$34.8 million, HK$46.5 million, HK$51.2 million and HK$82.5 million, respectively, are assessed individually. The rest of the debtors are grouped into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The table below sets out a summary of average trade receivables turnover days for the periods indicated:

	FY2019	FY2020	FY2021	5M2022
Average trade receivables turnover days *(Note)*	83	81	101	78

Note: Trade receivables turnover days is calculated using the average balances of trade receivables and uncertified revenue divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our average trade receivables turnover days remained relatively stable for FY2019 and FY2020 at 83 days and 81 days, respectively. The subsequent increase of our average trade receivables turnover days to 101 days for FY2021 was mainly due to the trade receivables of approximately HK$31.9 million arising from the COVID-19 Detection Support services contracts due from the Health Authority as explained previously. To the best knowledge, belief and estimates of our Directors making due and reasonable inquiries, the payment is pending approval by the Health Authority primarily due to time required for administrative procedures, which has been fully settled up to 31 August 2021. Our average trade receivables turnover days then decreased to 78 days for 5M2022. For details of the above, please refer to the section headed ''Business — Payment and credit policy'' in this **[REDACTED]** document.

As at the Latest Practicable Date, approximately HK$70.0 million or 75.0% of our trade receivables as at 31 August 2021, were settled.

Uncertified revenue

The table below set forth our uncertified revenue as at the dates indicated:

	As at 31 March			As at 31 August
	2019	2020	2021	2021
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Uncertified revenue	57,680	47,488	34,786	26,782
Less: Loss allowance	(59)	(52)	(46)	(36)
	57,621	47,436	34,740	26,746

Uncertified revenue represents our right to receive consideration for security services rendered pending verification of attendance records by our clients as at the end of the reporting period. Uncertified revenue is transferred to trade receivables when we obtain the certification issued by our clients. Our uncertified revenue was approximately HK$57.6 million as at 31 March 2019, HK$47.4 million as at 31 March 2020, HK$34.7 million as at 31 March 2021, of which all were related to revenue generated from the Railway Corporation, mainly attributable to XRL

Contracts and Station Control Services in light of the public order events. Our uncertified revenue was approximately HK$26.7 million as at 31 August 2021 which related to revenue generated from the Railway Corporation attributable to XRL Contracts. We assess our uncertified revenue on an individual basis. Our Directors confirm that there were no reversal of our uncertified revenue or any dispute with the relevant customers on the amounts of uncertified revenue during the Track Record Period.

The ageing of our uncertified revenue, net of loss allowance, based on draft monthly invoice date, were as follows: (i) the percentages of uncertified revenue ageing from 0 to 30 days as at 31 March 2019, 2020, 2021 and 31 August 2021 were approximately 58.1%, 31.2%, 50.4% and 61.2%, respectively; (ii) the percentages of uncertified revenue ageing from 31 to 90 days as at 31 March 2019, 2020 and 2021 were approximately 22.2%, 49.6%, 43.0% and 32.0%, respectively; and (iii) the percentages of uncertified revenue ageing over 90 days as at 31 March 2019, 2020 and 2021 and 31 August 2021 were approximately 19.7%, 19.2%, 6.6% and nil, respectively. The percentage of uncertified revenue ageing over 90 days was approximately 19.7% as at 31 March 2019 which, according to our Directors, was mainly due to uncertified revenue from the XRL Contracts where our provision of services under the XRL Contracts had newly commenced in FY2019 and therefore the certification process took longer. The percentage of uncertified revenue ageing over 90 days was approximately 19.2% as at 31 March 2020 which, according to our Directors, was mainly due to revenue generated from our provision of Station Control Services in light of the public order events which have also hindered the certification process. The percentage of uncertified revenue ageing over 90 days was approximately 6.6% and 6.8% as at 31 March 2021 and as at 31 August 2021, respectively which, according to our Directors, was mainly because work arrangements in Hong Kong have been affected following the outbreak of COVID-19, thus hindering the certification process.

As at the Latest Practicable Date, all of the uncertified revenue as at 31 March 2019 and 31 March 2020, approximately HK$32.0 million or 92.1% of the uncertified revenue as at 31 March 2021 was settled, and 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 our customer.

Deposits, other receivables and prepayments

The current portion of our deposits, other receivables and prepayments mainly include the following: (i) contract securities; (ii) prepayments for **[REDACTED]** expenses and issue cost; and (iii) rental and utilities deposit. The current portion of our deposits, other receivables and prepayments decreased by approximately HK$3.8 million from approximately HK$16.9 million as at 31 March 2019 to approximately HK$13.1 million as at 31 March 2020 which was the net effect of the following: (i) the decrease in deposits paid to third parties of approximately HK$2.8 million mainly because of the refund of a deposit in relation to a tender submitted for the provision of car parking rental and management services which was unsuccessful; and (ii) a deferred issue cost of approximately HK$3.9 million as at 31 March 2019 which represented prepayment of listing expenses for the GEM Listing and which was nil as at 31 March 2020, partially off-set by the increase in other receivables and prepayments of approximately HK$3.3 million primarily derived from the government grant in relation to the Anti Epidemic Fund, expenses paid on behalf of our property management customers and prepayment of insurance fees and bank charges. Our current portion of deposits, other receivables and prepayments decreased by approximately HK$7.9 million to approximately HK$5.2 million as at 31 March 2021 mainly because of the following: (i) the decrease in deposits paid to third parties of approximately HK$6.3 million due to the refund of contract deposits after the completion of certain contracts and the refund of a deposit in April 2020 in relation to an unsuccessful tender submitted in March 2020 for the provision of car parking rental and management services; and (ii) the decrease in other receivables and prepayments because of the decrease in prepaid employee compensation and expenses paid on behalf of property management customers. Our current portion of deposits, other receivables and prepayments further decreased by approximately HK$0.6 million to approximately HK$4.6 million as at 31 August 2021 mainly because of the decrease in prepayments of **[REDACTED]** expenses and issue cost due to the recognition of **[REDACTED]** expenses in relation to the **[REDACTED]**.

Finance lease receivables

The current portion of our finance lease receivables as at 31 March 2020 and 2021 and 31 August 2021 were approximately HK$0.7 million. During FY2020, we entered into a finance lease arrangement as a lessor for sub-leasing car parks at Hing Wah Apartments which was leased from a related party, Yan Yan Motors. The related right-of-use assets are derecognised and a gain on sub-leasing of car parks amounting to approximately HK$1.2 million is recognised in profit or loss and presented under other gains and losses for FY2020. The term of the finance lease entered into is three years. Please refer to note 16 of the Accountants' Report contained in Appendix I to this **[REDACTED]** document for details. For details of the lease of the car parks at Hing Wah Apartments, please refer to the section headed ''Business — Properties''.

Amount due from related companies

Our amount due from related companies amounted to approximately HK$1.0 million, HK$0.1 million, HK$0.3 million and HK$0.1 million as at 31 March 2019, 2020 and 2021 and 31 August 2021, respectively, which represented amounts due from Yan Yan Motors and Deluxe Tower Limited. Such amounts were non-trade in nature, unsecured, interest-free and repayable on demand and will be settled before the **[REDACTED]**.

Trade and other payables and accrued expenses

Trade and other payables and accrued expenses comprise of the following: (i) trade payables in relation to subcontracting costs associated with the COVID-19 Detection Support Services contracts; (ii) other payables and accruals in relation to various operating expenses incurred; (iii) accrued **[REDACTED]** expenses and issue costs; and (iv) accrued staff cost.

The following table sets forth the breakdown of our trade and other payables and accrued expenses as at the dates indicated:

	As at 31 March			As at 31 August
	2019	**2020**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Trade payables	—	—	6,234	10,120
Accrued staff costs	27,361	31,893	35,172	27,982
Other payables and accrued expenses	2,514	3,300	1,801	1,724
Accrued **[REDACTED]** expenses and issue costs	5,452	—	380	1,598
Total trade and other payables and accrued expenses	35,327	35,193	43,587	41,424

Our trade and other payables and accrued expenses remain relatively stable at approximately HK$35.3 million and HK$35.2 million as at 31 March 2019 and 2020, respectively and increased to approximately HK$43.6 million as at 31 March 2021 as a result of the increase in trade payables in relation to subcontracting costs associated with our provision of COVID-19 Detection Support Services. It subsequently decreased to approximately HK$41.4 million as at 31 August 2021 because of the decrease in accrued staff costs by approximately HK$7.2 million due to the decrease in annual bonus payable to two of our senior management, partially offset by the following: (i) the increase in trade payables by approximately HK$3.9 million due to the deferred payment to one of our subcontractors as we were negotiating on the settlement arrangement with that subcontractor and; (ii) the increase in accrued **[REDACTED]** expenses and issue costs by approximately HK$1.2 million in relation to the **[REDACTED]**.

The credit terms of the trade payables are generally 30 days. As at 31 August 2021, our trade payables are aged within 30 days based on invoice date. Our average trade payables turnover days[*Note*] was 48 days for FY2021 and 38 days for 5M2022 which was mainly because of subcontracting costs payable by our Group in relation to the COVID-19 Detection Support Services contract, under which a credit term of approximately 30 days from invoice dates were given by independent logistics service providers who mainly provided services since the last quarter of FY2021 and during 5M2022.

Note: Trade payables turnover days is calculated using the average balances of trade payables divided by subcontracting cost, for the relevant period and multiplied by number of days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

As at the Latest Practicable Date, all of our trade payables as at 31 August 2021 were fully settled.

CAPITAL EXPENDITURES

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment.

We expect to fund our contractual commitments and capital expenditures principally through existing bank balances and cash, available banking facilities and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

(a) Our Group as lessor

As at 31 March 2019, we had contracted with tenants in respect of car parks for the following future minimum lease payments amounting to approximately HK$0.7 million under a non-cancellable operating lease with a three-year lease term, which fall due within one year.

(b) Our Group as lessee

The operating lease rentals in respect of office premises and car parks for FY2019 was approximately HK$1.8 million. At 31 March 2019, we had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March 2019 *(HK$'000)*
Within one year	1,767
In the second to fifth year inclusive	505
	2,272

Operating lease payments represent rentals payable by our Group for our offices and car parks. Leases were negotiated for an average term of one to three years and rentals were fixed over the lease terms.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 March			As at 31 August	As at 31 October
	2019	**2020**	**2021**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Amount due to a non-controlling shareholder of a subsidiary	7,198	—	—	—	—
Amount due to a related company	106	94	93	—	—
Lease liabilities	—	1,240	4,007	3,693	3,381
Bank borrowings	57,000	12,000	—	—	—
	64,304	13,334	4,100	3,693	3,381

Amount due to a non-controlling shareholder of a subsidiary

On 8 March 2019, IWS Carpark (JV) was incorporated and was jointly held by IWS Carpark and Oblivian Limited (the "JV Partner"), an Independent Third Party, with the intention to jointly provide car park management services. On 15 March 2019, a car park tender was submitted with a contract deposit of approximately HK$7.2 million, paid on-behalf by our JV Partner. As the submitted tender was pending for confirmation as at 31 March 2019, consequently, we recognised amount due to a non-controlling shareholder of a subsidiary of approximately HK$7.2 million as at 31 March 2019. Such amount was non-trade in nature, unsecured, interest-free, unguaranteed and repayable on demand. During April 2019, a notice of unsuccessful tender was received, as such the related contract deposit was fully refunded to our JV Partner as at 30 June 2019.

Amount due to a related company

Our amount due to a related company represented an amount payable to Deluxe Tower Limited which was approximately HK$0.1 million, HK$0.1 million, HK$0.1 million, nil and nil as at 31 March 2019, 2020, 2021 and 31 August 2021 and 31 October 2021, respectively. Such amount was non-trade in nature, unsecured, interest-free, unguaranteed and repayable on demand.

Bank facilities and bank borrowings

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 August	As at 31 October
	2019	**2020**	**2021**	**2021**	**2021**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Variable rate bank borrowings Unsecured and guaranteed	57,000	12,000	—	—	—
Weighted average effective interest rate	3.36%	2.94%	—	—	—

Our bank borrowings as at 31 March 2019 were guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma, such guarantees were released during FY2020. Such bank borrowings are repayable within one year and contain a repayable on demand clause.

All of our banking facilities are subject to the fulfilment of covenants based on the financial information of our Group or certain subsidiaries, as are commonly found in lending arrangements with financial institutions. If we were to breach the covenants, the drawn down facilities would become payable on demand. We regularly monitor our compliance with these covenants.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not defaulted or delayed in any payments or breached any of the material covenants pertaining to our bank borrowings.

As at 31 October 2021, being the latest practicable date for the purpose of the indebtedness statement, we had existing banking facilities with a limit of HK$80.0 million of which HK$30.1 million had been utilised.

Performance bonds

Certain customers of service contracts undertaken by us require that we issue guarantees for contract works in the form of performance bonds issued by the banks. The performance bonds will be released when the service contracts are completed or substantially completed by January 2023. At 31 March 2019, 2020, 2021, 31 August 2021 and 31 October 2021, the outstanding performance bonds amounted to approximately HK$18.2 million, HK$29.4 million, HK$29.4 million, HK$30.1 million and HK$30.1 million, respectively.

Lease liabilities

Upon application of HKFRS 16 since 1 April 2019, we recognised right-of-use of assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent payment for the right of using underlying assets. Our lease liabilities amounted to approximately HK$1.2 million, HK$4.0 million, HK$3.7 million and HK$3.4 million as at 31 March 2020, 2021, 31 August 2021 and 31 October 2021 which was secured by rental deposits and unguaranteed.

Contingent liabilities

As at 31 October, being the latest practicable date for the purpose of the indebtedness statement, we did not have any other significant contingent liabilities or guarantees.

As at 31 October 2021, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees, material covenants, or other material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Our primary uses of cash are for operating needs and working capital. During the Track Record Period, we were funded through cash generated from our operations and the **[REDACTED]** from the GEM Listing. Upon completion of the **[REDACTED]**, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future.

The following table summarises our consolidated statements of cash flows during the periods indicated:

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
				(unaudited)	
Net cash (used in) from operating activities	(37,073)	43,165	78,774	38,976	6,116
— *Operating cash flows before movements in working capital*	24,633	64,029	75,121	29,949	32,757
Net cash (used in) from investing activities	(1,574)	761	(679)	(937)	(889)
Net cash from (used in) financing activities	46,650	7,852	(29,810)	(12,776)	(896)
Net increase in cash and cash equivalents	8,003	51,778	48,285	25,263	4,331
Cash and cash equivalents at beginning of year/period	19,093	27,096	78,874	78,874	127,159
Cash and cash equivalents at end of year/period	27,096	78,874	127,159	104,137	131,490

Operating activities

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation and adjusted for the change in working capital. During the Track Record Period, our operating cash inflows were primarily derived from receipt of proceeds from our clients and our operating cash outflows mainly include payment for employee benefit expenses, operating expenses as well as other working capital needs and tax payments.

For 5M2022, our net cash from operating activities of approximately HK$6.1 million was a combined result of operating cash flow before movements in working capital of approximately HK$32.8 million and net movement in working capital (outflow) of approximately HK26.6 million. The change in working capital was mainly a result of the following: (i) the increase in trade and other receivables and deposits by approximately HK$24.8 million mainly due to trade receivables in relation to: (i) the provision of security services at the site of the three-runway system project at the Hong Kong International Airport mostly with credit period of 90 days; and (ii) provision of security services to the Railway Corporation; and (ii) the decrease in trade and other payables and accrued expenses by approximately HK$2.2 million which were deferred payment to one of our subcontractors as we were negotiating on the settlement arrangement with that subcontractor.

For FY2021, our net cash from operating activities of approximately HK$78.8 million was a combined result of operating cash flow before movements in working capital of approximately HK$75.1 million, income tax paid of approximately HK$22.2 million and net movement in working capital (inflow) of approximately HK$25.8 million. The change in working capital was mainly a result of the following: (i) the decrease in trade and other receivables and deposits by approximately HK$16.7 million mainly due to the settlement of trade receivables from the Railway Corporation in relation to the XRL Contracts and the Station Control Services contracts and the refund of a deposit in relation to a unsuccessful tender submitted for the provision of car parking rental and management services; and (ii) increase in trade and other payables and accrued expenses by approximately HK$8.4 million which were due to increase in trade payables in relation to subcontracting costs associated with our provision of COVID-19 Detection Support Services.

For FY2020, our net cash from operating activities of approximately HK$43.2 million was a combined result of operating cash flow before changes in working capital of approximately HK$64.0 million, income tax paid of approximately HK$9.1 million and net movement in working capital (outflow) of approximately HK$11.8 million. The change in working capital was mainly a result of the following: (i) the increase in trade and other receivables and deposits by approximately HK$13.2 million which was consistent with the growth in our revenue during the same period; and (ii) the increase in trade and other payables and accrued expenses by approximately HK$1.2 million which is in line with the increase in revenue for the same period.

For FY2019, our net cash used in operating activities of approximately HK$37.1 million was a combined result of operating cash flow before changes in working capital of approximately HK$24.6 million, income tax paid of approximately HK$1.1 million and net movement in working capital (outflow) of approximately HK$60.6 million. The change in working capital was a result of the following: (i) the increase in trade and other receivables by approximately HK$81.5 million which was mainly because of the increase in uncertified revenue in relation to the XRL Contracts and increase in trade receivables as a result of revenue derived from the XRL Contracts which were billed upon certification of service performed; partially offset by (ii) the increase in other payables and accrued expenses as accrued staff costs increased by approximately HK$17.9 million due to the increase in headcount mainly for the XRL Contracts. For details regarding the settlement of the XRL Contracts, please refer to the paragraph headed "Trade and other receivables and deposits" in this section.

Investing activities

For 5M2022, we had net cash used in investing activities of approximately HK$0.9 million which was mainly the combined effect of the following: (i) purchase of property, plant and equipment of approximately HK$0.3 million; (ii) deposits paid for acquisition of property, plant and equipment of approximately HK$0.8 million; and (iii) net repayment from related companies of approximately HK$0.2 million.

For FY2021, we had net cash used in investing activities of approximately HK$0.7 million which was mainly the combined effect of the following: (i) purchase of property, plant and equipment of approximately HK$0.6 million; and (ii) net advances to related companies of approximately HK$0.2 million.

For FY2020, we had net cash from investing activities of approximately HK$0.8 million which was mainly the combined effect of the following: (i) the purchase of property, plant and equipment of approximately HK$0.3 million; (ii) interest received of approximately HK$0.2 million; and (ii) net repayments from related companies of approximately HK$0.8 million.

For FY2019, we had net cash used in investing activities of approximately HK$1.6 million which mainly represented the following: (i) the purchase of property, plant and equipment of approximately HK$0.8 million; and (ii) net advances to related companies of approximately HK$0.7 million.

Financing activities

For 5M2022, we had net cash used in financing activities of approximately HK$0.9 million which was mainly due to the repayment of lease liabilities of approximately HK$0.7 million.

For FY2021, we had net cash used in financing activities of approximately HK$29.8 million primarily due to the following: (i) the repayment of bank borrowings of HK$12.0 million; and (ii) dividend of HK$16.0 million declared for FY2020 and paid during FY2021.

For FY2020, we had net cash from financing activities of approximately HK$7.9 million which was mainly proceeds from new bank borrowings raised of approximately HK$126.0 million and proceeds from issuance of shares of approximately HK$64.0 million, partially offset by the following: (i) repayment of bank borrowings of approximately HK$171.0 million; (ii) transaction costs attributable to issue of shares of approximately HK$7.4 million; (iii) interest paid of approximately HK$2.1 million; and (iv) repayment of lease liabilities of approximately HK$1.7 million.

For FY2019, we had net cash from financing activities of approximately HK$46.7 million which was mainly proceeds from new bank borrowings raised of approximately HK$67.0 million, partially offset by the following: (i) repayment of bank borrowings of approximately HK$10.0 million; (ii) dividend paid of approximately HK$6.4 million; (iii) transaction costs attributable to issue of shares of approximately HK$1.6 million; and (iv) net repayments to related parties of approximately HK$1.6 million.

Liquidity management

The following procedures assist management to monitor liquidity position in view of working capital requirement for business operation and the possible cash flow mismatch associated with the receipt of settlements from customers and payments to suppliers:

- Annual budget including gross cash receipts and payments from operating activities, business expansion plan, capital expenditure, tax payments, dividends or investments is prepared by our financial controller and approved by our director of operations;

- Our financial controller is responsible for comparing actual cash flow statement with annual approved budget on a monthly basis and investigating and explaining significant or unusual differences, if any;
- Our financial controller have established policies and objectives for trade receivables and other current assets as well as trade payables and disbursements on an annual basis;
- The measurement of liquidity risk is regularly reported to our Directors, so that our Directors could monitor the liquidity and ensure adherence to the annual business plan;
- Our financial controller is responsible for the overall monitoring of current and expected liquidity requirements on a monthly basis to ensure that sufficient financial resources is maintained to meet liquidity requirements;
- Based on the regular monitoring by our financial controller, if there is any expected shortage of internal financial resources, financial controller will consider different financing alternatives, including obtaining adequate committed lines of funding from banks;
- Our financial controller monitors the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to the director of operations and the general manager for review and approval regularly;
- For our trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based on the customer's normal payment processing procedures, relationship with customer, their history of making payments, financial position as well as the general economic environment;
- Follow-up actions to recover overdue trade receivables include:
  - active communications with our customers' appropriate personnel for processing payments;
  - review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision for impairment losses are provided for irrecoverable amounts; and
  - seek legal advice when necessary;
- For our trade payables management, our financial controller is responsible for monitoring timely payment to vendors/service providers, including:
  - preparation and approval of the payment requisition form for payment once the invoice is received;
  - monthly review of accounts payable aging analysis;

- for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances; and
- If any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay the vendors on a timely basis, our Group will need to make use of the unutilised banking facilities to pay vendors.

Bank borrowing

For all borrowing matters, only the executive management and financial controller, having taken into consideration our financial needs, have the authority to decide and enter into any borrowing arrangement, for example banking facilities. The financial controller should be copied on all correspondences with banks and/or lending parties.

Any change in existing borrowing arrangements should be recorded in writing and approved by the general manager or director of operations or financial controller. The relevant application form to the bank will be prepared by the staff in charge. The approval and signatures of at least two Directors on the application form must be obtained.

To mitigate liquidity risk, the financial controller should closely monitor our financial position, schedule of repayment and the fluctuations of interest rates. We, subject to reasonable terms and circumstances at the prevailing time, should fix interest rates in order to better project interest payments on an ongoing basis. Regular reporting and analysis should be performed in a timely manner.

Deposit for tendering

The application for contract securities should be recorded in writing and approved by the general manager or the director of operations or financial controller. The relevant application form to the bank will be prepared by the staff in charge. The approval and signatures of at least two Directors on the application form must be obtained.

The financial controller should regularly monitor on the deposit for tendering. Having taken into consideration our financial position, financial controller should assess the liquidity risk before arranging the contract securities for tendering.

SUFFICIENCY OF WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources currently available to us, including anticipated cash flow from our operating activities, existing bank balances and cash and available banking facilities, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this **[REDACTED]** document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

Save as disclosed in the paragraph headed "Performance bonds" in this section and a performance bond issued by the bank of approximately HK$0.7 million on 29 July 2021 as at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

KEY FINANCIAL RATIOS

The following tables set forth our key financial ratios as at each of the dates indicated:

	FY2019	FY2020	FY2021	5M2022
Net profit margin (%) (1)	6.0	9.8	18.1	11.7
Return on equity (%) (2)	34.9	31.0	32.7	N/A
Return on total assets (%) (3)	11.4	22.4	26.3	N/A
Interest coverage (times) (4)	28.8	30.1	561.0	540.7

	As at 31 March			As at 31 August
	2019	2020	2021	2021
Current ratio (times) (5)	1.4	3.5	5.0	5.3
Quick ratio (times) (6)	1.4	3.5	5.0	5.3
Gearing ratio (%) (7)	112.1	8.7	2.0	1.6
Net debt to equity ratio (%) (8)	58.8	N/A	N/A	N/A

Non-HKFRS measures for illustrative purpose:

	FY2019	FY2020	FY2021	5M2022
Segment margin (%) (9)				
— Security services	15.4	23.9	30.7	24.4
— Facilitiy management services	38.7	46.6	55.6	44.8
Adjusted net profit margin (%) (10)	8.9	13.0	19.4	15.7
Adjusted return on equity (%) (11)	51.7	41.2	35.1	N/A
Adjusted return on total assets (%) (12)	16.9	29.8	28.2	N/A
Adjusted interest coverage (times) (13)	39.2	37.6	596.9	683.3

Notes:

(1) Net profit margin for each year/period is calculated based on profit for the year/period divided by revenue for the respective year/period and multiplied by 100%. Please refer to the paragraph headed "Review of historical results of operations" in this section for details of our net profit margins.

(2) Return on equity equals profit for the year divided by total equity as of the relevant year and multiplied by 100%. The ratio for 5M2022 is not applicable as it is not comparable to annual numbers.

(3) Return on total assets equals profit for the year divided by total assets as of the relevant year and multiplied by 100%. The ratio for 5M2022 is not applicable as it is not comparable to annual numbers.

(4) Interest coverage equals profit before interest and tax divided by interest expenses for the relevant year/period.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.

(6) Quick ratio is calculated as total current assets divided by the total current liabilities as at the end of the respective year/period.

(7) Gearing ratio is calculated based on the total interest-bearing bank borrowings and lease liabilities divided by total equity as at the respective year/period and multiplied by 100%.

(8) Net debt to equity ratio is calculated based on net debt as at the end of the respective year/period divided by total equity as at the end of the respective year/period and multiplied by 100%. Net debt includes all interest-bearing bank borrowings (if any) and lease liabilities, net of bank balances and cash.

(9) Segment margin for each of the year/period is calculated based on segment revenue from external revenue less employee benefit expenses, gain on subleasing of car parks and subcontracting costs (i.e. segment results) for the respective segments divided by the segment revenue from external revenue for the respective year/period and multiplied by 100%.

(10) Adjusted net profit margin for the year/period is calculated based on adjusted net profit for the year/period divided by revenue for the respective year/period. Adjusted net profit was calculated based on net profit for the year/period excluding the non-recurring expenses for the GEM Listing and the **[REDACTED]**. Please refer to the paragraph headed "Review of historical results of operation" in this section for details.

(11) Adjusted return on equity equals adjusted net profit for the year divided by total equity of the relevant year and multiplied by 100%. Adjusted net profit was calculated based on net profit for the year excluding the non-recurring expenses for the GEM Listing and the **[REDACTED]**. Please refer to the paragraph headed "Review of historical results of operations" in this section for details. The ratio for 5M2022 is not applicable as it is not comparable to annual numbers.

(12) Adjusted return on total assets equals adjusted net profit for the year divided by total assets of the relevant year and multiplied by 100%. Adjusted net profit was calculated based on net profit for the year excluding the non-recurring **[REDACTED]** expenses for the GEM Listing and the **[REDACTED]**. Please refer to the paragraph headed "Review of historical results of operations" in this section for details. The ratio for 5M2022 is not applicable as it is not comparable to annual numbers.

(13) Adjusted interest coverage equals profit before interest, tax and expenses for the GEM Listing and the **[REDACTED]** divided by interest expenses for the relevant year/period.

Segment results for security services

Our segment results for security services increased by approximately HK$66.7 million or 161.6% from approximately HK$41.3 million for FY2019 to approximately HK$108.0 million for FY2020. For the same period, our segment margin for security services increased from approximately 15.4% for FY2019 to 23.9% for FY2020 which was mainly attributable to the XRL Contracts and the Station Control Services contracts during FY2020 which commanded higher margins.

Our segment results for security services decreased by approximately HK$4.6 million or 4.3% from approximately HK$108.0 million for FY2020 to approximately HK$103.4 million for FY2021. For the same period, our segment margin for security services increased from 23.9% for FY2020 to 30.7% for FY2021 mainly because of the government grant received during FY2021.

Our segment results for security services increased by approximately HK$15.0 million or 44.9% from approximately HK$33.4 million for 5M2021 to approximately HK$48.4 million for 5M2022. For the same period, our segment margin for security services decreased from approximately 29.5% for 5M2021 to 24.4% for 5M2022 which was mainly because we did not receive non-taxable government grant in relation to the Employment Support Scheme in 5M2022.

Segment results for facility management services

Our segment results for facility management services increased by approximately HK$3.0 million or 27.8% from approximately HK$10.7 million for FY2019 to approximately HK$13.7 million for FY2020. For the same periods, our segment margin for facility management services increased from approximately 38.7% for FY2019 to 46.6% for FY2020 mainly because of the gain on sub-leasing of car parks of approximately HK$1.2 million in FY2020.

Our segment results for facility management services increased by approximately HK$2.4 million from approximately HK$13.7 million for FY2020 to approximately HK$16.1 million for FY2021. For the same periods, our segment margin for facility management services increased from approximately 46.6% for FY2020 to 55.6% for FY2021 mainly because of the government grant received during FY2021.

Our segment results for facility management services decreased by approximately HK$1.0 million or 15.6% from approximately HK$6.4 million for 5M2021 to approximately HK$5.4 million for 5M2022. For the same periods, our segment margin for facility management services decreased from approximately 53.1% for 5M2021 to 44.8% for 5M2022 mainly because we did not receive non-taxable government grant in relation to the Employment Support Scheme in 5M2022.

Return on equity

Our return on equity were approximately 34.9%, 31.0%, 32.7% for FY2019, FY2020 and FY2021, respectively. Excluding the non-recurring expenses in relation to the GEM listing of approximately HK$8.5 million incurred in FY2019 and HK$15.5 million incurred in FY2020 and non-recurring expenses in relation to the **[REDACTED]** of approximately HK$4.7 million incurred in FY2021, our adjusted return on equity would be approximately 51.7%, 41.2% and 35.1% for each of the respective years. The decrease from FY2019 to FY2021 was mainly attributable to the increase in total equity as at 31 March 2020 and 31 March 2021.

Return on total assets

Our return on total assets were approximately 11.4%, 22.4%, 26.3% for FY2019, FY2020 and FY2021, respectively. Excluding the non-recurring expenses in relation to the GEM Listing of approximately HK$8.5 million incurred in FY2019 and HK$15.5 million incurred in FY2020 and non-recurring expenses in relation to the **[REDACTED]** of approximately HK$4.7 million incurred in FY2021, our adjusted return on total assets would be approximately 16.9%, 29.8% and 28.2% for each of the respective years. The increase from FY2019 to FY2020 was mainly because of the significant increase in adjusted net profit which was mainly attributable to the Station Control Services contracts. The return on total assets remained relatively stable for FY2020 and FY2021.

Interest coverage

Our interest coverage remained relatively stable at approximately 28.8 times and 30.1 times for FY2019 and FY2020, respectively. Our adjusted interest coverage remained relatively stable at approximately 39.2 times and 37.6 times for FY2019 and FY2020, respectively. The subsequent increase of the interest coverage to approximately 561.0 times for FY2021 and the increase of the adjusted interest coverage to approximately 596.9 times for FY2021 was because of the decrease in finance cost in FY2021 due to the repayment of bank borrowings in FY2021. Our interest coverage decreased from approximately 766.1 times for 5M2021 to approximately 540.7 times for 5M2022, where the decrease was mainly because of the increase in finance cost in 5M2022 as compared to 5M2021. Our adjusted interest coverage decreased from approximately 766.1 times for 5M2021 to approximately 683.3 times for 5M2022 because the higher interest incurred in 5M2022 as compared to 5M2021.

Current ratio and quick ratio

During the Track Record Period, we did not have any inventories as at each reporting date. Our current ratio and quick ratio increased from 1.4 as at 31 March 2019 to 3.5 as at 31 March 2020 and to 5.0 as at 31 March 2021, which was a combined effect of (i) the increase in bank balances and cash; and (ii) the decrease in bank borrowings due to repayment of bank borrowings in FY2020 and FY2021. The current ratio and quick ratio were 5.3 as at 31 August 2021 was mainly because of the increase in trade receivables in relation to the provision of security services at the three-runway system project at the Hong Kong International Airport nearly awarded in 5M2022.

Gearing ratio and net debt to equity ratio

We had interest-bearing bank borrowings of approximately HK$57.0 million and HK$12.0 million as at 31 March 2019 and 2020, respectively, and lease liabilities of approximately HK$1.2 million, HK$4.0 million and HK$3.7 million as at 31 March 2020, 31 March 2021 and 31 August 2021, respectively, as such our gearing ratio was approximately 112.1%, 8.7% and 2.0% as at 31 March 2019, 2020 and 2021, respectively, and 1.6% as at 31 August 2021, while our net debt to equity ratio was approximately 58.8% as at 31 March 2019. As our bank balances and cash were higher than our bank borrowings and lease liabilities as at 31 March 2020, 31 March 2021 and 31 August 2021, we did not have net debt to equity ratio for the respective periods.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risks we are exposed to are set out in note 30 of the Accountants' Report as set out in Appendix I to this **[REDACTED]** document.

DIVIDENDS

During the Track Record Period, dividends of approximately HK$8.0 million, HK$16.0 million, HK$26.0 million and nil, respectively, were declared. As at the Latest Practicable Date, all dividends declared in FY2019, FY2020 and FY2021 had been fully settled. We have established a dividend policy which take into account various factors such as our actual and expected financial performance, our retained earnings and distributable reserves and general economic conditions and business cycle of our core business. Our Directors will continue to review the dividend policy and reserve the right in their sole and absolute discretion to update, modify and/or cancel the dividend policy at any time. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividends is subject to the absolute discretion of our Board, and, any declaration of final dividends for the year will be subject to the approval of our Shareholders. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 23 March 2018 and is an investment holding company. As at 31 August 2021, our reserves available for distribution, calculated in accordance with the Companies Act, amounted to approximately HK$92.7 million. This includes our share premium in the amount of approximately HK$80.8 million at 31 August 2021, which may be distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, we will be in a position to pay off our debts as and when they fall due in the ordinary course of business.

[REDACTED] EXPENSES

Our financial performance for the year ending 31 March 2022 will be affected by the non-recurring expenses incurred in relation to the **[REDACTED]**. The **[REDACTED]** expenses are estimated to be approximately HK$**[REDACTED]** million, in which approximately HK$12.9 million in total was charged to profit or loss of our Group for the year ended 31 March 2021 and the five months ended 31 August 2021, and approximately HK$5.8 million will be charged to profit or loss of our Group for the seven months ending 31 March 2022. Such expenses are current estimates and for reference only. The final amount to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions.

Our Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in our business despite the expected non-recurring **[REDACTED]** expenses.

DISCLOSURE REQUIRED UNDER THE MAIN BOARD LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Main Board Listing Rules, would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Main Board Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

Please see "Unaudited Pro Forma Financial Information" in Appendix II to this **[REDACTED]** document for our unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountants' Report contained in Appendix I to this **[REDACTED]** document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

MATERIAL ADVERSE CHANGE

During FY2021, we received approximately HK$39.7 million in government grant which was non-recurring in nature and contributed to our high net profit during the same period. Excluding the aforementioned government grant and **[REDACTED]** expenses, our net profit for FY2021 would have been approximately HK$31.2 million. Our Directors consider that we may not receive government grant comparable to the amount we received in FY2021 or at all, in FY2022, and our financial performance for FY2022 would be adversely affected by the recognition of **[REDACTED]** expenses. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for FY2022 may decline as compared to the prior financial year. **[REDACTED]** should be aware of the impact of the **[REDACTED]** expenses on our financial performance for FY2022.

Save as disclosed above, our Directors confirm that, up to the date of this **[REDACTED]** document, there had been no material adverse change in our financial or trading positions since 31 August 2021, being the date to which our latest financial statements were made up, and there had been no event since 31 August 2021 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this **[REDACTED]** document.