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Application Proof of

IWS Group Holdings Limited **國際永勝集團控股有限公司**

(the “**Company**”)

(an exempted company incorporated in the Cayman Islands with limited liability)

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IWS Group Holdings Limited
國際永勝集團控股有限公司
(incorporated in the Cayman Islands with limited liability)
Stock code on GEM: 8441
[REDACTED]

[REDACTED]
FROM GEM TO THE MAIN BOARD
OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor



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Your attention is drawn to the section headed “Risk Factors” in this [REDACTED] document.

Information regarding the proposed arrangements for the [REDACTED] and dealings and settlement of dealings in, the Shares following completion of the [REDACTED] is set out in the section headed “Information about this [REDACTED] Document and the [REDACTED]” in this [REDACTED] document.

EXPECTED TIMETABLE ⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

You should rely only on the information contained in this [REDACTED] document to make your [REDACTED] decision. We have not authorised anyone to provide you with information that is different from what is contained in this [REDACTED] document. Any information or representation not made in this [REDACTED] document must not be relied on by you as having been authorised by us, the [REDACTED], any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this [REDACTED] document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to deal in the Shares of the Company. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed “Risk Factors” in this [REDACTED] document. You should read that section carefully before you decide to [REDACTED] in the Shares of the Company.

OVERVIEW

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

Throughout a decade of our development, we believe our “IWS” brand has established a reputation of offering quality security services amongst our clients in Hong Kong. We had been able to secure contracts from the Railway Corporation for the provision of security services for 10 consecutive years and as at 31 August 2021, we had provided such services at all railway stations along 13 railway lines. We also provided security services at eight sea, land and railway immigration control points in Hong Kong. In addition, we provided general manned guarding, manpower support and car parking rental and management services pursuant to several mega-scale railway and transportation infrastructure contracts relating to Guangshen’gang XRL (i.e. the XRL Contracts) since its trial run in April 2018 for an initial term of approximately three years and has been extended for an additional three years until September 2024.

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

We are committed to satisfying our clients’ different needs by providing a spectrum of facility services. In order to fulfil this commitment, in 2016, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services. In less than five years’ time, we were engaged to manage over 13 properties and facilities with a gross floor area of over 400,000 sq.ft. in Hong Kong as at 31 August 2021. Our Group has experienced a significant growth in revenue during the Track Record Period which our Directors believe to be mainly driven by the following: (i) our solid track record and leading position in security services in the public sector in Hong Kong; and (ii) our ability to offer a wide spectrum of quality services through our qualified workforce. As such, we have enhanced and expanded our security services in providing Station Control Services and COVID-19 Detection Support Services, which has proven our ability in handling large scale events, crisis and emergency incidents. We have also diversified our spectrum of services, for instance during the Track Record Period, we: (i) have signed a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years with a contract sum of approximately HK\$230.1 million, as estimated by our Directors, where we have commenced providing preliminary services on 7 June 2021; and (ii) have

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been awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to security guarding services at its headquarters and six depots for a period of two years with an initial contract sum of approximately HK\$16.7 million. For details of our strategies and drivers of revenue growth during the Track Record Period, please refer to the sections headed “Business — Competitive strengths” and “Business — Business strategies” in this [REDACTED] document.

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

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OUR BUSINESS MODEL

Our business and services

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

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

Our services may be provided on a single, multi-service or integrated basis. The following table sets forth the breakdown of our revenue by type of services during the periods indicated:

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

Notes:

- (1) Our employees were required to possess valid Security Personnel Permit in order to provide COVID-19 Detection Support Services under general manned guarding services.

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

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

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

Contracting

We mainly secure contracts from our clients through tendering. During the Track Record Period, approximately 81.4%, 88.9%, 74.8% and 55.1% of our revenue was secured through tendering, respectively.

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

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

A significant portion of our revenue was derived from Fixed-term Contracts during the Track Record Period. During the Track Record Period, the renewal or extension rates of our expired Fixed-term Contracts increased, which were approximately 60.0%, 62.1%, 81.5% and 71.4%, respectively, and 100.0% for the period subsequent to 5M2022 and up to the Latest Practicable Date. Such rate is calculated by the number of renewal contracts divided by the number of completed or terminated contracts. 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, clients' profile and credibility, availability of tenders etc.

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Pricing policy

We typically charge service fees for our security services and facility management services either on a lump-sum basis or actual usage basis and such service fees are payable on a monthly basis or upon completion of services. Our service fees are determined on a cost-plus basis with reference to a number of factors, including the urgency of the intended timetable, location, complexity of the work or

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services, estimated time to be spent on the preparation of the work or services and any factors affecting the supply of manpower. We have also taken into account the potential impact of change in statutory minimum wage pursuant to the Minimum Wage Ordinance from time to time.

Our large and qualified workforce

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

OUR CLIENTS AND SUPPLIERS

Our major clients in the public sector include the Railway Corporation, the HK Government Entities, educational and other public institutions, while our major clients in the private sector mainly include property owners, property management companies and construction companies. During the Track Record Period, revenue attributable to our five largest clients were approximately HK\$250.1 million, HK\$441.7 million, HK\$300.3 million and HK\$175.8 million, representing approximately 84.7%, 91.7%, 82.1% and 83.8% of our revenue, respectively. Revenue attributable to the Railway Corporation, our largest client for FY2019, FY2020 and FY2021, amounted to approximately HK\$162.6 million, HK\$344.5 million and HK\$152.5 million, respectively, representing approximately 55.1%, 71.5% and 41.7% of our revenue, respectively. Revenue attributable to the Health Authority, our largest client during 5M2022, amounted to approximately HK\$79.0 million during the period, representing approximately 37.6% of our revenue. Our Directors consider that despite the high client concentration, our business is mutually beneficial and complementary to the Railway Corporation because we have secured contracts from the Railway Corporation for the provision of security services for 10 consecutive years and as at 31 August 2021, we had provided security services at all railway stations of all the railway lines with a large workforce for crowd coordination and control of large scale events, crisis and emergency incidents. In addition to the on-going award of contracts to us from the Railway Corporation, we have strived to expand the scope of services we provide to them, in particular, we started to provide security services pursuant to the XRL Contracts since FY2019, and Station Control Services and COVID-19 Detection Support Services in FY2020, so as to enhance our relationship with the Railway Corporation. Our Directors believe that this demonstrates that the Railway Corporation is satisfied with our performance and is willing to continue with the business relationship. As such, we believe that there will be strong and stable demand for our services from the Railway Corporation in the future. We believe that such long-term stable business relationship is built on our satisfactory performance over the years which would help us secure recurring business from the Railway Corporation. As at the Latest Practicable Date, we had established business relationships of over 10 years with most of our five largest clients during the Track Record Period.

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

LICENCES AND QUALIFICATIONS

In order to provide security services, a security company must obtain the Security Company Licence under the laws of Hong Kong. During the Track Record Period, IWS Security has been a Type I Security Company Licence holder and the property management company licence holder. Please refer to the section headed "Business — Our operation" in this [REDACTED] document for further details.

SUMMARY

LITIGATION, CLAIMS AND LEGAL COMPLIANCE

As confirmed by our Directors, we had complied with all applicable Hong Kong laws and regulations for our business activities and operations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Due to the nature of our industry, we are prone to employees’ compensation and personal injury claims. During the Track Record Period and up to the Latest Practicable Date, there were 16 litigation claims against our Group as defendants which involved labour disputes, employees’ compensation and personal injury claims. All costs and expenses in respect of the claims were fully covered by our Group’s insurance policies. Please refer to the section headed “Business — Occupational health and safety — Litigation, claims and legal compliance” in this [REDACTED] document for further details.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors: (i) the leading security services provider in the Hong Kong public sector with a solid track record; (ii) solid client base and long-standing business relationships; (iii) ability to offer a spectrum of quality services through our qualified workforce; and (iv) strong and experienced management team. For further details of our strengths, please refer to the section headed “Business — Competitive strengths” in this [REDACTED] document.

BUSINESS STRATEGIES

Our goal is to become a leading integrated facility services provider in Hong Kong by pursuing the following strategies: (i) expanding our business in security services; (ii) enhancing our capability in providing facility management services; (iii) improving operational efficiency and scalability; and (iv) selectively pursuing strategic acquisitions and investment opportunities. For details, please refer to the section headed “Business — Business strategies” in this [REDACTED] document.

IMPLEMENTATION OF BUSINESS STRATEGIES AND USE OF [REDACTED]

Implementation of business strategies since the Listing on GEM

Our Group has taken active steps to strengthen our market position in the industry and support our expansion for business growth in Hong Kong since the GEM Listing. During the period from the GEM Listing Date to the Latest Practicable Date, our Group was awarded contracts through tendering with an aggregate awarded contract sum of approximately HK\$1,152.8 million. Since the GEM Listing, we have utilised our [REDACTED] from the GEM Listing to recruit security service personnel, provide contract securities, acquire a patrol vehicle, expand our operational team and sales and marketing team, upgrade our information technology infrastructure, establish a control room and repay the outstanding bank loan.

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

SUMMARY

Use of [REDACTED]

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

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

Notes:

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

SUMMARY

- (2) Based on the abovementioned adjustment in accordance to the actual [REDACTED] received, we have reduced the amount of use of [REDACTED] for the period from the GEM Listing to 31 August 2021 on contract securities, acquisition of patrol vehicle, payment of outstanding bank loan and general working capital, which amounted to approximately HK\$[REDACTED] million. This amount represented the portion of the planned use of [REDACTED] that we planned to utilise from the GEM Listing Date and up to 31 August 2021.

As at the Latest Practicable Date, the unused [REDACTED] from the GEM Listing amounted to approximately HK\$[REDACTED] million comprising (i) expanding our business in security services of approximately HK\$[REDACTED] million; (ii) enhancing our capability in providing facility management services of approximately HK\$[REDACTED] million; and (iii) improving operational efficiency and scalability of approximately HK\$[REDACTED] million. Please refer to the section headed “Business — Implementation of business strategies and use of [REDACTED]” in this [REDACTED] document for further details.

COMPETITIVE LANDSCAPE OF HONG KONG FACILITY SERVICES INDUSTRY

According to the Frost & Sullivan Report, the security services and facility management services markets in Hong Kong are fragmented and competitive. In 2020, there were approximately over 600 players in the security services industry, approximately 900 facility management companies (including property management and car parking rental and services providers) and 1,000 cleaning companies in Hong Kong. In 2020, the market size of security services in the public sector accounts for approximately 4.4% of the total market size of security services. The security services market is relatively fragmented with the top five players contributing to approximately 11.3% of the entire market in terms of revenue. Our Group was the fifth largest security services provider in Hong Kong in 2020, accounting for approximately 1.2% of total revenue. Our Directors believe that we have strong brand

SUMMARY

recognition and a proven track record of providing a spectrum of quality services with solid base of reputable client base which enable us to differentiate ourselves in the industry and continue to capitalise market opportunities. For details about the markets in which our Group operates in, please refer to the section headed “Industry Overview” in this [REDACTED] document.

OUR CONTROLLING SHAREHOLDERS

Immediately upon the [REDACTED] BVI will continue to own [REDACTED] of the issued share capital voting rights in our Company. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through their respective wholly-owned subsidiaries, namely Morewood, Mandarin, Cambridge, own the entire 100% issued share capital of IWS BVI. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, have each been a director of our Group and have been acting in concert with each other to exercise control in implementing the management and operations of our Group since 2008. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin and Cambridge, together through IWS BVI, will continue to be entitled to control [REDACTED] of the issued share capital of our Company immediately upon the [REDACTED], Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and their respective close associates other than our Group are regarded as a group of Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” in this [REDACTED] document for details.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information during the periods indicated, and should be read in conjunction with our financial information and the notes thereto included in the Accountants’ Report set out in Appendix I to this [REDACTED] document.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Items

	FY2019 (HK\$'000)	FY2020 (HK\$'000)	FY2021 (HK\$'000)	5M2022 (HK\$'000)
Revenue	295,171	481,571	365,833	210,019
Profit before taxation	22,877	60,118	72,806	31,304
Profit and total comprehensive income	17,749	47,088	66,212	24,665
Adjusted net profit ^(Note)	26,264	62,613	70,867	32,933

Note: 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.

Our revenue increased by approximately HK\$186.4 million from approximately HK\$295.2 million for FY2019 to approximately HK\$481.6 million for FY2020, mainly due to (i) increase in revenue generated from security services segment of approximately HK\$184.7 million from approximately HK\$267.5 million for FY2019 to approximately HK\$452.2 million for FY2020 primarily attributable to the XRL contracts and Station Control Services contracts; and (ii) increase in revenue generated from facility management services segment of approximately HK\$1.7 million from approximately HK\$27.7 million for FY2019 to approximately HK\$29.4 million for FY2020 primarily attributable to the increase in our provision of property management services. Our revenue subsequently decreased by approximately HK\$115.7 million to approximately HK\$365.8 million for FY2021, mainly due to (i) decrease in revenue generated from security services segment of approximately HK\$115.3 million from approximately HK\$452.2 million for FY2020 to approximately HK\$336.9 million for FY2021; and (ii) the relatively stable revenue generated from facility management services segment which remained at approximately HK\$29.4 million and HK\$29.0 million for FY2020 and FY2021, respectively.

Our revenue increased by approximately HK\$84.7 million from approximately HK\$125.3 million for 5M2021 to approximately HK\$210.0 million for 5M2022 mainly due to the increase in revenue generated from our security services segment primarily attributable to revenue generated from our provision of security services at the site of the three-runway system project at the Hong Kong International Airport and 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.

Our profit and total comprehensive income 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

SUMMARY

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 8.9% for FY2019 to approximately 13.0% for FY2020.

Our profit and total comprehensive income further increased by approximately HK\$19.1 million or 40.6% to approximately HK\$66.2 million for FY2021 and our net profit margin further increased to approximately 18.1% for FY2021. Excluding the 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\$[REDACTED] 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.

Our profit and total comprehensive income decreased by approximately HK\$2.6 million or 9.5% from approximately HK\$27.3 million for 5M2021 to approximately HK\$24.7 million for 5M2022 and our net profit margin decreased from approximately 21.8% for 5M2021 to approximately 11.7% for 5M2022. Such decreases were mainly because of the increase in our employee benefit expenses since we did not receive government grants from the Employment Support Scheme in 5M2022. Excluding the non-recurring [REDACTED] expenses of approximately HK\$[REDACTED] million incurred in 5M2022, our profit and total comprehensive income would amount to approximately HK\$[REDACTED] million for 5M2022.

Selected Consolidated Statement of Financial Position Items

	2019	As at 31 March	2021	As at
	<i>(HK\$'000)</i>	2020	2021	31 August
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	2021
				<i>(HK\$'000)</i>
Non-current assets	3,695	10,092	15,009	15,323
Current assets	151,979	200,066	236,710	262,746
Current liabilities	104,846	57,531	47,104	49,302
Net current assets	47,133	142,535	189,606	213,444
Net assets/Total equity	50,828	151,976	202,188	226,853

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Selected Consolidated Statement of Cash flows Items

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

Key Financial Ratios^(Note)

	As at 31 March			As at 31 August
	2019/ FY2019	2020/ FY2020	2021/ FY2021	2021/ 5M2022
Adjusted net profit margin (%)	8.9	13.0	19.4	15.7
Adjusted return on equity (%)	51.7	41.2	35.1	N/A
Adjusted return on total assets (%)	16.9	29.8	28.2	N/A
Adjusted interest coverage (times)	39.2	37.6	596.9	683.3
Current ratio (times)	1.4	3.5	5.0	5.3
Quick ratio (times)	1.4	3.5	5.0	5.3
Gearing ratio (%)	112.1	8.7	2.0	1.6
Net debt to equity ratio (%)	58.8	N/A	N/A	N/A
Average trade receivables turnover days (days)	83	81	101	78

Note: For further discussion on the above ratios, please refer to the section headed “Financial Information — Key financial ratios” in this [REDACTED] document.

DIVIDENDS AND DIVIDEND POLICY

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. The dividend payout ratio^(Note) during the Track Record Period were approximately 45.1%, 34.0%, 39.3% and nil, respectively. 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.

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.

REASONS FOR THE [REDACTED]

Our Directors are of the view that the GEM Listing is of assistance to our Group to gain public recognition and profile. After the GEM Listing, our Group has achieved business growth with increasing revenue and profit. Our Directors consider that since the Main Board is perceived to enjoy more premium status by investors, the [REDACTED], if approved and if we proceed, will be beneficial to the future growth, financing flexibility and business development of our Group. Our Directors are of the view that the [REDACTED] would without limitation: (i) promote our corporate profile and recognition among public investors and increase the attractiveness of our Shares to the public; (ii) increase our bargaining power in negotiations with suppliers and other business associates; and (iii) strengthen our position in the industry and enhance our competitive strengths in recruiting and retaining staff and personnel. For details, please refer to the section headed “History and Corporate Structure — [REDACTED] from GEM to Main Board — Reasons for the [REDACTED]” in this [REDACTED] document.

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Note: Dividend payout ratio was calculated by dividend declared for the respective year/period divided by profit and total comprehensive income for the year.

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As at the date of this [REDACTED] document, our Board has no immediate plans to change the nature of business of our Group following the [REDACTED]. The [REDACTED] will not involve any issue of new Shares by our Company.

[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\$[REDACTED] 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\$[REDACTED] 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.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure basically remain unchanged, subsequent to the Track Record Period and up to the date of this [REDACTED] document. During the Track Record Period, we: (i) have extended the XRL Contracts with the Railway Corporation for an additional three years with a contract sum of approximately HK\$265.4 million; (ii) have been awarded a contract from the Health Authority in relation to COVID-19 related manpower support services for a period of six months with an initial contract sum of approximately HK\$92.3 million; (iii) have signed a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport for a period of four years where the contract sum is approximately HK\$230.1 million, as estimated by our Directors; (iv) have been awarded a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to security guarding services at its headquarters and six depots for a period of two years with an initial contract sum of approximately HK\$16.7 million; and (v) have been awarded two contracts from a statutory body wholly owned by the Hong Kong Government who is responsible for the operation and development of the Hong Kong International Airport for the provision of COVID-19 related manpower support services for a period of approximately six months. Our Directors believe the aforementioned new clients prove that our Group is able to broaden our existing client base, thus placing us in a better position to develop and enhance the relationships with the goal of cross-selling our integrated services to such clients and building long-term relationships with them. As at the Latest Practicable Date, we have been awarded a contract from the Health Authority in relation to manpower support services for a period of two years with an initial contract sum of approximately HK\$92.8 million. As at the Latest Practicable Date, the number of contracts in our contract backlog were 61 and the total contract sum of the contracts that were on-going was approximately HK\$1,112.0 million.

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 recognized 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. Investors should be aware of the impact of the [REDACTED] expenses on our financial performance for FY2022.

Impact of the COVID-19 outbreak

Assuming the outbreak of COVID-19 continues and if our operations were to be suspended temporarily, the average monthly net decrease in cash and cash equivalents by our Group is expected to be approximately HK\$1.3 million per month. Our bank balances and cash as at 31 October 2021 was approximately HK\$90.1 million and our trade receivables and uncertified revenue as at 31 October 2021 was approximately HK\$141.2 million, which in aggregate after deducting trade and other payables

SUMMARY

and accrued expenses of approximately HK\$35.5 million would amount to net liquidity assets of approximately HK\$195.7 million. Accordingly, our Directors are of the view that the aggregated amount should be sufficient to satisfy our operational expenses for more than 12 months from November 2021. Our key assumptions include:

- (i) no revenue will be generated;
- (ii) there will be a significant reduction in employee benefit expenses as all of our security services and facility management services personnel would not be needed since no services will be provided by us;
- (iii) no subcontracting costs will be incurred as no services will be provided by us;
- (iv) no dividend will be declared and paid;
- (v) only immediate cash available will be used;
- (vi) our trade receivables as at 31 October 2021 will be settled within the range of our average trade receivables turnover days during the Track Record Period;
- (vii) our trade payables as at 31 October 2021 will be settled within the range of our average trade payables turnover days during the Track Record Period; and
- (viii) no unutilised banking facilities will be used and there will be no internal or external financing from the Shareholders or financial institutions.

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 of our Group 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, the text of which is set out in Appendix I to this [REDACTED] document.

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include (1) our previous financial performance may not be indicative of our future revenue and profit margin, in particular, the revenue growth in FY2020 and FY2021 and 5M2022 was due to one-off impact of events; (2) we rely on the Hong Kong public sector during the Track Record Period; (3) significant portion of our revenue during the Track Record Period was generated from contracts with the Railway Corporation; (4) a significant portion of our revenue was derived from the provision of security services; (5) a significant number of our contracts were awarded through tendering; (6) if any of our clients, in particular our five largest clients, vary, terminate or suspend the contracts with us prior to the expiry date, our revenue stream and profitability may be adversely affected; (7) any outbreak of communicable disease in Hong Kong could have a material and adverse effect on our business. A detailed discussion of all the risk factors is set forth in the section headed “Risk Factors” in this [REDACTED] document. Investors should read the entire section before deciding to invest in the Shares.

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[REDACTED] AND [REDACTED]

[REDACTED]

The chart below shows the **[REDACTED]** and **[REDACTED]** of our Shares since the GEM Listing Date and up to the Latest Practicable Date.

[REDACTED] and [REDACTED] of the Shares
since the GEM Listing Date and up to the Latest Practicable Date

[REDACTED]

The chart below shows the comparison between the **[REDACTED]** of our Shares and Hang Seng Index since the GEM Listing Date and up to the Latest Practicable Date.

Comparison between the **[REDACTED]** of the Company and Hang Seng Index

[REDACTED]

Since the GEM Listing Date and up to the Latest Practicable Date, the **[REDACTED]** of our Shares was HK\$**[REDACTED]** recorded on 5 February 2020 and the **[REDACTED]** of our Shares was HK\$**[REDACTED]** recorded on 21 October 2020, 22 October 2020, 31 December 2020 and 4 January 2021.

The **[REDACTED]** of our Shares increased from HK\$**[REDACTED]** per Share on the GEM Listing Date to HK\$**[REDACTED]** per Share on 5 February 2020, representing an increase of approximately **[REDACTED]**. The **[REDACTED]** of our Shares subsequently decreased from HK\$**[REDACTED]** per Share on 5 February 2020 to HK\$**[REDACTED]** per Share on 21 October 2020, representing a decrease of approximately **[REDACTED]**. Following such decrease, the **[REDACTED]** of the Shares increased from HK\$**[REDACTED]** per Share on 21 October 2020 to HK\$**[REDACTED]** per Share on 2 February 2021, representing an increase of approximately **[REDACTED]**. We observed that such fluctuations were generally in line with the trend of the Hang

SUMMARY

Seng Index during the same periods. Our Directors believe that the increase in the [REDACTED] of our Shares on 2 February 2021 was mainly because of our announcement of the possible [REDACTED] on the same day. The [REDACTED] of our Shares further increased to HK\$[REDACTED] on 4 February 2021 following our publication of the third quarterly results announcement for the nine months ended 31 December 2020 where our profit and total comprehensive income for the period increased by 9.4% as compared to the same period in FY2019. The [REDACTED] of our Shares remained relatively stable with fluctuations in between in the following months leading up to June 2021. The [REDACTED] of our Shares trended upwards in June 2021 and generally remained close to or above HK\$[REDACTED] from June 2021 and up to the Latest Practicable Date, which our Directors believe to be mainly because of the following: (i) the publication of our annual results announcement for FY2021 on 28 May 2021 where our profit and total comprehensive income increased by approximately 40.6% as compared to the same period in FY2020; (ii) our announcement of the submission of a formal application to the Stock Exchange in respect of the [REDACTED] on 11 June 2021; (iii) the announcement of the payment of a final dividend for FY2021 on 17 September 2021; and (iv) the publication of our interim results announcement for the six months ended 30 September 2021 on 5 November 2021 where our adjusted profit and total comprehensive income increased by approximately 83.9% as compared to the six months ended 30 September 2020. Our Directors confirmed that they are not aware of any changes in our Company’s circumstances leading to the fluctuations in our share price.

[REDACTED]

Our Group recorded the highest average [REDACTED] of approximately [REDACTED] million Shares on 22 October 2019, representing approximately [REDACTED] of the total number of our Shares. Our Group recorded the lowest average [REDACTED] of [REDACTED] Shares on various dates. The average [REDACTED] of our Shares since the GEM Listing Date and up to the Latest Practicable Date amounted to approximately [REDACTED] million Shares, representing approximately [REDACTED] of the total number of our Shares. Our Directors confirm that they are not aware of any changes in our Company’s circumstances leading to the decrease in the [REDACTED].

DEFINITIONS

In this [REDACTED] document, unless the context otherwise requires, the following expressions shall have the following meanings.

“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 20 September 2019 and effective on the GEM Listing Date, as amended or supplemented from time to time
“associates”	has the meaning ascribed to it in the Main Board Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Building Management Ordinance”	the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended or supplemented from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Cambridge”	Cambridge Investment (BVI) Limited (劍橋投資(BVI)有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. Vince Ma
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Certification”	the review, verification and reconciliation of our draft monthly invoices issued to Railway Corporation by them with their attendance records

DEFINITIONS

“Certification Period”	the period between the issue date of the draft monthly invoices and the date of Certification
“close associates”	has the meaning ascribed to it in the Main Board Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	IWS Group Holdings Limited (國際永勝集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability with effect from 23 March 2018
“Controlling Shareholders”	has the meaning given to it under the Main Board Listing Rules and, in the context of this [REDACTED] document, means Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin, Cambridge and IWS BVI
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Date of Certification”	the date on which Certification has been obtained from the Railway Corporation by us
“Deed of AIC Confirmation”	a deed of confirmation dated 28 May 2018 executed by Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, whereby they confirmed, among others, the existence of their acting in concert arrangement, a summary of which is set out in the section headed “Relationship with our Controlling Shareholders” in this [REDACTED] document
“Deed of Indemnity”	the deed of indemnity dated 20 September 2019 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries) to provide certain indemnities, particulars of which are set out in “Statutory and General Information — E. Other Information — 1. Tax and other indemnities”
“Directors” or “our directors”	the directors of our Company
“Fire Services Authority”	a government department responsible for fire-fighting and rescue on land in Hong Kong
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research institution

DEFINITIONS

“Frost & Sullivan Report”	an independent industry report prepared by Frost & Sullivan and commissioned by our Company, an extract of which is set out in “Industry Overview” in this [REDACTED] document
“FY” or “financial year”	financial year of our Company ended or ending 31 March
“GEM”	GEM of the Stock Exchange
“GEM Listing” or “Listing on GEM”	the listing of the Shares on GEM
“GEM Listing Date”	22 October 2019, being the date on which dealings in our Shares first commenced on GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended or supplemented from time to time
“GEM Prospectus”	the prospectus issued by our Company dated 30 September 2019 for the GEM Share Offer and Listing on GEM
“GEM Share Offer”	the issue and offer of our Shares for subscription by public and placing of our Shares by the placing underwriters on behalf of our Company at the offer price of HK\$0.32 per Share for Listing on GEM
“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Health Authority”	a government department responsible for healthcare policies and the provision of basic healthcare services in Hong Kong
“HK Government Entities”	certain departments and bureaus of the Hong Kong Government which awarded contracts to our Group during the Track Record Period which, among others, included the (i) Health Authority; (ii) the Immigration Authority; (iii) a government department responsible for firefighting and rescue on land in Hong Kong; (iv) a government department responsible for ensuring safe operation of the port and safeguarding the quality of registered vessels in Hong Kong; (v) a government department responsible for combatting crime and ensuring the safety and stability of the society of Hong Kong; and (vi) the LSC R&D Centre, and other entities controlled or funded by the Hong Kong Government
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“HKFRS”	Hong Kong Financial Reporting Standards which include Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“Immigration Authority”	a government department responsible for immigration control in Hong Kong
“Independent Third Party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
“IWS BVI”	IWS Group Holdings Limited, a company incorporated in the BVI with limited liability on 7 March 2018
“IWS Carpark”	IWS Carpark Management Limited (國際永勝停車場管理有限公司), a company incorporated in Hong Kong with limited liability on 30 December 2016
“IWS Carpark (JV)”	IWS Carpark (JV 1) Limited (國際永勝停車場(合資1)有限公司), previously known as Wave Joy Limited (喜濤有限公司), a company incorporated in Hong Kong with limited liability on 8 March 2019
“IWS Carpark BVI”	IWS Carpark Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS Cleaning”	IWS CLEANING SERVICES LIMITED (國際永勝清潔服務有限公司), a company incorporated in Hong Kong with limited liability on 4 November 2016
“IWS Cleaning BVI”	IWS Cleaning Services Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company

DEFINITIONS

“IWS PM”	INTERNATIONAL WING SHING PROPERTY MANAGEMENT LIMITED (國際永勝物業管理有限公司), a company incorporated in Hong Kong with limited liability on 9 August 2016
“IWS PM BVI”	IWS Property Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS Security”	INTERNATIONAL WING SHING SECURITY MANAGEMENT LIMITED (國際永勝護衛管理有限公司), a company incorporated in Hong Kong with limited liability on 18 April 1996
“IWS Security BVI”	IWS Security Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS Tunnel Management BVI”	IWS Tunnel Management Holdings Limited, a company incorporated in the BVI with limited liability on 26 February 2020 and wholly owned by the Company
“IWS Tunnel Management”	IWS Tunnel Management Limited (國際永勝隧道管理有限公司), a company incorporated in Hong Kong with limited liability on 5 March 2020
“Land Registry”	the land registry established pursuant to the Land Registration Ordinance (Chapter 128 of the Laws of Hong Kong)
“Latest Practicable Date”	[7 December] 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this [REDACTED] document prior to its publication
“[REDACTED]”	the [REDACTED] of the Stock Exchange
“LSC R&D Centre”	one of the five research and development centres set up in Hong Kong by the Hong Kong Government in 2006 and under the purview of the Innovation and Technology Commission to initiate and conduct research and development across numerous sectors, both public and private, in various core technology areas including logistics supply chain management, robotics, e-Commerce, healthcare and other related industries in Hong Kong
“Main Board”	Main Board of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, modified or supplemented from time to time

DEFINITIONS

“[REDACTED]”	the proposed [REDACTED] of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“Ma Company(ies)”	companies, directly or indirectly, owned and controlled by members of the Ma Family other than our Group
“Ma Family”	Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma and their respective associates (as defined in the Main Board Listing Rules) other than our Group
“Mandarin”	Mandarin Asset Holdings Limited (文華資產控股有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. KM Ma
“Master Services Agreement”	the master services agreement dated 28 May 2018 and supplemental agreement thereto dated 17 June 2019 entered into between the Ma Family (for itself and on behalf of its affiliates) as the client and our Company (for itself and on behalf of its affiliates) as the supplier, particulars of which are set out in the section headed “Connected Transactions” in this [REDACTED] document
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on 20 September 2019 and effective on the GEM Listing Date, as amended or supplemented from time to time
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended or supplemented from time to time
“Morewood”	Morewood Asset Holdings Limited (森業資產控股有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. KS Ma
“Mr. Ma Ah Muk”	Mr. Ma Ah Muk, the Chairman of our Company, an executive Director, the father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, the grandfather of Mr. Leo Ma and a Controlling Shareholder
“Mr. KS Ma”	Mr. Ma Kiu Sang, an executive Director, the son of Mr. Ma Ah Muk, brother of Mr. KM Ma and Mr. Vince Ma, and the father of Mr. Leo Ma and a Controlling Shareholder
“Mr. KM Ma”	Mr. Ma Kiu Mo, an executive Director, the son of Mr. Ma Ah Muk and brother of Mr. KS Ma and Mr. Vince Ma, the uncle of Mr. Leo Ma and a Controlling Shareholder
“Mr. Vince Ma”	Mr. Ma Kiu Man Vince, an executive Director, the son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. KM Ma, the uncle of Mr. Leo Ma and a Controlling Shareholder

DEFINITIONS

“Mr. Leo Ma”	Mr. Ma Yung King Leo, an executive Director, the grandson of Mr. Ma Ah Muk, the son of Mr. KS Ma and the nephew of Mr. KM Ma and Mr. Vince Ma
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this [REDACTED] document only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Railway Corporation”	a Hong Kong railway corporation which is listed on the Main Board
“Security and Guarding Services (Fees) Regulation”	the Security and Guarding Services (Fees) Regulation (Chapter 460A of the Laws of Hong Kong), as amended or supplemented from time to time
“Security and Guarding Services (Licensing) Regulation”	the Security and Guarding Services (Licensing) Regulation (Chapter 460B of the Laws of Hong Kong), as amended or supplemented from time to time
“Security and Guarding Services Ordinance”	the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended or supplemented from time to time
“Security Authority”	the Security and Guarding Services Industry Authority established under the Security and Guarding Services Ordinance
“Security Company Licence”	the licence issued or renewed by the Security Authority under the Security and Guarding Services Ordinance
“Security Personnel Permit”	the permit issued or renewed by the Commissioner of Police (or any police officer acting under and in accordance with an authorisation conferred on him by such Commissioner of Police) under the Security and Guarding Services Ordinance
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 September 2019 which shall remain valid and effective following the Main Board [REDACTED] and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this [REDACTED] document
“Sole Sponsor” or “TD King Capital Limited”	TD King Capital Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Main Board [REDACTED]
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it under the Main Board Listing Rules
“substantial shareholder(s)”	has the meaning given to it under the Main Board Listing Rules
“Supplemental Deed of AIC Confirmation”	a supplemental deed of confirmation dated [●] 2021 executed by Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma to amend and supplement the Deed of AIC Confirmation, a summary of which is set out in the section headed “Relationship with our Controlling Shareholders — Our Controlling Shareholders — Acting in concert arrangements” in this [REDACTED] document
“Supplemental Deed of Indemnity”	the supplemental deed of indemnity dated [●] entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) as further detailed in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this [REDACTED] document
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2019, FY2020, FY2021 and 5M2022
“Uncertified revenue”	Uncertified revenue represents our right to receive consideration for services rendered pending verification of attendance records by customers as at the end of the reporting period and is transferred to trade receivables when we obtain the certification issued by the customers
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“XRL Contracts”	the facility service contracts, namely XRL Contract A, XRL Contract B and XRL Contract C entered into between our Group and the Railway Corporation in relation to Guangshen’gang XRL. For details of the XRL Contracts, please see “Business — Sales and marketing — Our major contracts” in this [REDACTED] document
“Yan Yan Motors”	Yan Yan Motors Limited (人人汽車有限公司), a company incorporated in Hong Kong with limited liability on 11 March 1977 and operates public light bus routes in Hong Kong, which is a majority controlled company of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma
“5M2021”	five months ended 31 August 2020
“5M2022”	five months ended 31 August 2021
“7M2022”	seven months from 1 September 2021 to 31 March 2022
“%”	per cent

In this [REDACTED] document, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Main Board Listing Rules, unless the context otherwise requires.

Unless expressly stated or the context requires otherwise, amounts and percentage figures, including share ownership and operating data in this [REDACTED] document, may have been subject to rounding adjustments. Accordingly totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

For ease of reference, the names of Chinese entities (including certain of our subsidiaries) have been included in this [REDACTED] document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this [REDACTED] document as they relate to our Company and are used in this [REDACTED] document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“Ad-hoc Contract(s)”	contract(s) which were entered into between our Group and our clients with less than or approximately one day’s notice
“CAGR”	compound annual growth rate
“Category A Security Work”	guarding work restricted to a single private residential building, the performance of which does not require the carrying of arms and ammunition pursuant to the Security Personnel Permit categorised as Category A security work under the Security and Guarding Services Ordinance
“Category B Security Work”	guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunitions and which does not fall within Category A Security Work pursuant to the Security Personnel Permit categorised as Category B security work under the Security and Guarding Services Ordinance
“commercial property(ies)”	shopping mall(s), office building(s) and hotel(s) where we provided our facility management services during the Track Record Period
“Competent Person (Track)”	a trained and qualified person to work on, amongst other matters, railway, to ensure the safe operation of railway and the safety of the people who are working on operating railway
“Community Testing Centres”	community testing centers set up by the Hong Kong Government, which have commenced services from 15 November 2020, with an aim to provide self-paid COVID-19 testing services to citizens to serve the general community or private purposes
“contract deposit”	a type of contract security given by the service provider in the form of cash
“contract security”	a guarantee given by the service provider in favour of its client for the due and faithful performance of the contract. It may take the form of contract deposit or performance bond and is normally released upon completion of the contract. The amount of contract security, if any, varies contract by contract

GLOSSARY OF TECHNICAL TERMS

“COVID-19 Detection Support Services”	security services in relation to the Universal Community Testing Programme, at the Community Testing Centers and at all the DTS specimen packs collection and distribution points with an aim to prevent the spread of COVID-19 in Hong Kong as stipulated under the COVID-19 Detection Support Services contracts entered into with each of the LSC R&D Centre, the Health Authority, the Railway Corporation and other HK Government Entities
“DTS”	an acronym for deep throat saliva
“DMC(s)”	deed(s) of mutual covenant, a document registered with the Land Registry which sets out the rights, interests and obligations of the owners of the units in a building
“Event Contract(s)”	contract(s) which were entered into between our Group and our clients for single-purpose event or incident during the Track Record Period and up to the Latest Practicable Date
“Fixed-term Contract(s)”	contract(s) for a fixed term which were entered into between our Group and our clients during the Track Record Period and up to the Latest Practicable Date
“Guangshen’gang XRL”	Guangzhou-Shenzhen-Hong Kong express rail link (officially Beijing-Guangzhou-Shenzhen-Hong Kong high-speed railway, Guangzhou-Shenzhen-Hong Kong section), a high-speed railway line to connect Beijing and Hong Kong (Kowloon) via Guangzhou
“Incorporated Owners” or “Owners’ Corporation”	in relation to a building, means a corporation registered pursuant to the Building Management Ordinance
“ISO”	an acronym for a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at effectiveness of the quality management system in meeting client requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing

GLOSSARY OF TECHNICAL TERMS

“ISO14001”	ISO 14001 is an international recognised standard for an environmental management system. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“ISO 45001”	ISO 45001 is an international recognised standard for occupational health and safety management system. It aims at improving occupational health and safety, eliminating hazards and minimising occupational health and safety risks. It prescribes specific requirements for an occupational health and safety management system in an organisation
“MPF”	an acronym for Mandatory Provident Fund
“Owners’ Committee”	in relation to a building, means the committee of owners formed under or in accordance with the DMC in respect of that building
“performance bond”	a type of contract security given by the service provider in the form of a bond of a financial institution
“public light bus(es)”	green and red minibuses in Hong Kong that are licensed to carry a maximum of 19 passengers, also referred to as public light bus
“Station Control Services”	security services provided at various stations along all the railway lines in Hong Kong as stipulated in the Station Control Contract A and Station Control Contract B entered into between the Railway Corporation and us including, amongst others, crowd coordination, maintenance of order during chaos and prevention of forced entry, etc.
“Total Operating Expenses”	total operating expenses included employee benefit expenses, selling and marketing expenses and other operating expenses
“Type I security work”	the provision of security guarding services pursuant to the Security Company Licence categorised as Type I security work under the Security and Guarding Services Ordinance
“Type II security work”	the provision of armoured transportation services pursuant to the Security Company Licence categorised as Type II security work under the Security and Guarding Services Ordinance

GLOSSARY OF TECHNICAL TERMS

“Type III security work”	the installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device pursuant to the Security Company Licence categorised as Type III security work under the Security and Guarding Services Ordinance
“UCTP” or “Universal Community Testing Programme”	the Universal Community Testing Programme launched by the Hong Kong Government with an aim to better gauge the COVID-19 infection situation in Hong Kong on 1 September 2020 for a 14-day period

FORWARD-LOOKING STATEMENTS

This [REDACTED] document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our business and operating strategies and ability to implement such strategies;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- the regulatory environment in terms of changes in laws and government regulations, policies and approval processes in the regions where we develop or manage our projects;
- general economic, market and business conditions in Hong Kong, including the sustainability of the economic growth in Hong Kong;
- changes or volatility in interest rates, equity prices or other rates or prices; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this [REDACTED] document.

The words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “plan,” “seek,” “should”, “ought to”, “will,” “would” and the negative of these terms and other similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategy and the environment in which it will operate. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this [REDACTED] document, and are not a guarantee of future performance.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this [REDACTED] document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this [REDACTED] document are qualified by reference to the cautionary statements set out in this section.

In this [REDACTED] document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this [REDACTED] document. Any such intentions may potentially change in light of future developments.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this [REDACTED] document and, in particular, the risks and uncertainties described below before making an [REDACTED] in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the [REDACTED] of our Shares could decline and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Our previous financial performance may not be indicative of our future revenue and profit margin, in particular, the revenue growth in FY2020, FY2021 and 5M2022 was due to one-off impact of events

Our revenue during the Track Record Period was approximately HK\$295.2 million, HK\$481.6 million, HK\$365.8 million and HK\$210.0 million, respectively, our profit and total comprehensive income was approximately HK\$17.7 million, HK\$47.1 million, HK\$66.2 million and HK\$24.7 million, respectively. For FY2020, FY2021 and 5M2022, certain of our revenue was recognised from (i) the provision of Station Control Services of approximately HK\$164.4 million for FY2020; and (ii) the COVID-19 Detection Support Services of approximately HK\$0.5 million, HK\$82.5 million and HK\$70.5 million for FY2020, FY2021 and 5M2022, respectively. In addition, a government grant of approximately HK\$39.7 million was recognised and net off with the employee benefit expenses for FY2021. Overall, we experienced rapid revenue growth in FY2020, FY2021 and 5M2022 mainly because of our provision of Station Control Services and COVID-19 Detection Support Services which are non-recurring in nature. The Station Control Services, COVID-19 Detection Support Services and the government grant were all non-recurring in nature. As such, if we are not awarded similar contracts or do not receive similar grants in the future, our results of operations and financial condition could be adversely affected. In addition, given that our business is contract-based and our Group generally has not entered into any contracts with a duration of more than three years, and that the majority of our revenue was generated from contracts awarded through tendering during the Track Record Period, there is no assurance that we will always be able to maintain similar levels of revenue and profitability as those during the Track Record Period. Therefore, our previous financial record may not reflect our future revenue and profits.

Our financial performance in the future will depend on our capability to secure new business opportunities and contracts to provide services, and to control our costs. We cannot assure you that we will be able to secure new contracts with our current or new clients upon the expiration or termination of the contracts with our current clients, particularly as the contracts we secured through tendering were awarded based on many factors. There is no guarantee that our existing contracts will be extended upon expiry or that new contracts will be awarded to us. Furthermore, profit margins for our services may vary from contract to contract due to factors such as the contract price and the amount of labour resources required. There is no assurance that our revenue

RISK FACTORS

and profit margins will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margin despite our previous financial performance.

We rely on the Hong Kong public sector during the Track Record Period. Any decrease or loss of business from any one of our major clients from the public sector or recurring clients may adversely affect our business, results of operations and financial condition

During the Track Record Period, (i) revenue derived from clients in the public sector accounted for approximately 81.7%, 89.0%, 86.7% and 84.2% of our total revenue, respectively; and (ii) approximately 99.1%, 99.3%, 96.3% and 90.6% of our revenue was contributed by our recurring clients, respectively. Our contracts with our clients generally do not include long-term obligations requiring them to use our services. For contracts that do not include an option to extend or renew the duration of the contract term, we are required to submit new tenders upon the expiration of existing or renewed contracts or bid for new contracts from time to time. As such, there is no guarantee that our clients will continue to engage us with the same volume of business, or at all, in the future or that we will be able to replace, in a timely or effective manner, departing clients with potential clients that deliver comparable level of revenue.

If our clients in the public sector or recurring clients reduce their demand for our services, decrease their spending for our services, request for more competitive fees, terminate our contracts prior to the expiry date, engage the services of our competitors or refuse to award new tender contracts to our Group, our business, financial position and results of operations may be materially and adversely affected.

We cannot assure you that we will be able to maintain or improve our relationship with our major clients in the public sector or recurring clients, and we cannot assure you that we will be able to continue to provide services to them at current levels on similar terms, or at all. Our use of resources and management attention to continue our relationship with our major clients in the public sector or recurring clients and provide services to them may also reduce resources devoted to our other clients and business activities. In the event that our major clients in the public sector or recurring clients cease to engage us to provide services and we fail to replace such clients, our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

Significant portion of our revenue during the Track Record Period was generated from contracts with the Railway Corporation. If these contracts are not renewed, our business, results of operations and financial condition may be adversely affected

Revenue from contracts with Railway Corporation, our largest client during FY2019, FY2020 and FY2021, were approximately HK\$162.6 million, HK\$344.5 million, HK\$152.5 million and HK\$67.7 million during the Track Record Period, respectively, representing approximately 55.1%, 71.5%, 41.7% and 32.3% of our total revenue during the same period, respectively. As such, revenue generated from the Railway Corporation made up a significant portion of our total revenue during the Track Record Period.

We expect to continue to derive a significant portion of our revenue from the Railway Corporation in the near future. We cannot assure you that we will be invited for tendering or awarded new contracts, or be able to renew or extend the contracts upon their expiration, including the XRL Contracts, or that the terms and conditions of the new, extended or renewed contracts, if any, will be comparable to existing contracts or be commercially acceptable to us, or the Railway Corporation will not terminate the contracts with us in the future. If we lose any contracts, or our business relationship with the Railway Corporation deteriorates, our business, results of operations and financial condition may be adversely affected.

A significant portion of our revenue was derived from the provision of security services. If our Security Company Licence is revoked, suspended or not renewed, or if we experience material delay in renewing such licence, our business, results of operations and financial condition may be materially and adversely affected

The major source of our revenue during the Track Record Period was derived from the provision of security services. The revenue generated from the provision of security services for the Track Record Period was approximately HK\$267.5 million, HK\$452.2 million, HK\$336.9 million and HK\$197.9 million, respectively, representing approximately 90.6%, 93.9%, 92.1% and 94.2% of our total revenue, respectively. We cannot assure you that there will not be any material adverse change in the market trend, development or demand in the security services industry, our existing client base for security services and the labour market for security service personnel. Should we fail to adapt to such changes in the industry, experience an interruption in our security services business or fail to respond to changes in demands from our existing or prospective clients, our operations and financial conditions may be significantly and adversely affected.

In particular, as at 31 August 2021, IWS Security, our operating subsidiary, was licensed to provide Type I security work (namely provision of security guarding services) in Hong Kong. We were not licensed to carry out Type II security work (namely provision of armoured transportation services), or Type III security work (namely installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device). In the event that our Security Company Licence for carrying out Type I security work is revoked, suspended or not renewed by the Security Authority, or if we experience material delays in renewing our Security Company Licence, or if there are circumstances leading to a sharp decrease in demand for Type I security work in Hong Kong, our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

A significant number of our contracts were awarded through tendering. There is no guarantee that new contracts will be awarded to us

A significant portion of our revenue was generated from contracts awarded through tendering during the Track Record Period. During the Track Record Period, revenue generated from tendering accounted for approximately 81.4%, 88.9%, 74.8% and 55.1% of our total revenue, respectively. Revenue generated from tendering decreased in FY2021 and 5M2022 because most of the contracts in relation to COVID-19 Detection Support Services which generated revenue of approximately HK\$82.5 million for FY2021 and HK\$70.5 million for 5M2022 were not obtained through tendering. Our tender success rate was approximately 34.6%, 44.4%, 50.9% and 20.0% during the Track Record Period, respectively. Some of our existing major clients evaluate tenders based on different financial and non-financial considerations. Please refer to the section headed “Business — Sales and Marketing — Our major contractual terms” in this [REDACTED] document for details of the tendering requirements as well as renewal or extension of our existing contracts. We cannot assure you that we will meet the tendering requirements or that our overall score under the clients’ evaluation system (if applicable) can be maintained.

Even if we are able to meet the tendering requirements, we cannot assure you that (i) we would be invited or made aware of the tender; (ii) the terms and conditions of the new contracts would be comparable to our existing contracts; (iii) the terms and conditions of the potential contracts, shall they materialise, may be commercially acceptable to us; or (iv) our tenders would ultimately be selected by the prospective clients. In the competitive tendering process, we may have to lower our service fees or offer more favourable terms to our clients in order to increase the competitiveness of our tenders, and may not be able to reduce our costs accordingly. If we are unable to secure new contracts, or do so at terms comparable to our existing contracts, our business, results of operations and financial conditions may be adversely affected.

If any of our clients, in particular our five largest clients, vary, terminate or suspend the contracts with us prior to the expiry date, our revenue stream and profitability may be adversely affected

During the Track Record Period, revenue attributable to our five largest clients amounted to approximately HK\$250.1 million, HK\$441.7 million, HK\$300.3 million and HK\$175.8 million, representing approximately 84.7%, 91.7%, 82.1% and 83.8% of our revenue, respectively. We generally enter into written contracts with our clients for the provision of security services and facility management services, but our clients may be entitled to vary the terms of the contract including the total contract sum of a fixed fee contract, during the contract duration. For examples of variation of contract terms, please refer to the section headed “Business — Sales and marketing — Our major contractual terms” in this [REDACTED] document.

In addition, due to the nature of our services, our contracts include Fixed-term Contracts, Ad-hoc Contracts and Event Contracts. A majority of the Fixed-term Contracts, which accounted for approximately 91.1%, 96.0%, 95.7% and 96.7% of our total revenue during the Track Record Period, respectively, have a term of up to three years, some of which, including the XRL Contracts, have an option to renew or extend the duration. However, our clients may in general terminate the contracts without cause by serving one to three months’ written notice to our Group. The Hong Kong Government may also suspend some of our existing contracts upon serving notice.

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Moreover, given the competition in the security services industry and the background of most of our five largest clients during the Track Record Period, such clients have a relatively stronger bargaining power and enjoy strong market positions which may negatively affect our bargaining power on pricing and other terms when negotiating contractual terms with such clients.

We cannot assure you that our clients will not exercise their rights to vary, terminate or suspend any part of the services performed by us or any contract with us in the future. If contracts are varied, terminated or suspended by our clients, in particular our five largest clients, our revenue stream and profitability may be adversely affected.

Any outbreak of communicable disease in Hong Kong, including but not limited to COVID-19, severe acute respiratory syndrome, swine influenza, etc., could have a material and adverse effect on our business

Any outbreak of communicable disease in Hong Kong could have a material and adverse effect on our business. If any of our employees are affected by any communicable disease outbreaks, we may be required to temporarily shut down our offices and to prohibit our staff from going to work to circumvent the spread of the disease. Such closures could severely disrupt our business operations and materially and adversely affect our results of operations. In addition, any outbreak of communicable disease in Hong Kong could also adversely affect our clients' business activities. Functions or promotional activities such as exhibitions, concerts, annual meetings and gatherings and press release functions of which security service personnel are required may be cancelled and places requiring security services may be closed down resulting in decrease in demand in security services. Therefore, our business operations and financial conditions could be adversely affected.

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Failure to enter into formal written agreements in respect of our services provided upon urgent demand may lead to uncertainty in terms of our engagement. If we do not receive service fees for such urgent demand, our results of operations and financial conditions may be adversely affected

Due to the nature of our services, our clients may sometimes require our security services urgently, such as unexpected crowd control at railway stations for public order events in 2014 and temporary relief of existing personnel. In such circumstances, we may be required to mobilise our manpower to satisfy the ad-hoc or urgent demand from our clients based on verbal agreements between the parties. We may only be able to issue an invoice and/or receive a formal purchase order from our clients after our services are rendered. Revenue derived from ad-hoc contracts accounted for approximately 7.5%, 3.8%, 4.3% and 3.3% of our total revenue during the Track Record Period, respectively. For the measures adopted in relation to such arrangement, including sending emails to our clients to confirm the engagement, please see the section headed "Business — Sales and marketing — Our major contractual terms" in this [REDACTED] document. Without a formal written agreement to document the respective rights and obligations of the parties, we face uncertainty relating to the terms and condition of our engagement. Our clients may disagree with us on the interpretation or applicability of different terms and conditions including the service fee, nature of services provided and payment arrangement. Even if services are rendered, we may not be able to receive all or any part of our service fee in a timely manner or at all, which may materially and adversely affect our business operations and financial performance.

Security and facility management services are highly labour intensive and we rely on a stable supply of labour to provide our services; however, overestimation of the necessary manpower for new contracts may also adversely affect our business, results of operations and financial condition

Our business operations are labour intensive and we rely heavily on human resources for providing security services and facility management services. During the Track Record Period, our employee benefit expenses amounted to approximately HK\$252.1 million, HK\$388.5 million, HK\$250.0 million and HK\$130.8 million, respectively, representing approximately 95.8%, 96.0%, 86.2% and 76.9% of our Total Operating Expenses, respectively. Our employee turnover rate in respect of the full-time employees, calculated by dividing the number of employees who left our Group by the average number of employees during the relevant period was 17.1%, 48.2%, 41.6% and 23.4% for FY2019, FY2020, FY2021 and 5M2022, respectively. We cannot assure you that there will be a stable supply of labour in the future. If there is a shortage of labour in the security services and facility management services industries, particularly of personnel with specialised qualifications, our business operations may be negatively affected.

The majority of our security services contracts and facility management services contracts are provided under Fixed-term Contracts. These Fixed-term Contracts may generally have terms of up to three years. Therefore, if we are unable to retain existing employees and/or recruit sufficient employees to meet the demands of our existing contracts at the current wage level, we may have to pay a premium to attract employees. Some of our tender contracts include penalty provisions for manpower shortages, under which we may be subject to penalties if we fail to provide the required

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number of staff as stated in the relevant tender contract. If we experience any labour shortage, we may be unable to deliver satisfactory services to our clients or otherwise meet our contractual obligations, or we may face penalties for such shortage.

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If we cannot recruit sufficient employees with the requisite qualifications or experience in a timely manner, we may be unable to enter into new contracts with prospective or existing clients and/or deliver satisfactory services to them due to insufficient manpower. In such cases, our business, financial condition and results of operations may be adversely affected.

However, an overestimation of the necessary manpower for new contracts may also adversely affect our business, results of operations and financial condition. For details of a lay-off incident in March to April 2019 which led to a one off provision for lay-off payment of approximately HK\$1.3 million during FY2019, please refer to the section headed "Business — Employees" in this [REDACTED] document. We cannot assure you that similar incidents will not happen in the future. We may not be able to estimate the manpower necessary for new contracts accurately. If there is a significant overestimation, we may have to incur substantial cost to terminate the employment with the redundant staff, which could have a material adverse effect on our business, results of operations and financial condition. Even if we terminate employment in accordance with the employment contracts and all relevant laws and regulations, such termination may still expose us to negative media coverage, where, as a result, the relationship with our clients may be adversely affected and we may fail to secure future contracts. Any such negative media coverage may have a material adverse effect on our reputation, business, financial position and results of operations.

We may face labour shortages, increases in labour costs and labour disputes which could adversely affect our growth and results of operations.

The employee turnover rate for our full-time employees was approximately 17.1%, 48.2%, 41.6% and 23.4% during the Track Record Period, respectively. In FY2020 primarily due to our termination of employment with approximately 280 employees, the majority of which was effective in April 2019, in relation to the provision of our services at the High Speed Rail Hong Kong West Kowloon Station (the "West Kowloon Station"), our employee turnover rate increased from approximately 17.1% for FY2019 to approximately 48.2% for FY2020. The employee turnover rate remained relatively high in FY2021 at approximately 41.6% because of the exit of a number of employees providing services at certain immigration control points for the Health Authority, which our Directors believe to be because of the outbreak of COVID-19. The employee turnover rate subsequently decreased to approximately 23.4% in 5M2022. The high employee turnover rate could have a material adverse effect on our business and results of operations as it may lead to interruptions in our provision of services to our clients and the quality of such services. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

In around March 2019, we terminated the employment with approximately 280 employees who had generally been employed for the provision of services at the West Kowloon Station since August 2018, which led to demonstrations of certain laid-off employees at the West Kowloon Station to protest against such terminations. We made a provision for lay-off payment of approximately HK\$1.3 million during FY2019, and provided such amount to most of the laid-off employees as pension and the disputes were settled.

We cannot assure you that future labour disputes, incidents and shortage will not occur. If they do occur, they could interrupt our operations, harm our reputation and divert our management's attention and resources, which could have a material adverse effect on our business

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operations and financial condition. In addition, we may be liable for fines assessed by the relevant governmental authorities or incur settlement costs in order to resolve labour disputes and become subject to higher labour costs in the future when recruiting new employees due to the reputational damage caused by labour disputes or related incidents.

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We had negative net operating cash flow from our operating activities for FY2019. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

We recorded negative net cash flow from operating activities of approximately HK\$37.1 million for FY2019. Our negative net cash flow from operating activities in FY2019 was primarily attributable to the increase in trade and other receivables and deposits in FY2019. Such increase was mainly a result of the provision of our services at the West Kowloon Station since 1 April 2018 which led to an increase in the amount of uncertified revenue recognised during FY2019 as it was subject to a process of certification. For details, please refer to the section headed "Financial Information — Description of certain items of consolidated statements of financial position — Uncertified revenue" in this [REDACTED] document.

We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to develop our services as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Any failure to maintain effective quality assurance system in our Group could have a material adverse effect on our reputation, business and operations

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract clients and secure contracts. The promotion and enhancement of our reputation and brand name within the industries in which we operate depend largely on our ability to provide quality and timely services to our clients. If we fail to do so or our clients no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operations.

In order to maintain our quality of services, we need to continue to maintain an effective quality assurance system for the services provided to our clients. The effectiveness of our quality assurance system depends significantly on a number of factors, including (i) a timely update of our quality assurance system to suit the ever-changing business needs and environment; and (ii) our ability to ensure that our quality assurance policies and guidelines are adhered to.

Any failure or deterioration of our quality assurance system could result in decline in the quality of our services, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities, other claims and prosecution. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

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We may be required by our clients to arrange for contract security. If our Group fails to comply with certain requirements in the contracts, we may be required to compensate a monetary loss up to the amount of the contract security

Some of our clients may require our Group to provide contract security, typically in the form of contract deposit at certain percentage of the contract sum. If our Group fails to comply with certain requirements in the contracts, we may be required to compensate a monetary loss up to the amount of the contract security. Depending on the individual clients, an amount equivalent to 2% or 5% or 6% of the contract sum may be payable as contract security for each contract at the beginning of our engagement. As at 31 March 2019, 2020 and 2021 and 31 August 2021, our Group placed contract deposit amounting to approximately HK\$11.4 million (including approximately HK\$7.2 million paid by the non-controlling shareholder of IWS Carpark (JV) on our behalf), HK\$13.8 million, HK\$10.1 million and HK\$10.1 million, respectively as our contract security.

As we aim to secure more contracts from the public sector and/or large contracts, we expect there will be an increase in request for contract security. Should we fail in our liquidity management, these requirements on contract security may put a strain on our cash resources and

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liquidity. In the event that we fail to observe our obligations as stipulated in our contracts, the contract securities we placed may be forfeited. Accordingly, this may adversely affect our cash flows and financial position.

We are exposed to risks in relation to work safety and occurrences of accidents

There are inherent risks of work injuries or accidents which may occur in the course of our business operations due to the nature of the services being performed, particularly in the provision of security services as our employees may be required to work in dangerous environments. A majority of the security services and facility management services that we provide are through our own employees and they may be required to undertake certain tasks including, but not limited to the following: (i) working at height or on slippery surfaces or in the dark; (ii) operating electrical appliances when undertaking minor maintenance works; (iii) lifting heavy objects; (iv) working in new and unfamiliar environments; (v) defending and protecting individuals against aggressors; (vi) handling disputes amongst residents or tenants in the properties and car parks we manage and/or operate; (vii) maintaining order in crowded events; and (viii) working in environments with potential exposures to COVID-19.

Our involvement in major accidents or incidents in the course of providing security services and facility management services, particularly if reported by the media, may adversely affect our reputation and our client's perception of the quality of our services. We cannot assure you that any incidents or accidents, which could result in property damage, personal injury or even death to third parties, including residents and aggressors, property owners, or our employees, will not occur again in the future. Accidents resulting in personal injury or loss or damage to property may also arise if our employees fail to follow work safety measures and procedures. Accidents may occur in the ordinary course of our business, we cannot assure you that our employees will fully comply with the safety measures and plans we implement during their execution of the above tasks or any other tasks. In such events, we may be held liable for the losses or be subject to prosecution. We may also be exposed to claims of negligent or reckless behaviour on the part of our employees. We may also experience interruptions to our business operations and may be required by the government authorities to change the manner in which we operate following any incidents or accidents. Any of the foregoing could materially and adversely affect our reputation, business, financial position and results of operations.

Litigation or legal proceedings and negative media coverage could expose us to liability, divert our attention and negatively impact our reputation

In carrying out our ordinary course of business, we may be subject to the risk of being named as a party in regulatory or legal actions, claims and disputes in connection with our business activities, such as labour disputes, personal injury claims or contractual disputes. The occurrence of accidents leading to personal injuries, property damages and/or fatality may materially and adversely affect our business operations as well as our financial position. Such accidents may expose us to litigious claims or legal proceedings. During the Track Record Period and up to the Latest Practicable Date, there were 16 litigation claims against our Group as defendants which involve labour disputes, employee's compensation and personal injury claims. Please refer to the section headed "Business — Occupational health and safety — Litigation, claims and legal compliance" in this [REDACTED] document for further details.

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In particular, given the nature of our services, we may also from time to time be involved in disputes with and claims raised against our business associates such as subcontractors or business partners of our clients, clients and suppliers, or other third parties. We may not be at fault or in any way be related to a particular incident or the claimant, but our employees or our Group may be misunderstood as being the employees or employer of the tortfeasor.

If we are involved in any litigation or legal proceedings, the outcome of such proceedings are uncertain and could result in settlements or results which could adversely affect our financial conditions. In addition, any litigation or legal proceedings could involve substantial legal expenses as well as significant time and attention of our management, diverting their attention from our operations, and result in negative publicity against us. Furthermore, our clients place a significant amount of trust on us due to the nature of the services we provide, particularly in relation to security services. Therefore, our relationships with our clients may be adversely affected if we are involved in any legal proceedings or identified in any negative media coverage, and as a result, we may also fail to secure future contracts to provide our services to our clients. Any such dispute, claim or proceeding or negative media coverage may have a material adverse effect on our business, financial conditions and results of operations.

Damage or failure to protect our brand name and trademarks may affect the attractiveness of our services

Our Group's business is sensitive to our client's perception of the reliability and quality of our services. Our Directors believe that our success depends on the value of our brand and reputation for offering quality security services and facility management services to our existing and prospective clients, our "IWS" brand has the market reputation of quality services and maintaining and promoting the brand recognition and good reputation is critical to the future success of our Group. The reputation of our brand is dependent on our Group's ability to provide reliable and quality security services and facility management services which appeal to our client's needs, patterns, and preferences. Inability to do so will adversely impact the reputation of our brand and potentially our business operations.

Apart from the reliability and quality of our services, the registration of trademarks is also vital to protect our brand name. As at 31 August 2021, we registered two trademarks in Hong Kong which we consider are material to our business. However, we cannot guarantee you that the registration of our trademarks can completely protect us against any infringement or passing off. In any case, we are susceptible to infringement of our logos and brands by third parties, whether or not such logos are or will continue to be registered trademarks of our Group. If there is any misuse by third parties of our brand, or if we are unable to detect, deter and prevent misbehaviour and misconduct by our employees, or if we fail to effectively protect our brand and trademarks, our reputation and brand name could still be damaged and our business and financial performance may be materially and adversely affected.

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We have a close association with the Ma Family. Negativity on the Ma Family resulting from certain litigations associated with its members may adversely affect our Group's reputation

The Ma Family includes Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, who are our Controlling Shareholders and/or executive Directors. They have been closely associated with our Group. Due to such close association with our Group, any liability, claim, litigation, negative publicity or disputes associated with any of them or any of their respective associate or business may create a material adverse effect on our Group's reputation, business, growth prospects, results of operations and/or financial condition. As at the Latest Practicable Date, some members of the Ma Family were associated with certain litigations and disputes. For details, please refer to the section headed "Directors and Senior Management" in this [REDACTED] document. The outcome of certain litigations are uncertain and may result in negativity on the Ma Family. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma are our executive Directors, such negativity may adversely affect our Group's reputation which may in turn affect our business operations and financial performance.

We rely on key management personnel and our business operations may be adversely affected if we are unable to retain them and identify suitable replacement

Our success is, to a significant extent, attributable to the continued commitment, service and contributions of our executive Directors, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, and senior management including Mr. Choi Ming Fai, Andy, Mr. Kwong Tat Man, Ms. Lee Lai Sheung and Mr. Wong Chi Kong. Our continued success is therefore dependent to a large extent on our ability to retain and motivate our Directors and senior management. Our executive Directors and senior management have extensive knowledge and are very experienced in the security services and facility management services industries and they have all significantly contributed to the development of our business. For their biographies, please refer to the section headed "Directors and Senior Management" in this [REDACTED] document. Their established relationships with our clients and their ability to develop new clientele have played an important role in our Group's attainments. However, we cannot assure you that we will be able to retain the services of our Directors and senior management or that we can continue to develop the experience and skills of our key personnel. Any unanticipated departures of members of the management team without any appropriate and timely replacement may result in loss of strategic leadership and disruption or delay to our business operations and expansion, which may have a material adverse effect on our business operations and profitability.

Our business may be adversely affected by the conduct and actions of and our relationship with our employees, sales agents, suppliers, subcontractors and third parties

Our services are provided through our employees and third parties including our sales agents, suppliers and subcontractors. As our front-line employees who have the most frequent and direct contact with our clients and end users, their actions and conduct would have a direct impact on our Group.

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We are exposed to risk of fraud or other related misconduct by employees, sales agents, suppliers and subcontractors who act on behalf of our Group for conducting sales and marketing activities, and operating activities. We cannot assure you that such instances will not occur in the future. Any misconduct or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

In particular, we engaged sales agents for conducting certain sales and marketing activities including the sourcing of new clients. The sales agents are responsible for referral services which include facilitating our Group in the promotion, arrangement and negotiation of security services contracts with our clients. During the Track Record Period, revenue generated through the sales agents amounted to approximately HK\$9.6 million, HK\$9.5 million, HK\$5.3 million and HK\$2.5 million, respectively, which accounted for approximately 3.3%, 2.0%, 1.4% and 1.2% of our total revenue, respectively. There can be no assurance that our Group will be able to attract, assimilate or retain such sales agents. Accordingly, there is no assurance that our Group will succeed in maintaining continuous services from our sales agents. If we cannot maintain the relationship with our sales agents, suppliers and subcontractors, and we cannot secure other sales agent(s), supplier(s), subcontractors or employee(s) to replace them, our business operations and financial position may be adversely affected.

Our provision of services on a fixed fee basis could subject us to losses if we subsequently incur excess expenses in delivering our services to clients

During the Track Record Period, we charged some of our clients a pre-agreed fixed fee, with no fee adjustment mechanism, regardless of the amount of resources we utilised or additional expenses we incurred in providing our services to our clients. If the actual costs deviate significantly due to our miscalculation or other unexpected circumstances, or in the event the fees we collect are insufficient to cover all the expenses incurred, we may suffer losses which could result in a material adverse effect on our profitability, financial position and results of operations.

We rely entirely on the Hong Kong market. Any material adverse change to the economic, social and political conditions in Hong Kong may adversely affect our business, results of operations, financial performance and profitability

All of our security services and facility management services were provided only in Hong Kong during the Track Record Period and we have no plan to provide such services in other territories in the near future. Therefore, we are exposed to the risks involved in conducting business in Hong Kong. Any material adverse change to the economic, social and political conditions in Hong Kong may adversely affect our business, results of operations, financial performance and profitability. Please refer to the paragraph headed "Risks relating to conducting business in Hong Kong" in this section for further details.

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Security breach, theft, burglary, any loss of property occurring at and/or any damage to the properties or bodily harm or any accidents resulting in personal injury to the personnel secured, guarded, managed and/or served by us could adversely affect our business, results of operations, financial position and reputation

Security breach, theft, burglary, loss or damage of properties, bodily harm and accidents resulting in personal injury (“**Incidents**”) may occur during the course of operating our business. The properties or personnel that we secure, guard, manage and/or serve may be subject to such incidents and the common areas of our managed properties such as the lobby, hall way, outdoor open space, stairway, car park, elevator shaft and equipment may be damaged in a variety of ways

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that are beyond our control, including but not limited to natural disasters, intentional or unintentional human actions. We may be liable for loss suffered by our clients as a result of such Incidents if the loss is caused by our negligence or breach of contract. Please refer to the section headed "Business — Occupational health and safety — Procedure for recording and handling employee injuries or accidents at work" in this [REDACTED] document for details of certain security incidents which took place during the Track Record Period and the section headed "Business — Occupational health and safety — Litigation, claims and legal compliance" in this [REDACTED] document for details of our litigation and claims. If we are liable to pay damages to our clients for such loss, our business, results of operations, financial position and reputation may be adversely affected.

Separately, irrespective of whether an Incident is within our control or whether we are at fault, we may face claims, regardless of their merits, for loss, damage of properties or personal injuries caused by such Incident. Defending such claims, regardless of whether such claims have merits, can be time consuming and costly, and may divert our management's attention and resources. We may also need to divert management attention and resources to assist government authorities in their investigations in connection with any Incident that took place in the properties we secure or damage to the common areas of our managed properties. If we are involved in such claims, even if we are proven not liable for in the end, our reputation, business, results of operations and financial condition may be adversely affected.

Our corporate structure consists of multiple service segments and exposes us to risks relating to multiple industries. Failure to implement a management system that is effective for all our segments may have adverse effect on our business, results of operations and financial condition

During the Track Record Period, our Group consists of multiple service segments, namely (i) security services which include general manned guarding services, manpower support services and event and crisis security services which accounted for approximately 90.6%, 93.9%, 92.1% and 94.2% of our total revenue during the Track Record Period, respectively; and (ii) facility management services which include property management services, car parking rental and management services, cleaning services and hotel management services^(Note) which accounted for approximately 9.4%, 6.1%, 7.9% and 5.8% of our total revenue during the Track Record Period, respectively. Due to the relatively diverse characteristics of our Company, we face challenges not found in companies with a single business line. In particular:

- we are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of our affected operating subsidiaries; and
- due to various types of services involved, successful operation of our Group requires an effective management system that emphasises accountability, imposes financial discipline on our operating subsidiaries, and creates value-focused incentives for management. As we continue to grow, our operations may become more complex, which may increase the difficulty of implementing our management system.

Note: Our provision of hotel management services has been terminated since 1 April 2019 which was a mutual agreement between the hotel owner and us.

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If we fail to manage our exposure in business, market and regulatory risks in the multiple industries we operate in, or if we fail to implement a management system that is effective for all our segments, our business, financial condition and results of operations may be adversely affected.

We may not have adequate insurance coverage and we are affected by increasing insurance costs and reduction of insurance coverage by our insurers

We have maintained insurance coverage for various risks in relation to our operations, employees and protection against accidents and injuries. During the Track Record Period, our total insurance cost (which included the public liability insurance policy and third party motor-vehicle insurance policy) amounted to approximately HK\$0.04 million, HK\$0.1 million, HK\$0.1 million and HK\$0.1 million, respectively. For details of our insurance policies, please refer to the section headed “Business — Insurance” in this [REDACTED] document. However, we do not carry any insurance policies against certain risks, such as acts of terrorism, riot or public disorder. We may also be subject to liabilities against which we are not insured adequately and we would be required to make up for the shortfall of the awarded amount. Furthermore, adequate insurance coverage may not be available on reasonable terms in the future or may only be available at significantly higher premiums for risks currently covered. Should any major claims be made against our Group which are not covered by adequate insurance or at all, our business and financial performance may be materially and adversely affected. Any reduction or limitation of insurance coverage by insurers upon the expiry of our existing policies is beyond our control. Any further increase in insurance costs (such as increases in insurance premiums) or reduction in coverage may materially and adversely affect our Group’s business operations and financial results.

Our future business plans may not materialise within the planned time frame and our expansion plan could contribute to the fluctuations of our future financial results

Our future business growth primarily depends on the successful implementation of our strategies and future business plans as set out in the section headed “Business — Business strategies” in this [REDACTED] document. Our future business plans are based on existing intention of our Directors and some of them are at conceptual or preliminary stages. These business plans and intentions are based on assumptions as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially. Furthermore, our future business plans may be hindered by other factors beyond our control, such as competition from other security services companies and facility management service companies. Therefore, we cannot assure you that our future business plans will materialise, or result in the conclusion or execution of any agreement within the planned time frame, or that our objectives will be fully or partially accomplished. As at 31 August 2021, the unused [REDACTED] from the GEM Listing amounted to approximately HK\$[REDACTED] million. In light of the following: (i) the outbreak of COVID-19 and our failure to secure new facility management services tenders submitted during the Track Record Period which affected our plan to acquire machines and equipment to enhance our capability in providing facility management services; and (ii) the outbreak of COVID-19 which hindered our installation of the mobile application modules to improve operational efficiency and scalability, after due and careful consideration, our Directors have decided to delay, for 12 months, the planned use of the unused [REDACTED] from the GEM

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Listing in relation to the following: (i) the acquisition of machines and equipment; (ii) the upgrade of information technology infrastructure; and (iii) establishment of a control room, whereby such unused **[REDACTED]** will be fully utilised by 31 March 2023. For details of the business plans

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that have been implemented since our GEM Listing up to 31 August 2021 and the Latest Practicable Date, please see the section headed “Business — Implementation of business strategies and use of [REDACTED]” in this [REDACTED] document.

Furthermore, we may incur substantial capital expenditure for our expansion plans, typically consisting of associated capital contribution or commitment as well as investments for, among other things, renovation of the property, expenses of our workforce, acquisition of requisite machines and equipment and investments in automated technology and other information infrastructure. As a result, relevant costs and expenses, such as depreciation expenses and employee benefit expenses, would increase and may potentially impact our financial results more significantly, in particular, subsequent to 31 August 2021 as we have delayed the abovementioned planned use of the unused [REDACTED] from the GEM Listing. For FY2022 and FY2023, it is currently expected that there will be an increase of approximately HK\$[REDACTED] million and HK\$[REDACTED] million in depreciation expenses, respectively. In addition, it is currently expected that there will be an increase of approximately HK\$[REDACTED] million in operating expenses, including approximately HK\$[REDACTED] million for recruitment of security personnel and approximately HK\$[REDACTED] million for expansion of our operation team and sales and marketing team. The amount of the required initial capital investments may be significantly affected by general market conditions and we may not be able to secure sufficient financing for our expansion. Therefore, we expect that our expansion plans and schedule will affect our financial condition and results of operations, and may lead to period-to-period fluctuations in the future.

Potential leakage of personal data may result in potential claims or disputes

During our course of business, we might be in the possession of certain personal data. In particular, our Group has been involved in the provision of COVID-19 Detection Support Services since the outbreak of COVID-19 where, our Directors believe we were in possession of certain personal data of the inbound passengers in order to carry out home visit support services as required by the relevant HK Government Entities. Although we have implemented proper procedures in handling personal data, we may not be able to assure you that all of our employees who having processed the personal data would handle the personal data in strict accordance with the procedures. Therefore, we may be subject to potential claims or disputes in case of personal data leakage. In such events, our business and results of operations may be adversely affected.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

Changes in the rules and regulations, industry standards and advanced technology innovation relating to the security services and facility management services may affect our operations

Our success will depend, in part, on our ability to keep up with the pace of changing regulatory regime, industry standards and technology innovation. The Property Management Services Ordinance (“PMSO”), which aims to regulate property management services, had substantially come into operation on 1 August 2020. To ensure a proper and smooth adaptation to the statutory change, there is a transitional period of three years commencing from the date of implementation of the licensing regime (i.e. from 1 August 2020 to 31 July 2023) during which property management companies or property management practitioners are not required to be licensed. Since we provide property management services, our Company and our employees responsible for the provision of property management services are required to obtain the abovementioned licences before 31 July 2023. During the Track Record Period, we have obtained the property management company licence. For details, please refer to the sections headed “Regulatory Overview — Property Management Services — Licensing regime for property management services under Property Management Services Ordinance (Chapter 626 of the Laws of Hong Kong)” and “Business — Our operation” in this [REDACTED] document.

We cannot provide any assurance that we and our employees would be able to keep up with the pace of changing regulatory regime, industry standards and technological innovation. If there is any delay, we may need to suspend or terminate our existing services. Even if we and our employees successfully obtain the necessary licenses, there is no guarantee that the licences will not be revoked or suspended by the relevant authorities if there are grounds giving rise to such revocation or suspension. In the event that any licence is revoked or suspended, our business operation may have to be suspended or terminated. Moreover, there is no assurance that the Hong Kong Government will not impose additional or stricter laws or regulations on the security services industry and facility services industry in the future. Furthermore, according to the Frost & Sullivan Report, advanced security solutions are reshaping the infrastructure of the building facilities. Increasing number of facility management and security services companies are placing emphasis on the surveillance technology and video analytics, creating strong demand for video surveillance systems. If we do not respond adequately to evolving industry standards and technology innovation, our clients are likely to seek more qualified service providers who are able to respond more effectively to changes in the industry standards and technology innovation and better meet their demand. In such events, our business and results of operations may be materially and adversely affected.

RISK FACTORS

Potential cancellation of the MPF offsetting arrangement may result in an increase in our direct labour costs

Under the current MPF legislation, an employer is entitled to apply for an offset of employee severance payments and long service payments, deductible from the accrued benefits derived from the employer’s MPF contributions (the “**MPF Offsetting Arrangement**”). Please refer to the section headed “Regulatory Overview — Labour, health and safety — Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“**MPFSO**”)” in this [REDACTED] document for more information. Pursuant to the 2017 Policy Address issued by the Hong Kong Government, the Hong Kong Government proposes to progressively abolish the MPF Offsetting Arrangement with the follow three key elements: (i) the said abolition will have no retrospective effect; (ii) the amount of severance payments or long service payments payable for an employment period from the abolition date will be adjusted downwards from the existing entitlement of two-thirds of one month’s wages to half a month’s wages as compensation for each year of service; and (iii) the Hong Kong Government will share part of the expenses on severance payments or long service payments in the ten years after the abolition date to help employers, especially the small and medium enterprises. If the MPF Offsetting Arrangement is abolished or revised in the future, given the labour intensive nature of our business operation, we would incur additional costs, which are estimated to amount to approximately HK\$3.1 million with reference to the amount of MPF contribution of relevant employees made up to 31 August 2021 and valuation of such accrued benefits as at 31 August 2021. In such an event, our direct labour costs may increase, which may materially and adversely affect our results of operations, financial condition and profitability.

We operate in a competitive industry and a highly competitive market may put downward pricing pressures on us

We face significant competition in the security services industry and facility management services industry in Hong Kong. According to the Frost & Sullivan Report, there were approximately 600 security services providers, 900 facility management companies (including property management and car parking rental and management services providers) and 1,000 cleaning companies in Hong Kong in 2020. Individuals providing security services and companies offering security services are regulated under a permit and licence system. In addition, the Property Management Services Authority has officially started implementing the licensing regime on 1 August 2020 for the regulation of facility management services where there will be a three-year transitional period (i.e. starting from 1 August 2020) to allow the industry sufficient time to adapt to the launch of the licensing regime. As at the Latest Practicable Date, this licensing regime has not fully come into force. However, if such regime is effective, without required licences, our competitiveness may be reduced. We also face competition from large facility management services companies that are subsidiaries of property developers in securing property management contracts for private housing estates. Large sized property developers usually appoint one of their subsidiaries or associated companies to manage the properties they develop because the property developers may enjoy the advantage of owning large shares of the property development and maintain substantial control over such properties.

Due to the large number of competitors, we face significant downward pricing pressure thereby reducing our profit margins. Furthermore, if we do not provide a competitive quote relative to our competitors, our services may not be attractive to prospective clients and our

RISK FACTORS

profitability may be materially and adversely affected. Our success depends on our ability to compete effectively against these competitors in terms of the quality of services and on-site staff, price, track record, marketing, brand recognition and reputation. We cannot assure you that we will continue to compete successfully in the future, and if we fail to do so, our business and financial results would be adversely affected.

In addition, as the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**Competition Ordinance**”) has only become fully operational since December 2015, there may be uncertainties on the full effect of the rules in respect of compliance, infringement and its effect on our business, in particular when tendering is one of our major means of securing contracts. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Competition Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which could adversely affect our business, results of operations and reputation. Please refer to the section headed “Regulatory Overview — Competition Ordinance (Chapter 619 of the Laws of Hong Kong)” in this [REDACTED] document for further details.

With the implementation of the Minimum Wage Ordinance, we may fail to retain labour in a cost effective way, or fail to transfer the rising labour costs to our clients, which may adversely affect our profitability

We rely heavily on human resources for the provision of our security services and facility management services, and therefore a substantial proportion of our operating expenses are labour costs. Hong Kong introduced the minimum wage legislation under the Minimum Wage Ordinance which dictated a statutory minimum wage of HK\$37.5 per hour on 1 May 2019 which remains and continues to apply until 30 April 2023. During the Track Record Period, we experienced growth in our labour, reaching 2,676 employees as at 31 August 2021. During the Track Record Period, our employee benefit expenses amounted to approximately HK\$252.1 million, HK\$388.5 million, HK\$250.0 million and HK\$130.8 million, respectively, representing approximately 95.8%, 96.0%, 86.2% and 76.9% of our Total Operating Expenses, respectively. Based on our Directors’ estimation, the average hourly wage of our operational staff in the Track Record Period was approximately HK\$43.0, HK\$74.3, HK\$55.0 and HK\$50.3, respectively, which was higher than the statutory minimum wage by a difference of approximately HK\$8.5, HK\$36.8, HK\$17.5 and HK\$12.8 for the same periods, respectively.

We expect labour costs to continue to represent a significant percentage of our total revenue. We cannot assure you that the statutory minimum wage will not be further increased in the future. Pursuant to the Minimum Wage Ordinance, the Minimum Wage Commission must report its recommendation on the amount of the statutory minimum wage at least once in every two years. Although the statutory minimum wage will remain at the current rate until 2023, the statutory minimum wage may be adjusted in the future having regard to such recommendation. We anticipate that if the statutory minimum wage is further increased or if new labour laws are implemented in Hong Kong in the future, and we are unable to transfer future rising labour costs to our clients, our operating results and hence our profitability will be adversely affected. During

RISK FACTORS

the Track Record Period, certain of our major contracts representing approximately 54.0%, 70.0%, 39.4% and 40.7% of our total revenue, respectively, allow our Group to adjust our service fee as a result of a change in statutory minimum wage. Please see the section headed "Financial

RISK FACTORS

Information — Key factors affecting our results of operations and financial condition — Employee benefit expenses” in this [REDACTED] document for details of the sensitivity analysis to the change in our profit if our labour costs change.

In addition, a majority of our front-line staff are security service personnel with the Security Personnel Permit. As a result of the Minimum Wage Ordinance, it may be more difficult for us to retain employees, such as security service personnel, due to availability of other jobs with less qualification requirements. In such case, we may be forced to offer more competitive salaries to our employees, or else the quality of our services could be affected if no suitable and capable replacement is found in time.

Potential standard working hours legislation may adversely affect our staff costs and profitability

As at the Latest Practicable Date, Hong Kong had not adopted legislation regarding maximum working hours. The Hong Kong Government set up the Standard Working Hours Committee (the “SWHC”) in April 2013. The SWHC is responsible for conducting in-depth discussions and advising the Hong Kong Government on the subject of standard working hours.

On 27 January 2017, the SWHC released a report (the “**Report**”) to recommend, amongst others, that a legislative approach be adopted to mandate employers to enter into written contracts with lower-income employees which specify working hours terms, and that such employees shall receive overtime compensation at a rate no less than the rate of the agreed wages or equivalent time-off in lieu. On 13 June 2017, the Chief Executive endorsed the recommendations made in the Report. The Labour Department of the Hong Kong Government subsequently issued a Legislative Council Paper on 20 June 2017 to accept the Report and set out the working hours policy framework and proposed measures, including a recommendation that lower-income employees be defined as receiving a monthly wage of HK\$11,000 and below, and a plan to formulate 11 sector-specific working hours guidelines in two to three years’ time which includes property management.

We cannot assure you as to whether a statutory working hours bill will be passed into legislation and whether such policy will be further revised in the future. If a statutory standard working hours legislation is implemented, our staff costs may increase due to additional compensation paid to our employees for overtime work, and as a result, our profitability may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

The state of the economy and social and political environment in Hong Kong may impact our performance and financial condition

All of our operations are based in and revenue is derived from Hong Kong. Currently we have no plans to expand into foreign markets. Any major changes to Hong Kong’s economic, social and political landscape will have a huge impact on our business. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely

RISK FACTORS

affected. In addition to economic factors, social unrest or civil movements such as occupation activities and protests may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

RISKS RELATING TO INVESTMENT IN OUR SHARES

The [REDACTED] and [REDACTED] of our Shares may be volatile

The [REDACTED] and [REDACTED] of our Shares may be highly volatile. Factors such as global and local economic conditions, variations in our operating results, earnings and cash flows and announcements of new investments and strategic alliances and/or acquisitions, could cause the [REDACTED] of our Shares to change substantially. Any of such factors may result in large and sudden changes in the [REDACTED] and [REDACTED] at which our Shares is [REDACTED]. We cannot assure you that these factors will not occur in the future. In addition, it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance. As a result, current and prospective [REDACTED] may experience volatility in the [REDACTED] of our Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

[REDACTED] of our Shares may experience dilution if we issue additional Shares in the future to raise funding

If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage of ownership of our existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that have priority over those conferred by the Shares. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of our Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme

We might grant share options to eligible participants under the Share Option Scheme, who may be our employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of our Shareholders, the earning per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the section headed "D. Share Option Scheme" in Appendix IV to this [REDACTED] document.

RISK FACTORS

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders

Immediately upon the [REDACTED] Controlling Shareholders will continue to own, in aggregate, [REDACTED] of our Shares. They will therefore continue to have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders choose to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by, among other things, the Memorandum and Articles of Association, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Memorandum and Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the summary of Cayman Islands company law set out in Appendix III to this [REDACTED] document.

We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries

We are a holding company incorporated under the laws of the Cayman Islands. All of our business operations are conducted through our subsidiaries, and we are dependent upon our subsidiaries for all of our cash flow. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distribution to us depends upon, amongst other things, their distributable earnings and their ability to service their debt obligations. Other factors such as cash flow conditions, restrictions on distribution contained in our subsidiaries' articles of incorporation, restrictions contained in their debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distribution to us.

RISK FACTORS

We cannot guarantee that our dividend policy will remain at the similar level declared and paid by us during the Track Record Period

For the Track Record Period, our Group declared dividends of approximately HK\$8.0 million, HK\$16.0 million, HK\$26.0 million and nil, respectively. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may

RISK FACTORS

be declared and paid by our Group in the future. The decision to pay dividends will be considered in light of the factors such as the results of operations, financial conditions and other factors deemed relevant. Any distributable profits that are not distributed in any given year may 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. There can be no assurance that we will be able to declare or distribute any dividend. Our future declaration of dividends will be at the absolute discretion of our Board.

Sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial Shareholders of our Company could adversely affect the market price of our Shares

The sale of a significant number of Shares by our Controlling Shareholders or substantial Shareholders in the public market after [REDACTED] the perception that such sale may occur, could adversely affect the market price of the Shares. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the [REDACTED] of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

Forward-looking statements contained in this [REDACTED] document are subject to risks and uncertainties

This [REDACTED] document contains certain statements that are "forward-looking" and indicated by the used of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. [REDACTED] are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this [REDACTED] document should not be regarded as representations by our Company that the plans and objectives will be achieved, and [REDACTED] should not place undue reliance on such statements.

[REDACTED] should not rely on any information contained in press articles or other media regarding our Group or the [REDACTED]

There may be press and media coverage regarding our Group or the [REDACTED], which may include certain financial information, financial projections, valuations and other information about our Group that do not appear in this [REDACTED] document. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this [REDACTED] document, we disclaim responsibility for them. Accordingly, [REDACTED] should not rely on any such information and should rely only on information included in this [REDACTED] document in making any decision as to whether to [REDACTED] in our Shares.

RISK FACTORS

We cannot guarantee the accuracy of certain facts and statistics contained in this [REDACTED] document

Certain facts and statistics in this [REDACTED] document have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] (which for the purpose of this paragraph, excludes Frost & Sullivan) has independently verified such information and statistics and none of them gives any representation as to accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this [REDACTED] document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this [REDACTED] document.

INFORMATION ABOUT THIS [REDACTED] DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS [REDACTED] DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Ma Ah Muk (馬亞木)	G/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Sang (馬僑生)	G/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Mo (馬僑武)	Flat A, 7/F., Block 6 Beverly Villas, 16 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Man, Vince (馬僑文)	Flat A, 8/F., Block 7 Beverly Villas, 16 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Yung King, Leo (馬雍景)	1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Ng Ka Sing, David (吳家聲)	Flat D, 3/F Perth Apartments 29 Perth Street Kowloon Hong Kong	Canadian
Ms. Chang Wai Ha (鄭惠霞)	Room 6, 9/F Ying Fuk Court 17 Wing Chuk Street Wong Tai Sin, Kowloon Hong Kong	Chinese
Mr. Yau Siu Yeung (游紹揚)	Flat A, 19/F., Block 3 Beverley Heights 56 Cloud View Road North Point Hong Kong	Chinese

Further information of our Directors are disclosed in the section headed "Directors and senior management" in this [REDACTED] document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

TD King Capital Limited

13/F, Printing House
6 Duddell Street
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong Law:

Iu, Lai & Li Solicitors & Notaries

Solicitors, Hong Kong
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
18 Harcourt Road
Hong Kong

As to Hong Kong Law:

Ms. Yeung Wing Yan Wendy

Barrister-at-law
Room 1003A, 10/F
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

As to Cayman Islands Law:

Conyers Dill & Pearman

Cayman Islands attorneys-at-law
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor

As to Hong Kong law:

Addleshaw Goddard (Hong Kong) LLP

Solicitors, Hong Kong
802–804 Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan Limited
1706, One Exchange Square
8 Connaught Place
Central
Hong Kong

Internal control consultant

SHINEWING Risk Services Limited
17/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

CORPORATE INFORMATION

Registered Office in Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	1/F, Hang Seng Castle Peak Road Building 339 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company website	http://www.iws.com.hk/ <i>(Note: information on this website does not form part of the [REDACTED] document)</i>
Company secretary	Mr. Wong Chi Kong (CPA) (王志剛) 1/F, Hang Seng Castle Peak Road Building 339 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Authorised representatives	Mr. Ma Yung King, Leo (馬雍景) 1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong Mr. Wong Chi Kong (CPA) (王志剛) 1/F, Hang Seng Castle Peak Road Building 339 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Compliance adviser	Red Solar Capital Limited Unit 402B, 4/F, China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Compliance officer	Mr. Ma Yung King, Leo (馬雍景) 1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong
Audit committee	Ms. Chang Wai Ha (鄭惠霞) (Chairlady) Dr. Ng Ka Sing, David (吳家聲) Mr. Yau Siu Yeung (游紹揚)

CORPORATE INFORMATION

Remuneration committee

Mr. Yau Siu Yeung (游紹揚) (*Chairman*)
Dr. Ng Ka Sing, David (吳家聲)
Ms. Chang Wai Ha (鄭惠霞)
Mr. Ma Ah Muk (馬亞木)

Nomination committee

Mr. Yau Siu Yeung (游紹揚) (*Chairman*)
Dr. Ng Ka Sing, David (吳家聲)
Ms. Chang Wai Ha (鄭惠霞)
Mr. Ma Ah Muk (馬亞木)
Mr. Ma Kiu Sang (馬僑生)

Risk management committee

Dr. Ng Ka Sing, David (吳家聲) (*Chairman*)
Ms. Chang Wai Ha (鄭惠霞)
Mr. Yau Siu Yeung (游紹揚)
Mr. Ma Kiu Sang (馬僑生)
Mr. Ma Yung King, Leo (馬雍景)

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

Principal banker

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

INDUSTRY OVERVIEW

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

SOURCE OF INFORMATION

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

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

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

OVERVIEW OF HONG KONG SECURITY SERVICES MARKET

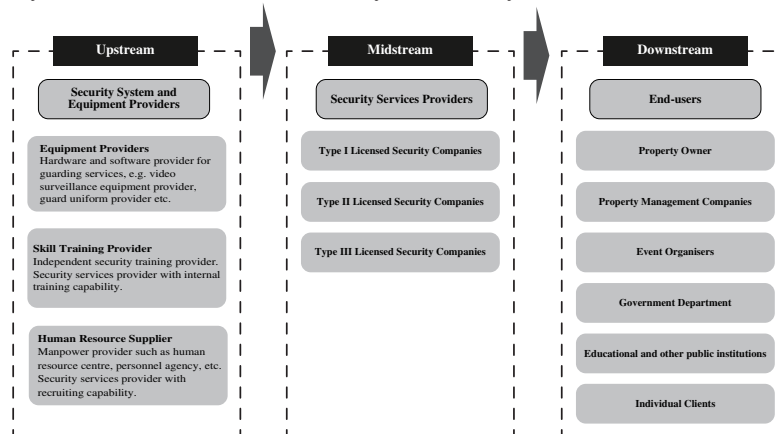
Security services refer to (i) the guarding of any property, person or place for the purpose of preventing or detecting the occurrence of any offence, as well as maintaining public hygiene and adopting screening services, especially during pandemic such as the COVID-19; (ii) the installation, maintenance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

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

Value chain analysis

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



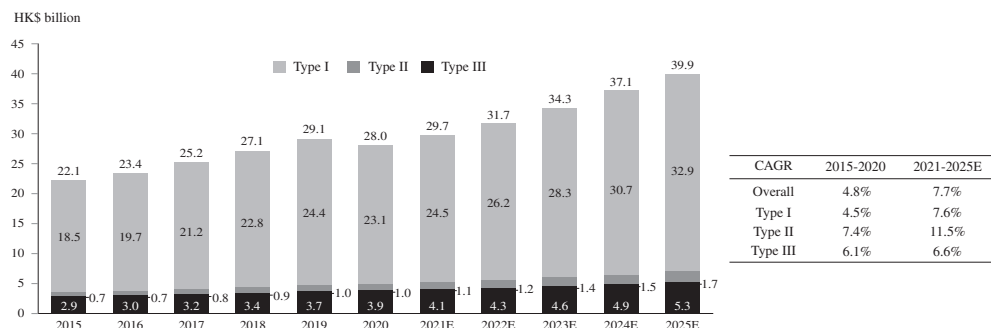
Source: Frost & Sullivan

Market size

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

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

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



Source: Frost & Sullivan

Market size in public sector

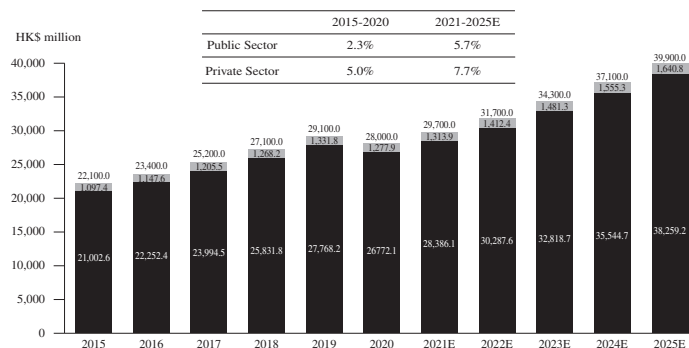
The security services market in public sector has enjoyed continuous growth from rising expenditure on security guard services in public and transportation facilities including immigration control points and public amenities, due to the rising importance of security management in public transport facilities.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

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

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

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



Source: Frost & Sullivan

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

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

(i) Public transportation development

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

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(ii) Real estate development

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

Market drivers and trends

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

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

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

Market opportunities and challenges

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

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

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

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

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COMPETITIVE LANDSCAPE OF HONG KONG SECURITY SERVICES MARKET

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

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

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

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

Source: Frost & Sullivan

Notes:

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

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

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

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

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

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

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

Notes:

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

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

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

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

Entry barriers

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

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

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

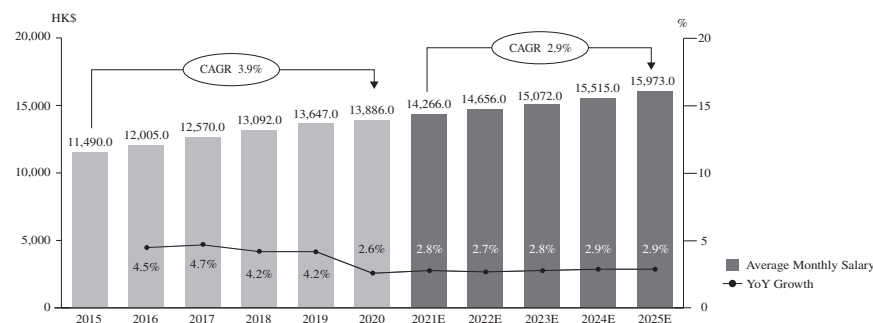
Track record — The track record and project references serve as a pivotal assessment criterion in a tendering process. Potential clients are likely to search for security service providers with relevant experiences in each category of services, i.e., security license of Type I security work, Type II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

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

Cost analysis

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

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



Source: Census and Statistics Department of Hong Kong

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OVERVIEW OF HONG KONG FACILITY MANAGEMENT SERVICES MARKET

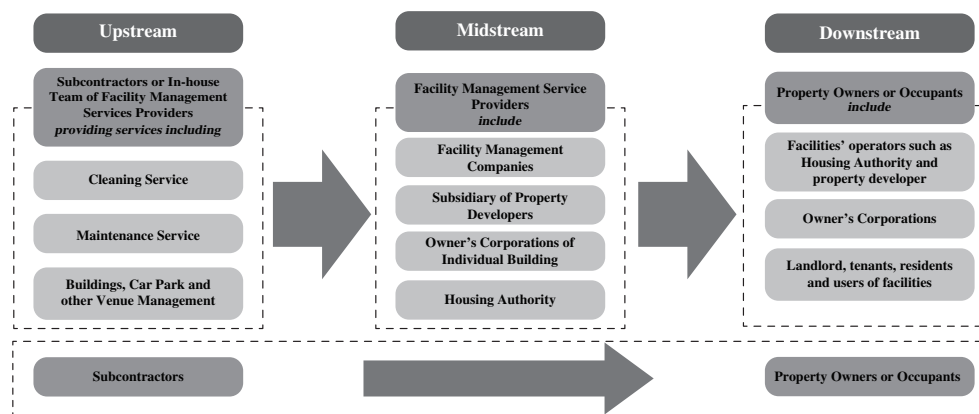
Facility management is the integrated management of various activities or interactions arising from the use or occupation of premises. Facility management services generally include (i) property management services; (ii) car parking rental and management services; (iii) cleaning services; and (iv) hotel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

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

Value chain analysis

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

Value Chain Facility Management Market



Source: Frost & Sullivan

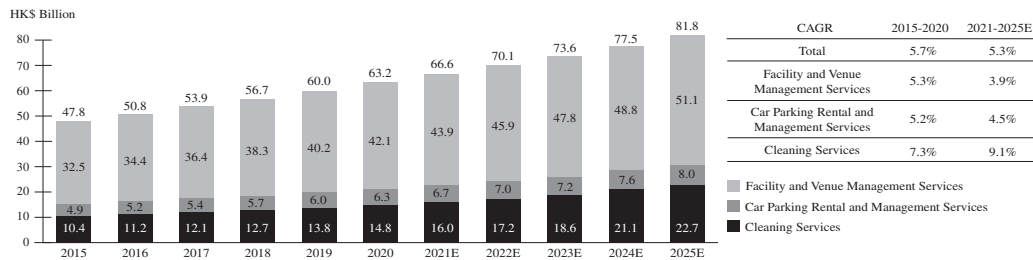
Market size

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

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

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



Source: Frost & Sullivan

Market drivers and trends

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

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

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

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

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

Market opportunities and challenges

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

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

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

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

COMPETITIVE LANDSCAPE OF HONG KONG FACILITY MANAGEMENT MARKET

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

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

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

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

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

Source: F&S

Note:

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

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

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

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

Entry barriers

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

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

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

COMPETITIVE STRENGTHS OF OUR GROUP

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

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

INDUSTRY OVERVIEW

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

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

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

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

REGULATORY OVERVIEW

This section summarises certain aspects of the principal laws and regulations of Hong Kong which are relevant to our business and operations. As this is a summary, it does not contain the detailed analysis of the Hong Kong laws which are relevant to our business and operations.

LABOUR, HEALTH AND SAFETY

Due to the labour-intensive nature of our business, we are heavily regulated by laws and regulations of Hong Kong in terms of labour, health and safety.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

According to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a sub-contractor on any work involving, inter alia, external cleaning of any building, dock or pier which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior sub-contractor jointly and severally. However, such payment of wages is recoverable from the sub-contractor pursuant to section 43F of the Employment Ordinance.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO")

Under the MPFSO, employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in the MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a registered MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

MPF offset mechanism for certain payments under the Employment Ordinance

According to section 12 of the MPFSO, there is allowance for offsetting of payments for an employer who is liable to pay an employee severance payments or long service payments under the Employment Ordinance. The employer is entitled to apply for an offset of such payments with the accrued benefits derived from the employer's contribution made to a mandatory provident fund scheme for the employee. After paying the employee such payments, the employer may apply to the trustee of the mandatory provident fund scheme with supporting evidence for repayment of the relevant amount from the employee's accrued benefit derived from the employer's contributions. If the accrued benefits derived from the employer's contribution are insufficient to cover such payments payable by the employer, the employee is entitled to recover the difference from the employer.

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Offences and penalties for non-compliance with MPFSO

Contribution surcharge for mandatory contribution due

According to section 18 of the MPFSO, if the employer does not pay the mandatory contribution when it is due, he is liable to pay to the MPF Scheme Authority (the "MPFSA") as contribution surcharge an amount determined by multiplying the arrears by 5%.

Failure to contribute for employees on time

An employer must ensure that contributions in respect of each employee for each contribution period are paid to a registered MPF scheme on or before the contribution day (i.e. the 10th day of the following month). A non-complying employer is liable to a financial penalty of HK\$5,000 or 10% of the amount due, whichever is greater.

Failure to provide monthly pay-records to MPF scheme members

An employer must give monthly pay-records to relevant employees not later than 7 working days after the contribution payment. A non-complying employer is liable to a financial penalty of HK\$10,000 on the first occasion and up to HK\$50,000 for subsequent failures.

Failure to notify the registered MPF scheme of an employee's cessation of employment

An employer must inform the trustee of the relevant registered MPF scheme in writing of an employee's cessation of employment and the date on which the employment ceased or provide such information in the remittance statement for the contribution period that ends immediately following the employee's cessation of employment. A non-complying employer is liable to a financial penalty of HK\$5,000 on the first occasion and up to HK\$20,000 for subsequent failures.

Failure to notify the registered MPF scheme of change of employer's information

An employer must inform the trustee of the relevant registered MPF scheme in writing of changes in employer information such as company name, address and telephone number. A non-complying employer is liable to a financial penalty of HK\$5,000 on the first occasion and up to HK\$20,000 for subsequent failures.

Civil claims and criminal prosecution

The MPFSA may file a civil claim on behalf of employees to a court of competent jurisdiction to recover contributions in arrears and any surcharges. It may also initiate prosecution against employers, including their officers, directors and partners of the companies, who fail to comply with the MPFSO.

- (i) An employer who fails to enroll his/her/its employees in a registered MPF scheme is liable to a maximum penalty of a fine of HK\$350,000 and imprisonment for three years.
- (ii) An employer who fails to pay contribution for his/her/its employees is liable to a maximum penalty of a fine of HK\$350,000 and imprisonment for three years.

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- (iii) If an employer has deducted the employee's mandatory contributions from the wages of an employee but failed to pay them to a registered MPF scheme, he/she/it is liable to a maximum penalty of a fine of HK\$450,000 and imprisonment for four years.
- (iv) If an employer provides false or misleading information in pay-records given to employees, he/she/it is liable to a maximum penalty of a fine of HK\$100,000 and imprisonment for one year on the first conviction; and to a fine of HK\$200,000 and imprisonment for two years on each subsequent conviction.
- (v) If an employer provides false or misleading information to the trustee of the relevant registered MPF Scheme or the MPFSA, he/she/it is liable to a maximum penalty of a fine of HK\$100,000 and imprisonment for one year on the first conviction; and to a fine of HK\$200,000 and imprisonment for two years on each subsequent conviction.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

According to the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Further, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractor's employees who are injured to the execution of the work which the subcontractor has contracted to perform. The principal contractor is nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour which remains and will continue to apply until 30 April 2023) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Under the Immigration Ordinance, a person is lawfully employable if he holds the requisite visa or entry permit to work in Hong Kong, or has the right of abode or right to land in Hong Kong. Section 17I of the Immigration Ordinance provides that any person who is the employer of an employee who is not lawfully employable commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for three years.

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Occupational Safety And Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplaces; and
- Providing and maintaining a safe and healthy work environment.

SECURITY AND GUARDING SERVICES ORDINANCE (CHAPTER 460 OF THE LAWS OF HONG KONG) ("SGSO")

The Security and Guarding Services Industry Authority (the "SGSIA") was established by the SGSO on 1 June 1995. Its functions include, in summary:

- (a) to consider and determine application made to it under the SGSO
- (b) to specify:
 - (i) the criteria that must be satisfied by a person before the Commissioner of Police (or any police officer acting under and in accordance with an authorisation conferred on him in writing by the Commissioner of Police) (the "**Commissioner**") may issue a Security Personnel Permit ("**SPP**") to him;
 - (ii) the conditions subject to which an SPP is to be issued;
 - (iii) the matters to which the Authority shall have regard when determining an application for a Security Company Licence ("**SCL**");
 - (iv) the criteria that must be satisfied before the Commissioner may grant a person an exemption from the SGSO; and
 - (v) the matters to which the SGSIA shall have regard when determining whether the SGSIA should specify any, if so what, period for the purpose of investigation in respect of the application for an SPP or SCL.

In accordance to the SGSO, the SGSIA has established regimes to regulate SPP (the "**SPP Regime**") and SCL (the "**SCL Regime**").

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SCL Regime

According to section 11 of the SGSO, only a company with an SCL (an “**SCL Company**”) shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward. Such an individual must be a holder of a SPP that is valid for that type of work.

According to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person:

- (a) is a holder of a SPP that is valid for that type of work, an SCL Company, or an individual supplied by an SCL Company; or
- (b) is authorised or required to do the work otherwise than for reward.

According to sections 2 and 19 of the SGSO, SCL are issued only to companies incorporated under the Companies Ordinance, the former Companies Ordinance or any other Ordinance. SCL applications shall be made to the SGSIA.

According to Schedule 2 of the Security and Guarding Services (Licensing) Regulation (Chapter 460B of the Laws of Hong Kong), there are three types of security work for which a company may apply for an SCL:

Type I security work	Provision of security guarding services
Type II security work	Provision of armoured transportation services
Type III security work	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device

Matters to which the SGSIA shall have regard when determining an application for an SCL

According to section 21(3) of the SGSO, the SGSIA shall issue an SCL only when it is satisfied that:

- (a) the applicant is a fit and proper person to supply individual to do security work of the type proposed;
- (b) any person who is a controller of the applicant is a fit and proper person to be a controller of a company that supplies individuals to do security work of the type proposed;
- (c) the security equipment and methods used or proposed to be used by the applicant are adequate; and

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- (d) the applicant's proposed method of supervising the individuals it supplies to do security work is suitable.

Furthermore, the SGSIA will also have regard to the following matters when determining application for an SCL for Type I security work:

- (a) the applicant must be a company registered in Hong Kong;
- (b) the applicant should have a sound financial background and be able to furnish an appropriate financial reference from a Hong Kong bank or similar institutions;
- (c) the controller(s), the directors and executives are of good character, having regard to his criminal record and other relevant factors;
- (d) the applicant is appropriately insured for the extent of its business subject to a minimum of HK\$10 million per incident for public liability. Insurance should also include employee compensation;
- (e) the applicant should have a place of business, the size, layout, and facilities of which is commensurate with its scale and nature of operations;
- (f) the applicant, if required by nature of its work, should have a control room of adequate size which meets the requirements of SGSIA;
- (g) the applicant, when monitoring remote alarms off site, should have a central alarm monitoring station (the "CAMS") which meets requirements of the SGSIA;
- (h) the armoury should, if required, in all respects, fully comply with the requirements as laid down in the Firearms and Ammunition Ordinance (Chapter 238 of the Laws of Hong Kong);
- (i) all personnel engaged in security work must have a valid permit;
- (j) the applicant must carry out its own employment vetting, which includes, where possible, employment history, reference check or other acceptable modes of character check and residential address check;
- (k) the applicant must have a nominated training officer responsible for the training of all operational staff;
- (l) all training must be held in a suitable training facility;
- (m) all employees, before performing operational duties, must undergo and pass an initial basic training course of not less than 16 hours (except when he produces a valid certificate issued to him in respect of a training course accepted by the SGSIA within 5 years);

REGULATORY OVERVIEW

- (n) all employees deployed to operate a CAMS must undergo and pass relevant training in addition to that prescribed under item (m) above before performing related operational duties;
- (o) results of these courses must be recorded in the employee personnel files;
- (p) the applicant must maintain 2 full copies of assignment instructions for each duty post (one in management records and one at the duty area), which should cover, among others, name of the employer, address of the duty area, telephone procedures, action in emergencies, fire precautions and crime prevention;
- (q) the applicant must supervise all patrols on a shift basis through a minimum of one visit per week by supervisor from an off-site location if teleprotection is available, and one visit per shift if otherwise;
- (r) occurrence books must be maintained at every duty post;
- (s) all incidents must be recorded and investigated;
- (t) confidential documents no longer required must be shredded before being discarded; and
- (u) the applicant should have contingency plans for fire and other disasters.

Conditions for issuing a SCL

The issuance of SCL will be subject to the following conditions (together with any such conditions the SGSIA may impose):

The licensee must:

- (a) display its SCL in a prominent position inside its principal place of business;
- (b) only supply individuals to perform the type of security work as specified in its SCL;
- (c) enter its name and the period of employment on the SPP of security personnel under its employ;
- (d) notify the Commissioner in writing of:
 - (i) any criminal proceedings against the controller(s), directors and executives, and all SPP holders of the company within 14 days after the licensee has become aware of the institution of such proceedings;
 - (ii) the name of the persons whom it employs to do security work and the date on which the employment commenced within 14 days after the commencement of the employment; and

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(iii) the name of the persons whom it ceases to employ to do security work and the date on which the employment ceased within 14 days after the cessation of the employment (items (ii) and (iii) are collectively referred to as the "Notification Requirements");

(e) not act contrary to the requirements of its work as a security company.

A SCL is not assignable or transmissible, and is valid for five years (or such shorter period as the SGSIA may specify, and subject to payment of prescribed fee). An application for renewal of a SCL shall be made to the SGSIA not earlier than 6 months and not later than 3 months before the SCL is due to expire.

Penalties

Under section 31(1) of the SGSO, any person who operates a company which supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward without a valid SCL commits an offence and is liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years.

Pursuant to section 31(2) of the SGSO, any person who fails to notify the Commissioner of the Notification Requirements (together with the relevant date of commencement/cessation giving rise to such Notification Requirements) commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 3 months.

SPP Regime

Under section 10 of the SGSO, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so (i) under and in accordance with an SPP issued by the Commissioner in accordance with the SGSO; or (ii) otherwise than for reward.

As set out above, pursuant to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person, among others, is a holder of an SPP that is valid for that type of work, a holder of SCL, or an individual supplied by a holder of SCL.

Application for a SPP shall be made to the Commissioner. Under the SGSO, no SPP shall be issued to a body of persons, whether corporate or unincorporate.

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Under the current SPP Regime, the following are the four categories of security work in which a person holding an SPP may perform:

- | | |
|------------|--|
| Category A | Guarding work restricted to a “single private residential building”, the performance of which does not require the carrying of arms and ammunitions |
| | <i>Note:</i> A “single private residential building” means an independent structure (i) covered by a roof and enclosed by walls extending from the foundation to the roof; (ii) used substantially for private residential purpose; and (iii) with only one main access point. |
| Category B | Guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunition and which does not fall within Category A |
| Category C | Guarding work, the performance of which requires the carrying of arms and ammunitions |
| Category D | Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device |

Criteria for issuing a SPP

An SPP applicant has to satisfy the Commissioner that he is a fit and proper person to do a type of security work pursuant to section 14(5) of the SGSO.

Set out below are the major criteria in relation to a Category A and Category B of security work, which must be satisfied by a person before the Commissioner may issue to him an SPP under the SGSO to do that type of security work:

(A) Guarding work in respect of Category A

- | | |
|--------------|--|
| (i) Age | (i) The applicant must be 18 years of age or above on the date of application. |
| | (ii) If the applicant or SPP holder is 65 years of age or above, he must produce a medical certificate issued by a registered medical practitioner to certify that he is fit to undertake the duties required every 2 years. |
| (ii) Fitness | The applicant must be physically fit to perform the job. A medical certificate issued by a registered medical practitioner may be required if the Commissioner reasonably considers necessary. |

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- (iii) Good character The applicant must be of good character having regard to his employment history, criminal records and other relevant factors.
- (iv) Proficiency in security work The applicant must satisfy one of the followings:
- (i) He must have sat and passed a trade test recognised by the SGSIA and announced in a manner that it thinks fit, within 1 year before submitting his application; or
 - (ii) He must have not less than 3 years of cumulative working experience in performing security work lawfully in Hong Kong over the past 5 years immediately before submitting his application; or
 - (iii) He must have not less than 1 year of cumulative working experience in performing security work lawfully in Hong Kong over the past 2 years immediately before submitting his application; or
 - (iv) He must have sat and passed a course-end examination, within 1 year before submitting his application, of a security training course that has met the requirements of a scheme for quality assurance that has been endorsed by the SGSIA and announced in a manner that it thinks fit.

(B) Guarding work in respect of Category B

- (v) Age The applicant must be 18 years of age or above. The upper age limit for engaging in this type of security work is 70.
- (vi) Fitness The applicant must be physically fit to perform the job. A medical certificate issued by a registered medical practitioner may be required if the Commissioner reasonably considers necessary.
- (vii) Good character The applicant must be of good character having regard to his employment history, criminal records and other relevant factors.
- (viii) Proficiency in security work The applicant must satisfy one of the followings:
- (i) He must have sat and passed a trade test recognised by the SGSIA and announced in a manner that it thinks fit, within 1 year before submitting his application; or

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- (ii) He must have not less than 3 years of cumulative working experience in performing security work lawfully in Hong Kong over the past 5 years immediately before submitting his application; or
- (iii) He must have not less than 1 year of cumulative working experience in performing security work lawfully in Hong Kong over the past 2 years immediately before submitting his application; or
- (iv) He must have sat and passed a course-end examination, within 1 year before submitting his application, of a security training course that has met the requirements of a scheme for quality assurance that has been endorsed by the SGSIA and announced in a manner that it thinks fit.

Conditions for issuing an SPP

The issuance of an SPP is subject to the following conditions (together with any such conditions the Commissioner may impose).

The SPP holder must:

- (a) carry his SPP at all times when he is on duty;
- (b) produce his SPP for inspection on demand by any police officer;
- (c) notify the Commissioner in writing of:
 - (i) any change of employer, unless he is employed by a licensed security company; and
 - (ii) any institution of criminal proceedings against him, within 14 days after the relevant event has occurred;
- (d) only perform the type of security work as specified in his SPP;
- (e) not work over 372 hours per month and not normally work over 12 hours per day; and
- (f) not act contrary to the requirements of his duties as a security personnel or remiss in the execution of his duties.

An SPP is not assignable or transmissible, and is valid for a period of 5 years (or such shorter period as the Commissioner may specify). Holder of an SPP should apply to the Commissioner for renewal not earlier than 6 months and not later than 3 months before his SPP is due to expire.

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Penalties

Under section 31(2) of the SGSO, any person who does, agrees to do, or holds himself out as doing or as available to do, security work for another person for reward without a valid SPP commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 3 months.

As disclosed in the section headed “Risk Factors — Risks Relating to our Business” in this [REDACTED] document, IWS Security, a principal operating company of the Group, is a holder of SCL licensed to carry out Type I security work. In the event that our SCL is revoked, suspended or not renewed by the SGSIA, or if we experience material delays in renewing our SCL, our operation and business performance may be materially and adversely affected.

PROPERTY MANAGEMENT SERVICES

Licensing regime for property management services under Property Management Services Ordinance (Chapter 626 of the Laws of Hong Kong) (“PMSO”)

The Legislative Council enacted the PMSO on 26 May 2016. Save from section 6(1)(a), 6(2)(a) and 6(3)(a) of the PMSO, the Ordinance had substantially come into operation on 1 August 2020. To ensure a proper and smooth adaptation to the statutory change, there is a transitional period (“**Transitional Period**”) of three years commencing from the date of implementation of the licensing regime (i.e. from 1 August 2020 to 31 July 2023) during which property management companies (“**PMC**”) or property management practitioners (“**PMP**”) will not be required to be licensed. Upon the expiry of the Transitional Period, it will be a criminal offence to act as PMC or PMP without the relevant license under PMSO.

The Property Management Services Authority (the “**PMSA**”) was established on 24 October 2016 in accordance with section 42 of the PMSO and has since 1 August 2020 implemented the licensing regime concerning PMC and PMP to provide property management services. Further, PMSA is empowered to enforce the PMSO, issue codes of conduct and take disciplinary actions against PMC and PMP committing disciplinary offences. Pursuant to section 43 of the PMSO, its principal functions are:

- (a) to regulate and control the provision of property management services in Hong Kong by the licensing of PMC and PMP;
- (b) to promote the integrity, competence and professionalism of the profession of property management services; and
- (c) to maintain and enhance the status of the profession of property management services.

In addition to the principal functions of the PMSA, Part 7 of the PMSO also sets out the following details relating to the PMSA:

- (i) its powers of authority;

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- (ii) it is a self-financing statutory body and is not a servant or agent of the Hong Kong Government;
- (iii) immunity from civil liability in respect of acts done or omitted to be done by a member of the PMSA or a committee of the PMSA, an officer or employee of the PMSA and a person who is performing any service for the PMSA under a contract for services;
- (iv) a member of the PMSA and a member of a committee of the PMSA who is not also a member of the PMSA must disclose to the authority any interest he/she has which is of a class or description determined by the PMSA and register of such disclosure must be kept by the PMSA and be available for public inspection;
- (v) it may delegate any of its powers to (a) a committee of the PMSA; (b) the chief executive officer of the PMSA; or (c) the holder of any office in the PMSA, designated by the authority; and
- (vi) it must comply with a written direction for performing any of its functions given by the chief executive officer of the PMSA if he/she is satisfied that it is in the public interest to do so.

The PMSA is a self-financing body supported by income from licence fees and a fixed levy at HK\$350. Pursuant to Part 8 of the PMSO, transferees under conveyances on sale of immovable properties (both residential and non-residential) in Hong Kong are liable to pay a levy to the PMSA within a prescribed period of time. Late payment or non-payment of levy are subject to a penalty, the amount of which ranges from two to ten times of the original amount of the levy, depending on the length of delay. The PMSA may recover the amount of any levy or penalty payable as a civil debt due to it or register a certificate of levy and penalty in the Land Registry.

According to section 6(1) of the PMSO, no person may, without a property management company licence ("PMCL") issued in accordance with the PMSO, (i) act as a PMC; or (ii) claim to be a holder of a PMCL ("**PMCL Company**").

Under Schedule 1 of the PMSO, property management services are defined as services prescribed by the PMSA falling within the following categories:

- (i) general management services relating to a property;
- (ii) management of the environment of a property;
- (iii) repair, maintenance and improvement of a property;
- (iv) finance and asset management relating to a property;
- (v) facility management relating to a property;
- (vi) human resources management relating to personnel involved in the management of a property; and
- (vii) legal services relating to the management of a property.

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According to section 7(2) of the PMSO, a PMC whose business does not involve the provision of property management services that fall within more than one category of services in Schedule 1 of the PMSO does not require a PMCL.

According to section 8(1) of the PMSO, the PMSA may, on application, issue:

- (i) a PMCL;
- (ii) a PMP (Tier 1) licence ("**PMP (Tier 1) licence**"); or
- (iii) a PMP (Tier 2) licence ("**PMP (Tier 2) licence**").

Only those PMP, as defined in section 2 of the PMSO as individuals who assume a managerial or supervisory role in a property management company in relation to property management services provided by the company, who take up a managerial or supervisory role in the provision of property management services are subject to licensing. Frontline staff are not required to obtain PMP licences. A PMP has to fulfill all licensing criteria and comply with the licence conditions. According to section 15(2)(b) of the PMSO, criteria for a PMP (Tier 1) licence or PMP (Tier 2) licence may include those relating to the person's academic qualifications, professional qualifications and relevant work experience; and may impose more stringent requirements for a PMP (Tier 1) licence. The licensing criteria, and licence conditions are stipulated in the subsidiary legislation.

The PMSA also maintains a public register of licensees and issues codes of conduct to encourage conformance to a set of industry standards. The PMSA may also make regulations on:

- (i) the information to be contained in, and the documents to accompany, an application for a license or the renewal of a license;
- (ii) the fees payable in an application for a license or the renewal of a license;
- (iii) the criteria for holding a license;
- (iv) the fees payable for the issue of a license or renewed license; and
- (v) the conditions that may be imposed on a license or renewed license.

According to section 11(2) of the PMSO, in determining whether a person is a suitable person to hold a PMCL, the PMSA must have regard to the following in case of a company:

- (i) whether the company is in liquidation or is the subject of a winding-up order;
- (ii) whether a receiver has been appointed in relation to the company;
- (iii) whether, in the five years before the relevant application, the company has entered into a composition or scheme of arrangement with its creditors;
- (iv) whether the company has been convicted of a criminal offence (other than an offence under the PMSO) involving fraud or dishonesty;

REGULATORY OVERVIEW

- (v) whether the company has been convicted of a disciplinary offence or a criminal offence under the PMSO; and
- (vi) whether every director of the company is a suitable person to be associated with the company's business of providing property management services.

Our Directors are of the view that it is likely that IWS PM will be able to meet the aforesaid requirements for the following reasons:

- (i) it is unlikely IWS PM will be in liquidation or is the subject of a winding-up order at the time of the application;
- (ii) it is unlikely that a receiver will be appointed in relation to IWS PM;
- (iii) it is unlikely that in the five years before the intended application, IWS PM has entered into a composition or scheme of arrangement with its creditors;
- (iv) it is unlikely that IWS PM will be convicted of a criminal offence involving fraud or dishonesty;
- (v) it is unlikely that IWS PM will be convicted of a disciplinary offence or a criminal offence under the PMSO; and
- (vi) every director of IWS PM is and is expected to be a suitable person to be associated with IWS PM's business of providing property management services.

During the Transitional Period, anyone meeting the relevant criteria may voluntarily apply for a license. Anyone acting as a PMC or a PMP without the relevant license during the Transitional Period will not be prosecuted. After the Transitional Period, any business entity carrying on the business of providing more than one category of property management services as listed out in Schedule 1 of the PMSO must hold a PMCL, and any individual assuming a managerial or supervisory role in all the property management services provided by such PMC to a property must hold a PMP license. Based on the knowledge of our Directors, we consider that the amount of licencing fees and related costs to be paid in the future by the end of the Transitional Period will not have a material impact on our financial position. Under the licensing regime of PMSO, PMCL Companies and PMPs will be under the scrutiny of the PMSA.

The property management of private properties in Hong Kong

The management of a private property in Hong Kong is regulated by the Building Management Ordinance and governed under the DMCs. The Building Management Ordinance provides the legislative framework setting out the rules and regulations for the incorporation of owners of units in buildings or groups of buildings and for the management of buildings or group of buildings.

REGULATORY OVERVIEW

According to the Building Management Ordinance, an owners' corporation can be formed to deal with building management matters on behalf of all the owners. When an owners' corporation has been formed, the rights, powers, privileges and duties of the owners in relation to the common parts of the building shall be exercised and performed by the owners' corporation. In addition, the owner's corporation may decide whether to engage any paid staff member, property management company or other professional trade or person to assist in carrying out its duties or powers.

A DMC is a document registered with the Land Registry and sets out the rights, interests and obligations of the owners of the units in a building. In a typical situation, an owners' corporation or other owner/tenant body (such as an owners' committee or a mutual aid committee) would be established and a management committee would be elected to represent such body to work with and monitor the performance of the property manager.

In addition to providing property management services, the property manager is also required under the Building Management Ordinance to prepare annual budgets for the management expenses and prepare income and expenditure statements. Furthermore, the Code of Practice issued under the Building Management Ordinance stipulates, among other things, that the procurement of supplies, goods and services by the owners' corporation exceeding certain amounts specified thereunder should be conducted by way of tenders.

To promote the standards of the housing management profession in Hong Kong, the Hong Kong Institute of Housing Ordinance (Chapter 507 of the Laws of Hong Kong) (the "**HKIHO**") was enacted to recognise the qualifications of housing professionals. In addition, the Housing Managers Registration Ordinance (Chapter 550 of the Laws of Hong Kong) (the "**HMRO**") provides for the registration of professional housing managers who have achieved the qualifications and experience recognised by the Hong Kong Institute of Housing and for the disciplinary control of the professional activities of such registered managers.

The Home Affairs Bureau maintains a list of building management agents for the purpose of appointment of building management agents by Secretary for Home Affairs or by order of the Lands Tribunal in Hong Kong pursuant to the Building Management Ordinance.

Building management agents may be appointed by order of the Secretary for Home Affairs pursuant to the Building Management Ordinance. When it appears to the Secretary for Home Affairs in case of any building with a management committee that:

- (a) no person is, for the time being, managing that building;
- (b) the management committee has, in any material particular, failed substantially to perform the duties of a corporation under section 18 of the Building Management Ordinance; and
- (c) by reason of the circumstances mentioned in paragraphs (a) and (b), there is a danger or risk of danger to the occupiers or owners of the building,

the Secretary for Home Affairs may order that, within such reasonable period as shall be specified in the order, the management committee must appoint a building management agent for the purposes of managing that building.

REGULATORY OVERVIEW

Building management agents may also be appointed by order of the Lands Tribunal in Hong Kong under certain limited circumstances specified in the Building Management Ordinance.

A person is eligible to be appointed as a building management agent if his name appears in a list of persons engaged in the business of the management of buildings compiled by the Secretary for Home Affairs from time to time.

Requirements for the procurement of supplies, goods and services by an owners' corporation

The procurement of supplies, goods and services (including the service for property management) by owners' corporations is regulated by the Building Management Ordinance. Pursuant to the Building Management Ordinance, the procurement of all supplies, goods or services required by an owners' corporation in the exercise of its powers and the performance of its duties under the DMC (if any) or the Building Management Ordinance shall be procured by invitation to tender if the value of service exceeds or is likely to exceed:

- (a) the sum of HK\$200,000; or
- (b) a sum which is equivalent to 20% of the annual budget of the owners' corporation, whichever is the lesser.

Whether the tender submitted for such purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the owners' corporation.

The above requirement for invitation to tender is exempted if:

- (a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the owners' corporation by a supplier; and
- (b) the owners' corporation decides by a resolution of the owners passed at a general meeting of the owners' corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution, instead of by invitation to tender.

The contract for the procurement of the relevant supplies, goods or services is not void by reason only that it does not comply with the above requirements. However, subject to order made by the Hong Kong court, the contract may be avoided, i.e. cancelled by the owners' corporation by a resolution of the owners passed at a general meeting of the owners' corporation, only for the reason that it does not comply with the above requirements. The Hong Kong courts may make such orders (including whether the service contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as it thinks fit having regard to various circumstances including whether the owners have benefited from the service contract and whether the owners have incurred any financial loss due to the service contract and the extent thereof.

REGULATORY OVERVIEW

Unless and until the relevant service contract is cancelled by the owners' resolution at a general meeting of the owners, the service contract remains valid and enforceable, and each party is required to fulfil its obligations thereunder.

Apart from the Building Management Ordinance, the HKIHO, the HMRO and the PMSO, there is no other specific legislation in Hong Kong that governs the property management industry. However, property management is a multi-disciplinary business covering a wide variety of trades including the provision of maintenance and security services. The qualifications of the building services engineers, maintenance surveyors, technicians and security guards providing such services are subject to other various legislative requirements.

ELECTRICITY ORDINANCE (CHAPTER 406 OF THE LAWS OF HONG KONG) ("EO")

In the course of providing property management services to our clients, we carry out minor electrical repair and maintenance work, and thus are subject to relevant laws and regulations.

The EO provides that no person shall do personally or offer or undertake to do electrical work personally unless he is a registered electrical worker registered with the Electrical and Mechanical Services Department (the "EMSD") and who is entitled by his certificate to do the work (the "**Registered Electrical Worker**"). The EO imposes criminal penalties for persons contravening the registration requirements for doing business as an electrical contractor or doing electrical work.

Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)

A registration for Registered Electrical Worker is valid for the three year period shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a Registered Electrical Worker shall apply to the director of the EMSD for renewal of his registration within one to four month prior to the date of expiry of the registration.

COMPETITION ORDINANCE (CHAPTER 619 OF THE LAWS OF HONG KONG)

Under the Competition Ordinance, anti-competitive conduct that prevents, restricts or distorts competition in Hong Kong is prohibited. The following arrangements are considered unlawful under the Competition Ordinance:

- (a) unprofitable pricing to gain market share and put pressure on the competitor's ability to compete;
- (b) tying (where one product can only be bought or used if another product is also bought);
- (c) bundling (two or more products offered together at a discount);
- (d) exclusive dealing arrangement or imposition of tougher pricing and terms for certain customers;

REGULATORY OVERVIEW

- (e) sharing of pricing, information and agreement of practices or pricing through trade associations; and
- (f) joint ventures or tenders by competitors capable of bidding independently.

The Competition Commission established by section 129 of the Competition Ordinance (the “**Competition Commission**”) intends to enforce matters that provide the greatest overall benefit to consumers in Hong Kong so as to facilitate fair and healthy competition in the market. Section 39 of the Competition Ordinance empowers the Competition Commission to conduct an investigation into any conduct that constitute or may constitute a contravention of competition rule based on its own volition, complaints from public or referral by the Competition Tribunal established by section 134 of the Competition Ordinance or by the Hong Kong Government. According to the Guidelines on Investigations jointly issued by the Competition Commission and the Communications Authority established under the Communications Authority Ordinance (Chapter 616 of the Laws of Hong Kong), after becoming aware of any possible or potential contraventions, the Competition Commission will conduct an initial assessment. Only when the Competition Commission is satisfied, after the initial assessment, that there is a reasonable cause to suspect a contravention of a competition rule, will it exercise its investigation powers under section 39 of the Competition Ordinance. Any failure to comply with the Competition Commission’s investigation without reasonable excuse amounts to an offence punishable by a fine of up to HK\$200,000 and imprisonment of one year.

PREVENTION OF BRIBERY ORDINANCE (CHAPTER 201 OF THE LAWS OF HONG KONG)

The Prevention of Bribery Ordinance prohibits all forms of bribery and corruption. Any director or employee is prohibited from soliciting, accepting or offering any bribe in conducting a company’s business or affairs, whether in Hong Kong or elsewhere. In particular, in conducting all business or affairs of a company, the director or employee must comply with the Prevention of Bribery Ordinance and must not:

- (i) solicit or accept any advantage from others as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to the company’s business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act, abstaining from doing any act of showing favor in relation to his principal’s business or affairs;
- (ii) offer any advantage to any public servant, which, for the purpose of the Prevention of Bribery Ordinance, includes any employee of a public body, such as the HK Government Entities, as a reward for or inducement to his performing any act in his official capacity or his showing any favour or providing any assistance with the Hong Kong Government or public body;
- (iii) offer any advantage to any staff of any department under the Hong Kong Government or public body while he is having business dealing with the latter; or

REGULATORY OVERVIEW

- (iv) offer any advantage to any other person as an inducement to or a reward for the withdrawal of a tender or the refraining from making of a tender for any contract with a public body or bidding at any auction conducted by any public body. Depending on the offence committed, the maximum penalties for the above offences under the Prevention of Bribery Ordinance range from fines of HK\$100,000 to HK\$500,000 and imprisonment for one year to 10 years.

In addition, under the common law, it is an offence to bribe a person performing a public duty or for such person to solicit or accept a bribe. It is also an offence at common law for person in public office to misconduct himself in the course of his duties. As such, any director or employee of a company is prohibited from conspiring with or soliciting a person in public office to misconduct himself in the course of performing his duties.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, our Directors confirm that the Group was not informed by any party of any investigation against the Group or its employees or directors in relation to any contravention of the Prevention of Bribery Ordinance.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

In April 2008, the Ma Family acquired IWS Security, the first and principal operating subsidiary of our Group to focus on security services in Hong Kong, through an advertisement in the newspaper in 2007. Immediately prior to the acquisition, IWS Security was principally engaged in the provision of property management services with an annual revenue of approximately HK\$3 million. Shortly after the acquisition, leveraging on the experience of Mr. Andy Choi, our chief executive officer, who specialises in, amongst others, crowd management, IWS Security was awarded with a contract for the provision of professional security and customer services to Olympic Live Sites in Hong Kong at Sha Tin Park and Victoria Park in 2008 (the “**HK Olympic Event**”). Please refer to the section headed “Directors and Senior Management — Senior Management” for details of Mr. Andy Choi’s qualifications and experience. IWS Security was then awarded a letter of appreciation for its outstanding performance at the HK Olympic Event and together with the experience accumulated, IWS Security was awarded the contract to provide event and crisis security services at the 2009 East Asian Games accordingly.

In 2016, we further established IWS PM, IWS Cleaning and IWS Carpark to expand into offering of facility management services covering property management services, car parking rental and management services, cleaning services and hotel management services.

BUSINESS MILESTONES

The following table sets forth the important milestones in the development of our business up to the Latest Practicable Date:

Year	Event
2008	<ul style="list-style-type: none">● Acquisition of IWS Security by members of the Ma Family● Provision of professional security and customer services to the HK Olympic Event
2009	<ul style="list-style-type: none">● Provision of event and crisis security services at the 2009 East Asian Games● Started provision of security services at railway stations and facilities; land immigration control points and public amenities for the Railway Corporation and HK Government Entities
2010	<ul style="list-style-type: none">● Provision of security services to a government department responsible for providing leisure and cultural activities in Hong Kong in respect of a three-day rugby event at the Hong Kong Stadium● Provision of security services at a flugtag event at the West Kowloon Waterfront
2011	Expanded into provision of event security services for football matches in Hong Kong

HISTORY AND CORPORATE STRUCTURE

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| 2012 | Expanded into provision of elite protection services to celebrities and overseas football teams |
| 2013 | Started provision of traffic control services to the transport department of the Hong Kong Government |
| 2014 | Provision of security services during a public order event in Central and Admiralty to the Railway Corporation |
| 2015 | <ul style="list-style-type: none">• IWS Security was accredited ISO 9001:2008• Started provision of security services for buses operated at immigration control points by the Railway Corporation |
| 2016 | Commencement of facility management services business by establishing IWS PM, IWS Cleaning and IWS Carpark |
| 2017 | Provision of health screening services to the Health Authority |
| 2018 | Provision of security services to Guangshen'gang XRL and the future Tuen Ma Line operated by the Railway Corporation, and to the Immigration Authority at the Hong Kong-Zhuhai-Macao Bridge |
| 2019 | <ul style="list-style-type: none">• Provision of ambassador service for the Public Transport Fare Subsidy Scheme• Provision of security services at railway stations and facilities to the Railway Corporation in relation to public order events• Listing of our Shares on GEM |
| 2020 | <ul style="list-style-type: none">• Started provision of manpower support services at DTS specimen collection centres and provision of DTS specimen collection and delivery service to the UCTP• Started provision of Station Control Services and COVID-19 Detection Support Services• IWS Cleaning was accredited ISO 9001:2015 |
| 2021 | <ul style="list-style-type: none">• Secured a contract with Railway Corporation for the provision of station assistants services• Started provision of manpower support services at the Community Testing Centres submitting specimens and distribution points of DTS specimen collection packs• IWS Security was accredited ISO 14001:2015• IWS Security was accredited ISO 45001:2018 |

HISTORY AND CORPORATE STRUCTURE

- Secured a contract for the provision of security services at the site of the three-runway system project at the Hong Kong International Airport
- Secured a contract from one of the largest bus companies in Hong Kong providing bus services to the general public in relation to security guarding services at its headquarters and six depots
- Secured two contracts from a statutory body wholly owned by the Hong Kong Government who is responsible for the operation and development of the Hong Kong International Airport for the provision of COVID-19 related manpower support services
- IWS PM obtained Property Management Company Licence for the period from 25 August 2021 to 24 August 2024

HISTORY AND CORPORATE STRUCTURE

CORPORATE HISTORY

The following sets forth the corporate development of each of our Group companies.

Our Company

Our Company (formerly known as IWS Group Limited (國際永勝集團有限公司) with its name changed to the current on 25 April 2018) was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018 and is the holding company of our subsidiaries. On incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each, of which one share was allotted and issued, credited as fully paid at par to an initial subscriber, an Independent Third Party, who then transferred the share to IWS BVI on the same date at par value. As a result of the allocation, our Company became wholly owned by IWS BVI. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma were appointed as Directors on the same date. By ordinary resolution of our then Shareholders passed on 20 September 2019, the authorised share capital of our Company was increased to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares. Pursuant to the GEM Share Offer, 200,000,000 Shares were issued at the offer price of HK\$0.32 each.

Immediately upon the listing of our Shares on GEM, our Company (i) had an authorised share capital of HK\$20,000,000 divided into 2,000,000,000 Shares, of which [REDACTED] Shares have been issued; and (ii) was owned as to [REDACTED] by IWS BVI and [REDACTED] by the public, respectively.

On 19 November 2021, IWS BVI disposed of 40,000,000 Shares at the price of HK\$0.625 per Share through the placing agents to no less than six placees, representing approximately [REDACTED]% of the total issued share capital of our Company.

As at the Latest Practicable Date, our Company was owned as to [REDACTED] by IWS BVI and [REDACTED] by the public, respectively.

IWS Security BVI

IWS Security BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company. As at the Latest Practicable Date, IWS Security BVI is wholly owned by our Company.

IWS PM BVI

IWS PM BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company. As at the Latest Practicable Date, IWS PM BVI is wholly owned by our Company.

HISTORY AND CORPORATE STRUCTURE

IWS Cleaning BVI

IWS Cleaning BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company. As at the Latest Practicable Date, IWS Cleaning BVI is wholly owned by our Company.

HISTORY AND CORPORATE STRUCTURE

IWS Carpark BVI

IWS Carpark BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company. As at the Latest Practicable Date, IWS Carpark BVI is wholly owned by our Company.

IWS Tunnel Management BVI

IWS Tunnel Management BVI was incorporated in the BVI with limited liability on 26 February 2020. On incorporation, it was authorised to issue up to a maximum of 50,000 shares of a par value of US\$1.00 each, of which 50,000 shares was allotted and issued, credited as fully paid to our Company on the same date for a consideration of US\$50,000. It is an investment holding company. As at the Latest Practicable Date, IWS Tunnel Management BVI is wholly owned by our Company.

IWS Security

IWS Security (formerly known as International Wing Shing Property Management Limited (國際永勝物業管理有限公司), with its name changed to the current on 21 April 2008) was incorporated in Hong Kong with limited liability on 18 April 1996. It is principally engaged in security guarding services. On the date of incorporation, 9,999 shares and one share were allotted and issued, credited as fully paid to the initial subscribers, Mr. Lau Ching Bui and Mr. Yim Siu Ming at par value, respectively. The initial subscribers are Independent Third Parties.

Immediately prior to acquisition by members of the Ma Family, IWS Security had an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each, and was wholly owned by Mr. Lau Ching Bui.

On 2 April 2008, Mr. Lau Ching Bui transferred 3,334 shares, 3,333 shares and 3,333 shares to Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively at a consideration of HK\$320,064.00, HK\$319,968.00 and HK\$319,968.00, respectively. Such consideration was determined by reference to the net profit of IWS Security based on its audited accounts for FY2007 and the Type I Security Company Licence possessed at the time of the acquisition and was settled end of 2008. The transfers have been properly and legally completed.

On 10 November 2011, the authorised share capital of IWS Security was increased to HK\$3,000,000.00 divided into 3,000,000 shares of HK\$1.00 each.

On the same day, 996,666 shares, 996,667 shares and 996,667 shares were allotted and issued, credited as fully paid to Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma respectively at par value. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma thereby each held 1,000,000 shares in IWS Security.

HISTORY AND CORPORATE STRUCTURE

On 25 May 2018, IWS Security BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma each transferred 1,000,000 shares in IWS Security, aggregate of which represents the entire issued share capital of IWS Security, to IWS Security BVI in consideration of IWS Security BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Security is wholly owned by IWS Security BVI.

IWS PM

IWS PM was incorporated in Hong Kong with limited liability on 9 August 2016. It is principally engaged in the provision of property and hotel management services. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

On 25 May 2018, IWS PM BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS PM, aggregate of which represents the entire issued share capital of IWS PM, to IWS PM BVI in consideration of IWS PM BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS PM is wholly owned by IWS PM BVI.

IWS Cleaning

IWS Cleaning was incorporated in Hong Kong with limited liability on 4 November 2016. It is principally engaged in the provision of cleaning services. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

On 25 May 2018, IWS Cleaning BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS Cleaning, aggregate of which represents the entire issued share capital of IWS Cleaning, to IWS Cleaning BVI in consideration of IWS Cleaning BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Cleaning is wholly owned by IWS Cleaning BVI.

IWS Carpark

IWS Carpark was incorporated in Hong Kong with limited liability on 30 December 2016. It is principally engaged in the provision of car parking rental and management services. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

HISTORY AND CORPORATE STRUCTURE

On 25 May 2018, IWS Carpark BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS Carpark, aggregate of which represents the entire issued share capital of IWS Carpark, to IWS Carpark BVI in consideration of IWS Carpark BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Carpark is wholly owned by IWS Carpark BVI.

IWS Carpark (JV)

IWS Carpark (JV) was incorporated in Hong Kong with limited liability on 8 March 2019 and one subscriber share in IWS Carpark (JV) was allotted and issued as fully paid with a total share capital of HK\$1 to the initial subscriber, an Independent Third Party. On 14 March 2019, the subscriber share was transferred by the initial subscriber to IWS Carpark at a consideration of HK\$1. On 14 March 2019, IWS Carpark and Oblivian Limited (“**JV Partner**”), a company incorporated in the British Virgin Islands and an Independent Third Party, were allotted and issued 7,999 shares and 2,000 shares in IWS Carpark (JV) respectively for a total consideration of HK\$9,999. IWS Carpark (JV) was incorporated with the intention to engage in public car parks and related services projects.

IWS Tunnel Management

IWS Tunnel Management was incorporated in Hong Kong with limited liability on 5 March 2020. IWS Tunnel Management was incorporated with the intention to engage in a project related to the provision of tunnel management services. On the date of incorporation, 10,000 shares were allotted and issued, credited as fully paid to IWS Tunnel Management BVI. As at the Latest Practicable Date, IWS Tunnel Management is wholly owned by IWS Tunnel Management BVI.

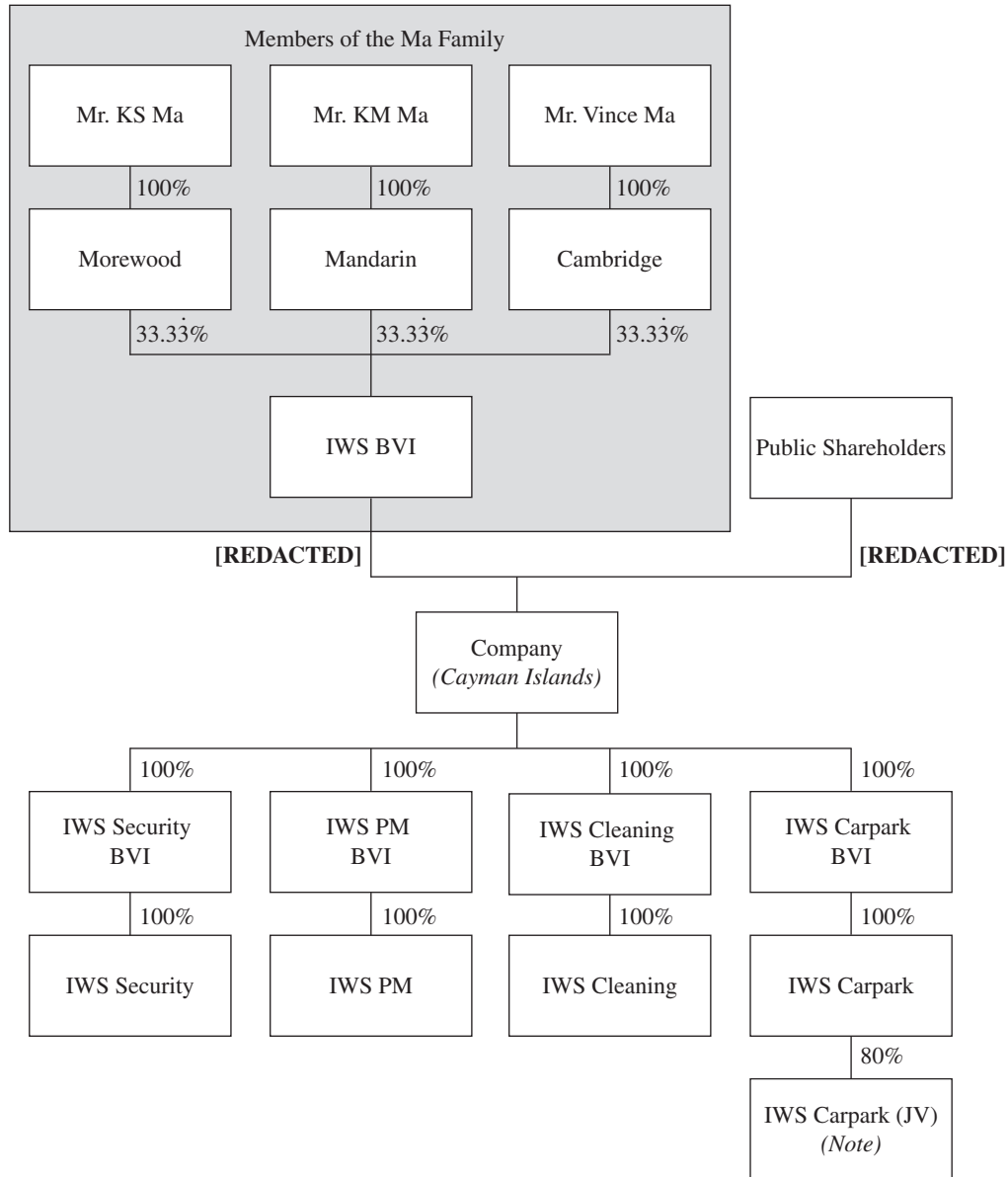
ACTING IN CONCERT ARRANGEMENT OF OUR CONTROLLING SHAREHOLDERS

Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, has been acting in concert with each other in exercising and implementing the management and operation of our Group. Because we were a group of private entities in the past, these arrangements were not formalised in writing and Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma agreed on these arrangements based on their personal and/or family relationships. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have confirmed that they have been acting in concert in all material aspects in the management and/or exercise of voting rights in our Group since the acquisition or incorporation of the relevant member of our Group; and for all important decisions relating to the business, operations, financial matters and development that require approval in the shareholders’ meetings and/or board meetings of the relevant member of our Group, they have been acting in concert and exercised their voting rights to prepare, nominate, vote and to decide in a unitary manner since they obtained shareholders’ rights of the relevant member of the Group. In preparation for the GEM Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma executed the Deed of AIC Confirmation on 28 May 2018, as amended by the Supplemental Deed of AIC Confirmation, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Our Controlling Shareholders — Acting in concert arrangements” in this [REDACTED] document.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

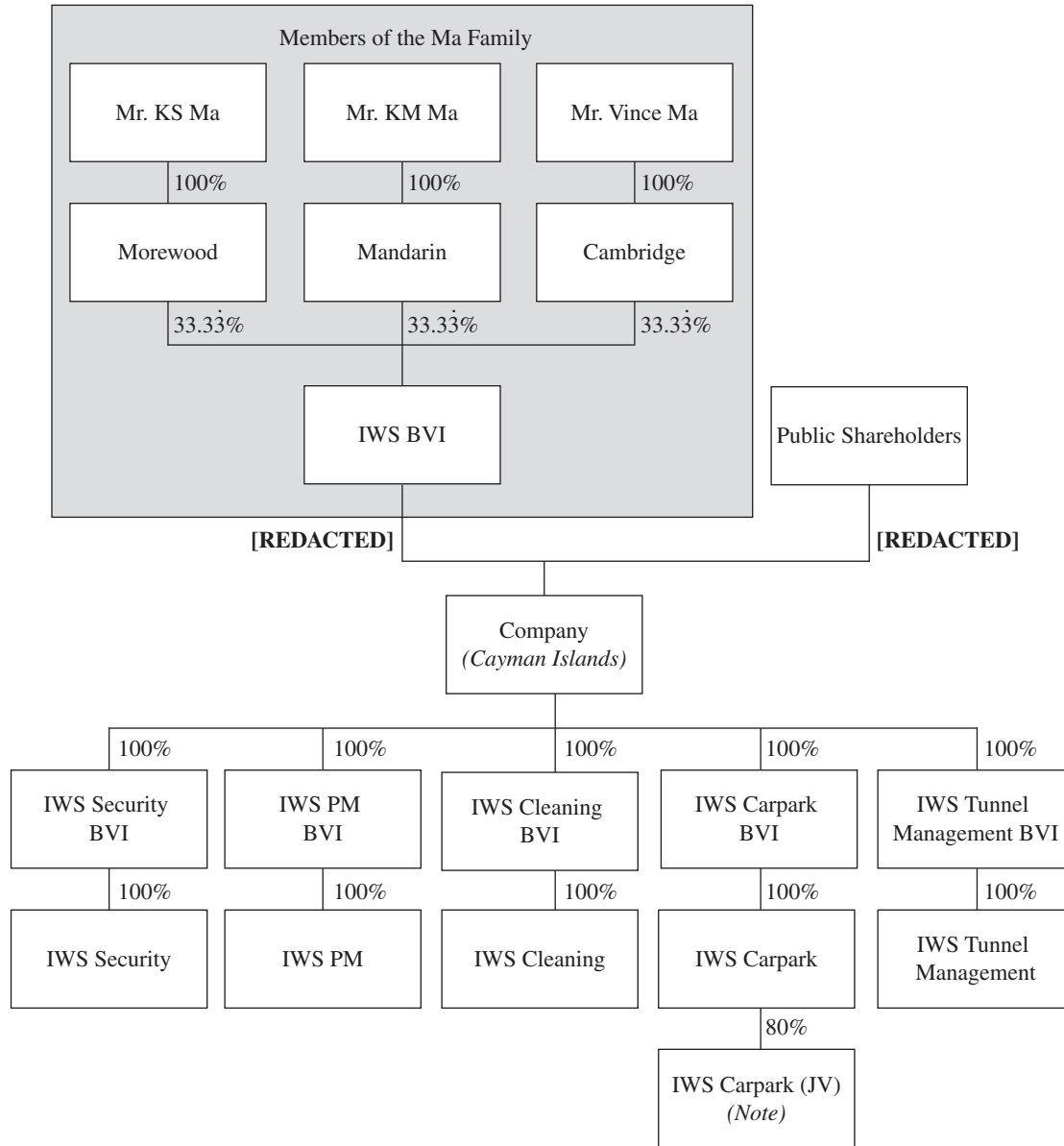
The following diagram shows the shareholding and corporate structure of our Group upon the Listing on GEM:



Note: 20% of the issued shares of IWS Carpark (JV) is held by Oblivian Limited, a company incorporated in the British Virgin Islands and an Independent Third Party.

HISTORY AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group as at the Latest Practicable Date and the expected shareholding structure immediately upon the [REDACTED] of our Shares on the Main Board:



Note: 20% of the issued shares of IWS Carpark (JV) is held by Oblivian Limited, a company incorporated in the British Virgin Islands and an Independent Third Party.

The shareholding of our Controlling Shareholders, namely Morewood, Mandarin, Cambridge and IWS BVI, have remained the same since the date of Listing on GEM. For the latest shareholding distribution of our Company, please refer to the paragraph headed “Share Capital — Shareholding distribution” in this [REDACTED] document.

HISTORY AND CORPORATE STRUCTURE

[REDACTED] FROM GEM TO MAIN BOARD

[REDACTED]

On [REDACTED], an application was made by our Company to the Stock Exchange for the [REDACTED] of, and [REDACTED], the [REDACTED] Shares in issue and Shares which may be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted, on the Main Board by way of the [REDACTED].

Reasons for the [REDACTED]

Our Directors are of the view that the GEM Listing is of assistance to our Group to gain public recognition and profile. With the continuing development and business growth of our Group after the GEM Listing, our Directors consider that since the Main Board is perceived to enjoy more premium status by [REDACTED], the [REDACTED], if approved and if we proceed, will be beneficial to the future growth, financing flexibility and business development of our Group. Our Directors are of the view that the [REDACTED] would, without limitation:

- promote our corporate profile and recognition among public [REDACTED] and increase the attractiveness of our Shares to the public [REDACTED] and thus broaden our investor base and enhance the trading liquidity of our Shares;
- increase our bargaining power in negotiations with suppliers and other business associates, who will have more confidence in our Group's financial strength and credibility; and
- strengthen our position in the industry and enhance our competitive strengths in recruiting and retaining key management staff and experienced personnel.

Given the above, our Directors are of the view that the [REDACTED] will be beneficial to our Group's continued growth and will help create long-term value to our Shareholders as a whole.

Pre-conditions for the [REDACTED]

The [REDACTED] is conditional upon, among others:

- (a) our Company's fulfillment of all the applicable requirements for [REDACTED] on the Main Board as stipulated in the Main Board Listing Rules;
- (b) the Listing Committee granting approval for the [REDACTED] of, and [REDACTED] on the Main Board (i) all Shares in issue; and (ii) new Shares which may fall to be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted; and

HISTORY AND CORPORATE STRUCTURE

- (c) all other relevant approvals or consents required in connection with the implementation of the [REDACTED] having been obtained, and the fulfilment of all conditions which may be attached to such approvals or consents, if any.

As at the date of this [REDACTED] document, we had not adopted any share option schemes other than the Share Option Scheme.

Confirmations from our Company and our Controlling Shareholders in relation to the [REDACTED]

As at the date of this [REDACTED] document, our Directors have no immediate plan to change the nature of the business of our Group following the [REDACTED]. The [REDACTED] will not involve any issue of new Shares by our Company.

As at the Latest Practicable Date, each of our Controlling Shareholders confirmed that he/it has no plan to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in which he/it is disclosed in this [REDACTED] document to be the beneficial owner. Our Company confirmed that it has no plan to raise funds within six months from the date of the [REDACTED].

BUSINESS

OVERVIEW

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

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

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

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

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

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

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BUSINESS MODEL

Our business and services

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

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

Our large and qualified workforce

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

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

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

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

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

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

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

Solid client base and long-standing business relationships

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

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

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

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

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

We are committed to providing a spectrum of quality services including general manned guarding services, manpower support services, event and crisis security services, property management services, car parking rental and management services, cleaning services and hotel management services. Depending on the requirements of our clients, we are able to provide our services on a single, multi-service or integrated basis.

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

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

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

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

Strong and experienced management team

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

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

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

BUSINESS STRATEGIES

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

Expanding our business in security services

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

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

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

Enhancing our capability in providing facility management services

In order to enhance the diversity of our services, having considered the market demand for integrated facility services, the opening up of cross-selling opportunities and the benefits of business diversification, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services, in 2016. According to the Frost & Sullivan Report, the total revenue of the facility management market in Hong Kong experienced a growth from approximately HK\$47.8 billion in 2015 to approximately HK\$63.2 billion in 2020, representing a CAGR of approximately 5.7%. As such, our Directors intend to continue with our current business strategy of becoming an integrated facility services provider.

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

Improving operational efficiency and scalability

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

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

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

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

Selectively pursuing strategic acquisitions and investment opportunities

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

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

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IMPLEMENTATION OF BUSINESS STRATEGIES AND USE OF [REDACTED]

Implementation of business strategies since the GEM Listing

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

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

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

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

Use of [REDACTED]

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

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

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

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

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

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Notes:

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

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

(i) Expanding our business in security services

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

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

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

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(ii) Enhancing our capability in providing facility management services

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

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

(iii) Improving operational efficiency and scalability

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

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

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

(iv) Payment for outstanding bank loan

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

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

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OUR SERVICES

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

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

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

Notes:

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

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Security services

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



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

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

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



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

Facility management services

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



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

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

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



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



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

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Our geographical coverage

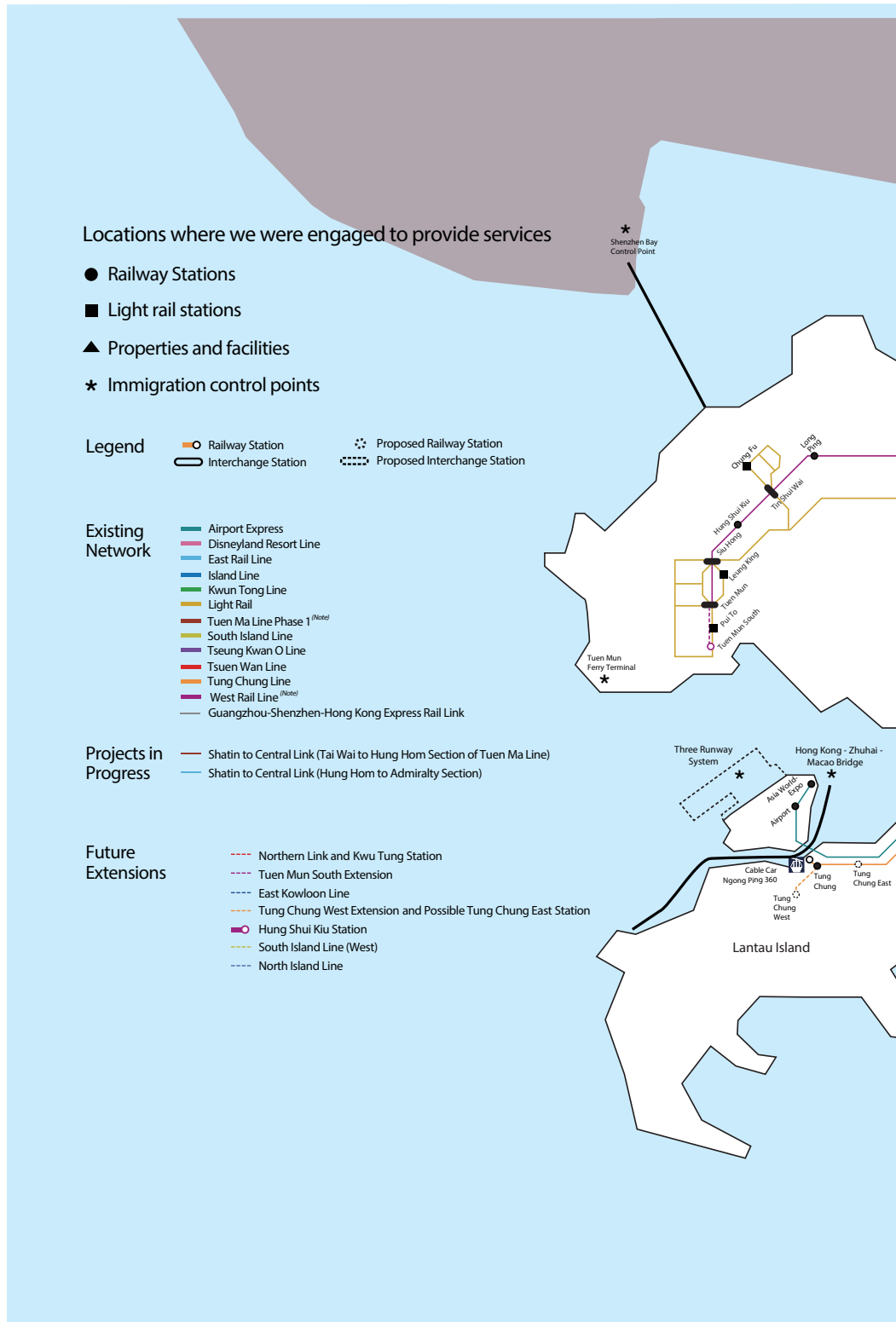
Our Group was engaged to provide services at the following locations in Hong Kong as at 31 August 2021:

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

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

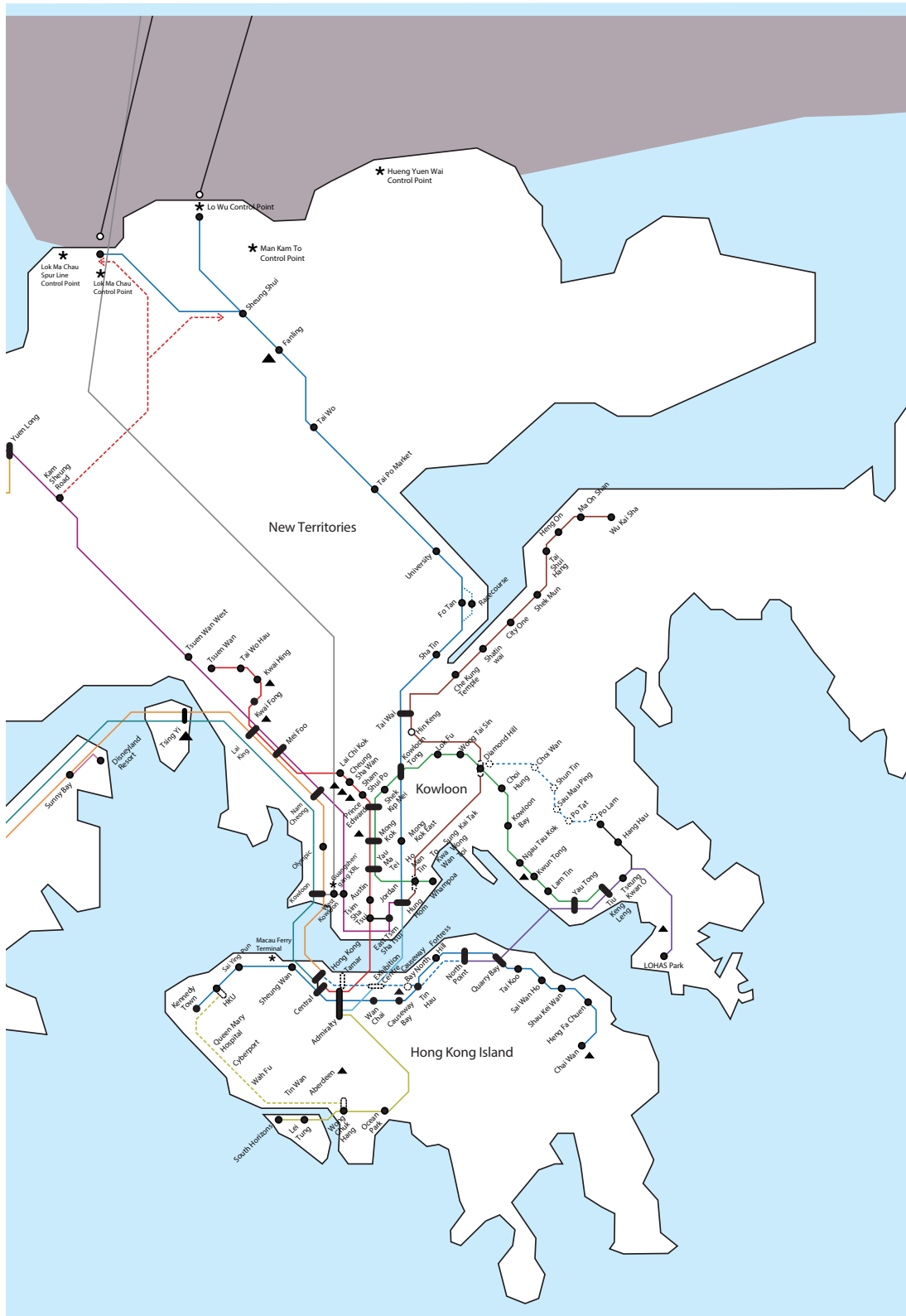
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The following map illustrates our geographical coverage in Hong Kong as at the 31 August 2021:



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

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BUSINESS

CLIENTS

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

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

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

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Our largest clients

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

5M2022

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

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FY2021

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

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FY2020

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

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FY2019

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

Notes:

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

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

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

Client concentration

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

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

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

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Our major contracts

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

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

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

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

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

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

(b) Ongoing contracts as at 31 August 2021

(i) Firstly awarded in FY2019

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

(ii) Firstly awarded in FY2020

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

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

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

Notes:

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

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

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

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

Notes:

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

Our major contractual terms

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

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

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

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

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

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

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

Note:

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

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

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

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

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

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

Notes:

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

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

Pricing policy

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

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

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

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

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

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

Payment and credit policy

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

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

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

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

Marketing

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

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

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

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

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

Material terms of our co-operation with the sales agents

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

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

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

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

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

Seasonality

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

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OUR OPERATION

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

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

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

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

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

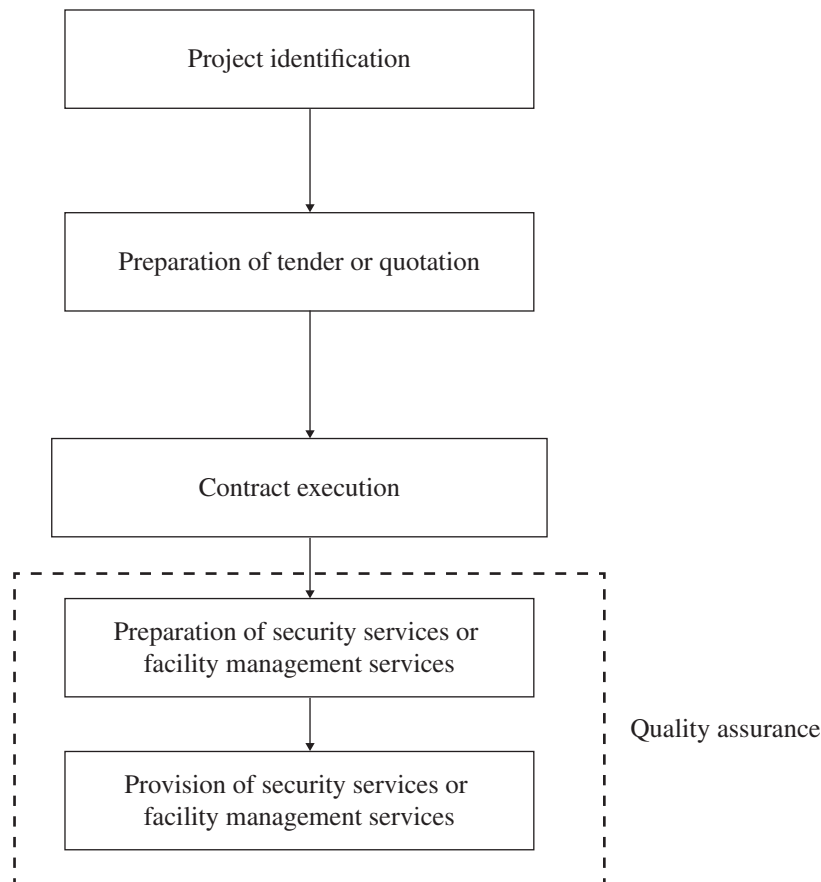
As confirmed by Ms. Yeung Wing Yan Wendy, our legal counsel as to Hong Kong laws, our Group had obtained all the approvals, permits, consents, licences, permissions, authorisations, certificates and/or registrations required for its business and operations during the Track Record Period and as at the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

Our workflow

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

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



Project identification

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

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

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

Preparation of tender or quotation

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

Preparation and provision of services

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

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

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Quality assurance or evaluation and reviews

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

QUALITY ASSURANCE

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

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

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

Recruitment and screening

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

Guidelines and policies for our employees

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

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

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

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

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

Internal monitoring

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

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

Regular external audit

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

Client evaluation and complaint handling system

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

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

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

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SUPPLIERS

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

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

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

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

EMPLOYEES

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

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

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

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

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

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

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

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

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

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

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

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

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

Licences and qualifications of employees

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

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

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

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

Labour dispute

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

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

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OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

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

Procedure for recording and handling employee injuries or accidents at work

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

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

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

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

Litigation, claims and legal compliance

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

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

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

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

INSURANCE

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

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

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

Public liability insurance for security services

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

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Public liability insurance upon customer request or for other services

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

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- insurance with a limit of HK\$50.0 million in any one claim and unlimited number of claims during the period of insurance, covering all railway stations and stops of Hong Kong;
- (3) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our provision of the COVID-19 Detection Support Services to the HK Government Entities;
 - (4) We have also taken out a public liability insurance with a limit of HK\$20.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our services provided to one of the HK Government Entities responsible for fire-fighting and rescue on land in Hong Kong;
 - (5) We have also taken out a public liability insurance with a limit of HK\$30.0 million in any one claim and unlimited number of claims during the period of insurance, which covers our services provided to the HK Government Entities as well as our property management services and car parking management services;
 - (6) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim during the insurance period, which covers our cleaning services provided anywhere in Hong Kong;
 - (7) We have also taken out a public liability insurance with a limit of HK\$10.0 million in any one claim during the insurance period, which covers our facility management services provided to one of the private properties we managed in Hong Kong; and
 - (8) We have also taken out a public liability insurance with a limit of HK\$20 million in aggregate during the insurance period, which covers our security guarding service provided to one of the largest bus companies in Hong Kong.
- **Employees' compensation insurance policy:** The employees' compensation insurance policy which we maintain is in accordance with the Employees' Compensation Ordinance. The policy covers our liability to make any payment in respect of the bodily injury or death of our all employees arising out of an accident.
 - **Group medical insurance policy:** Medical insurance policies are maintained for our full-time employees.
 - **Third party motor-vehicle insurance policy:** Third party motor-vehicle insurance covers any liability, loss, claim or proceedings against us for any third party death or bodily injury, or third party property damage caused by any of our insured drivers in relation to our vehicles for patrolling purposes.
 - **Directors and officers insurance policy:** Directors' and officers' liability insurance policies are maintained for our Directors.

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

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

INFORMATION TECHNOLOGY AND INTELLECTUAL PROPERTY

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

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

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

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

ENVIRONMENTAL PROTECTION

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

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

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

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

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

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

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

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

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

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

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PROPERTIES

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

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

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

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

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

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HEDGING

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

MARKET COMPETITION

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into certain transactions with our connected persons pursuant to the GEM Listing Rules upon the GEM Listing and the Main Board Listing Rules upon the [REDACTED]. After the [REDACTED], we will continue to carry out the following transactions with these parties and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Main Board Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Services Agreement

Certain Ma Companies, namely Yan Yan Motors, Express Top Industries Limited, Golden Way Public Light Bus (Scheduled) Service Company Limited, Sheung Shui Public Light Bus (Scheduled) Service Company Limited, Better Coin Industrial Limited, Koon Wing Motors Limited, Success Transportation Limited, Brilliant Way Public Light Bus (Scheduled) Service Company Limited, Yan Yan Ho Motors Limited, Eco Tree Hotel Limited and Deluxe Tower Limited, have been engaging our Group for the (i) provision of security services, and/or (ii) facility management services for their own real estates and public light bus facilities in Hong Kong during the Track Record Period and up to the date hereof.

Each of such Ma Companies is ultimately owned and controlled by the Ma Family, certain members of whom are executive Directors and/or Controlling Shareholders. Accordingly, each member of the Ma Family is a connected person of our Group under Rule 20.07 of the GEM Listing Rules upon the GEM Listing and Rule 14A.07 of the Main Board Listing Rules upon the [REDACTED]. Hence, the transactions under the Master Services Agreement constitute continuing connected transactions of our Company upon the GEM Listing and the [REDACTED], respectively.

On 28 May 2018, we entered into the Master Services Agreement with the Ma Family (for itself and on behalf of its affiliates) pursuant to which we agreed to provide security and facility management services to the Ma Companies. The Master Services Agreement is effective from the date of the Master Services Agreement and expiring on 31 March 2022, subject to the terms and conditions of the Master Services Agreement. The service fees receivable by our Group from the Ma Companies under the Master Services Agreement was determined after arm's length negotiations between the parties and on a cost-plus basis with no material difference as compared to our Group's other Independent Third Party customers, and with reference to a number of factors, including the then prevailing market price for similar services offered in the market, the then terms shall in any event be no more favourable to the Ma Companies than that offered by our Group to any of our other Independent Third Party customers, the number of workers expected to be deployed for each project, the potential impact of change in statutory minimum wage pursuant to the Minimum Wage Ordinance from time to time, management fees, expected repair and maintenance costs to be incurred and inflation. The aggregate annual cap stated in the Master Services Agreement was approximately HK\$22.0 million, HK\$25.0 million and HK\$28.0 million for FY2020, FY2021 and FY2022, respectively. During the three financial years ended 31 March

CONNECTED TRANSACTIONS

2021, the aggregate annual transaction amounts with the Ma Companies were approximately HK\$17.7 million, HK\$20.4 million and HK\$21.0 million, respectively, which were within the annual caps as set out by the Master Services Agreement.

The Master Services Agreement will expire on 31 March 2022. Upon expiry, we will renew the Master Services Agreement in accordance with the applicable requirements under the Main Board Listing Rules.

Implications under the GEM Listing Rules and the Main Board Listing Rules

Given that the applicable percentage ratios for the Non-exempt Continuing Connected Transactions calculated with reference to Rule 19.07 of the GEM Listing Rules and Rule 14.07 of the Main Board Listing Rules are expected to exceed 5%, the Non-exempt Continuing Connected Transactions have been and will be subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under the GEM Listing Rules upon the GEM Listing and the Main Board Listing Rules upon the [REDACTED].

WAIVER FROM THE STOCK EXCHANGE

Pursuant to Rule 20.103 of the GEM Listing Rules, for the GEM Listing, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us a waiver from strict compliance with the announcement, circular, and independent shareholders' approval requirements relating to the Non-exempt Continuing Connected Transactions, subject to (i) each of the annual caps stated above is not exceeded; and (ii) apart from the abovementioned announcement, circular and independent shareholders' approval requirements of which a waiver is sought, our Company has complied and will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules upon the GEM Listing and the [REDACTED].

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that all the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms (as defined under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules), fair and reasonable and in the interests of our Shareholders as a whole. The aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and are in the interests of our Shareholders as a whole.

CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions (i) have been entered into in the ordinary and usual course of business of our Company and (ii) are based on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers of the management and conduct of the business of our Group. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association.

The table below sets forth certain information in respect of members of our Board:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors
<i>Executive Directors</i>						
Mr. Ma Ah Muk (馬亞木)	90	1 April 2008	23 March 2018	Chairman of our Company and Executive Director	Overall business strategic development of our Group	Father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, and grandfather of Mr. Leo Ma
Mr. Ma Kiu Sang (馬僑生)	65	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KM Ma and Mr. Vince Ma, and father of Mr. Leo Ma
Mr. Ma Kiu Mo (馬僑武)	63	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. Vince Ma, and uncle of Mr. Leo Ma
Mr. Ma Kiu Man, Vince (馬僑文)	59	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. KM Ma, and uncle of Mr. Leo Ma
Mr. Ma Yung King, Leo (馬雍景)	33	23 March 2018	23 March 2018	Executive Director	Overall corporate strategic formulation, business management, execution and operation of our Group	Son of Mr. KS Ma, grandson of Mr. Ma Ah Muk and nephew of Mr. KM Ma and Mr. Vince Ma

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors
<i>Independent non-executive Directors</i>						
Dr. Ng Ka Sing, David (吳家聲)	65	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil
Ms. Chang Wai Ha (鄭惠霞)	53	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Yau Siu Yeung (游紹揚)	35	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil

Executive Directors

Mr. MA Ah Muk (馬亞木), aged 90, is the Chairman of our Company and executive Director and is primarily responsible for the overall business strategic development of our Group. He is the father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, and the grandfather of Mr. Leo Ma.

Mr. Ma Ah Muk founded and has been a director of Yan Yan Motors since its incorporation in 1977. He has over 30 years of experience in the public light bus industry. His public light bus business continued to expand over the years and his green minibus fleet is currently the largest in Hong Kong, operating on major routes in Hong Kong. As an entrepreneur, Mr. Ma Ah Muk ventured into new businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Amongst all, being a strategic investor as he has always been and is constantly on the lookout for investment opportunities that will deliver long-term returns, Mr. Ma Ah Muk ventured into the security services sector in 2008 when he along with the other members of the Ma Family acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients’ different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. Ma Ah Muk has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning, IWS Carpark and IWS Tunnel

DIRECTORS AND SENIOR MANAGEMENT

Management since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. Ma Ah Muk along with our other executive Directors oversees the overall business strategic development of our Group.

Mr. Ma Ah Muk is an advocate of youth development and education, setting up scholarships at The Chinese University of Hong Kong.

Mr. Ma Ah Muk also serves as an Honorary Life President of Hong Kong, Kowloon and N.T. Public & Maxicab Light Bus Merchants’ United Association and Public Light Bus General Association. Mr. Ma Ah Muk was awarded an honorary fellowship from the Hong Kong Academy for Performing Arts in October 2017.

Mr. Ma Ah Muk was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
RICH TYPE INVESTMENT LIMITED (富式投資有限公司)	Catering	15 June 2001
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008
LUCKY CRYSTAL LIMITED (福瑩有限公司)	Investment holding	28 October 2011
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017
HONG KONG WING FAT SIGHT-SEEING BUS COMPANY LIMITED (永發旅運(香港)有限公司)	Travel agency	19 March 2021

Mr. Ma Ah Muk confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family and Mr. Ma Ah Muk, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of this [REDACTED] document.

DIRECTORS AND SENIOR MANAGEMENT

Mr. MA Kiu Sang (馬僑生), aged 65, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KM Ma and Mr. Vince Ma, and the father of Mr. Leo Ma.

Mr. KS Ma has been a director of Yan Yan Motors since 1984. He has over 30 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. KS Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients' different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. KS Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning, IWS Carpark and IWS Tunnel Management since their respective date of incorporation and IWS Carpark (JV) since 14 March 2019. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. KS Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group.

Since 2005, Mr. KS Ma serves as the chairman of Public Light Bus General Association. He has been the division leader and managing director of Hong Kong Chiu Chow Chamber of Commerce since September 2008 and September 2012, respectively. Mr. KS Ma was the vice chairman of Hong Kong Land Transport Council from June 2017 to June 2020. He was also conferred the Medal of Honour by the Hong Kong Government in 2016. Mr. KS Ma attended secondary school education in Hong Kong.

Mr. KS Ma was a director of the following companies incorporated in Hong Kong during their respective dissolutions by deregistration or striking off pursuant to section 291AA or 291(b) of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business or having no business operation since incorporation:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution
SOMAN INVESTMENT LIMITED (崇明投資有限公司)	Investment holding	19 October 2001	Striking off
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008	Deregistration
LUCKY CRYSTAL LIMITED (福瑩有限公司)	Investment holding	28 October 2011	Deregistration

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution
PERPETUAL PROSPERITY PROPERTY AGENCY LIMITED (永勝物業代理有限公司)	Property agency	13 April 2012	Deregistration
MOST SUNNY LIMITED (采盛有限公司)	Investment holding	17 November 2017	Deregistration
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017	Deregistration
TOTAL RICH DEVELOPMENT LIMITED (廣富發展有限公司)	Investment holding	19 January 2018	Deregistration
HONG KONG WING FAT SIGHT-SEEING BUS COMPANY LIMITED (永發旅運(香港)有限公司)	Travel agency	19 March 2021	Deregistration

Mr. KS Ma confirmed that (i) the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of dissolutions, (ii) the above dissolved companies were solvent immediately prior to their dissolutions, and (iii) there was no wrongful act on his part leading to their dissolutions.

Mr. KS Ma was also a director of the following wound-up company, with details as follows:

Name of company	Principal business activity prior to its winding up	Date of winding up	Means of winding up
FU LAM CATERING HOLDINGS LIMITED (富林飲食集團有限公司) ("Fu Lam")	Catering	12 December 2008	Compulsory winding up

Fu Lam was insolvent at the time of it being dissolved. It was incorporated in Hong Kong in January 1996 and was principally engaged in catering business. Mr. KS Ma was a director of Fu Lam since February 1996 and indirectly owned approximately 30.0% interest of the company. On 23 April 2004, compulsory winding-up proceeding was initiated against Fu Lam upon the petition filed by a creditor (the "Creditor") seeking a court order to wind up Fu Lam, which was subsequently ordered to be dissolved by the High Court of Hong Kong on 12 December 2008.

DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. KS Ma confirmed that (i) he was only a passive director and had never been involved in the management of Fu Lam's business; (ii) there was no wrongful act on his part leading to Fu Lam's dissolution or the commencement of the winding up process; and (iii) no actual claim or disqualification order had been made against him as a result of Fu Lam's dissolution.

DIRECTORS AND SENIOR MANAGEMENT

Mr. KS Ma, to the best of his knowledge, information and belief, confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above companies.

For litigations relating to the Ma Family and Mr. KS Ma, please refer to the sub-section headed "Litigations involving our Executive Directors" in this section of this [REDACTED] document.

Mr. MA Kiu Mo (馬僑武), aged 63, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KS Ma and Mr. Vince Ma, and the uncle of Mr. Leo Ma.

Mr. KM Ma has been a director of Yan Yan Motors since 1996. He has over 20 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. KM Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients' different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. KM Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning, IWS Carpark and IWS Tunnel Management since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. KM Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group. Mr. KM Ma attended secondary school education in Hong Kong in 1975.

Mr. KM Ma was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017
HONG KONG WING FAT SIGHT-SEEING BUS COMPANY LIMITED (永發旅運(香港)有限公司)	Travel agency	19 March 2021

DIRECTORS AND SENIOR MANAGEMENT

Mr. KM Ma confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of this [REDACTED] document.

Mr. Ma Kiu Man, Vince (馬僑文), aged 59, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KS Ma and Mr. KM Ma, and the uncle of Mr. Leo Ma.

Mr. Vince Ma has been a director of Yan Yan Motors since 1995. He has over 20 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. Vince Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients’ different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. Vince Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning, IWS Carpark and IWS Tunnel Management since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. Vince Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group.

Mr. Vince Ma obtained a bachelor of science from the University of Guelph in Canada in June 1985 and graduated from the University of Toledo in the United States with a master of science in physics in December 1991.

Mr. Vince Ma was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business or having no business operation since incorporation:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
RICH TYPE INVESTMENT LIMITED (富式投資有限公司)	Catering	15 June 2001
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity prior to its dissolution	Date of dissolution
MOST SUNNY LIMITED (采盛有限公司)	Investment holding	17 November 2017
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017
TOTAL RICH DEVELOPMENT LIMITED (廣富發展有限公司)	Investment holding	19 January 2018
HONG KONG WING FAT SIGHT-SEEING BUS COMPANY LIMITED (永發旅運(香港)有限公司)	Travel agency	19 March 2021

Mr. Vince Ma confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of this [REDACTED] document.

Mr. MA Yung King, Leo (馬雍景), aged 33, is an executive Director and is primarily responsible for the overall corporate strategic formulation, business management, execution and operation of our Group. He is the son of Mr. KS Ma, the nephew of Mr. KM Ma and Mr. Vince Ma, and the grandson of Mr. Ma Ah Muk.

Mr. Leo Ma first joined Koon Wing Motors Limited, the largest operator of green minibuses in Hong Kong, in January 2011, where he was responsible for the public light bus fleet management. He left Koon Wing Motors Limited in March 2012 and re-joined the company in October 2016 and is currently serving as its director. He co-founded Trinity Insurance (International) Agency Limited, a company incorporated in Hong Kong which principally engages in the provision of insurance agency services in Hong Kong, in December 2011. He has also been a director of Corporate Icon Limited, a company incorporated in Hong Kong which principally engages in property holding, since October 2011. Between May 2013 and May 2014, Mr. Leo Ma worked as a product development engineer in Niche-Tech (Hong Kong) Limited (“**Niche-Tech (HK)**”), a company principally engaged in trading of semiconductor packaging materials. Mr. Leo Ma has been a non-executive director of Niche-Tech Group Limited (“**Niche-Tech**”), a company listed on GEM of the Stock Exchange (stock code: 8490) and is the holding company of Niche-Tech (HK), from September 2017 to March 2021. He was responsible for the overall strategic planning of Niche-Tech.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leo Ma obtained a Bachelor of Science in Mechanical Engineering in May 2010 and a Master of Science in Mechanical Engineering in December 2010 from Carnegie Mellon University in the United States.

For litigations relating to the Ma Family, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of this [REDACTED] document.

Litigations involving our Executive Directors

(a) Litigations relating to certain Ma Companies

Our executive Directors are members of the Ma Family who have invested in, directly and/or indirectly, a group of the Ma Companies engaged in a wide spectrum of businesses, including but not limited to, public light bus operations, property investment, finance and lending, property and casualty insurance and food and beverage. See “Relationship with our Controlling Shareholders” in this [REDACTED] document for further details.

Due to their business nature, certain Ma Companies, which include Yan Yan Motors, Crown Score Industries Limited, Fu Lam Investment Company Limited, Express Top Industries Limited, Koon Wing Motors Limited, Rich Type Investment Limited, Fu Kiu Catering Holdings Limited, Chu Kong Vehicle Works Factory Limited, Argos Bus Services Company Limited, Hung Hom Sam York Chiu Kiu Yue Lan Friendly Society Limited, Sino Market Enterprises Limited and Trinity General Insurance Limited, were involved as defendants in over 500 litigation cases or legal proceedings (the “Cases”) which comprise mainly (i) the Cases primarily with respect to claims for property damage or personal injury in traffic accidents, breaches of building and fire safety orders, labour disputes and claims for insurance arising primarily from the usual and ordinary course of business of such Ma Companies concerned which are principally engaged in the operation of public light buses, are investment property holding companies and insurance companies (“**Business-related Cases**”); and (ii) the Cases with respect to claims arising from land disputes or sales and purchases of business interest, claim for service fees and commercial disputes (“**Commercial Cases**”). Our executive Directors served or are serving as directors of these Ma Companies, either jointly or separately.

(1) Criminal Cases

To the best knowledge and belief of our Directors having made all reasonable enquiries, based on the relevant documents discovered up to the Latest Practicable Date, certain Ma Companies were/are involved in approximately over 40 criminal litigations, which concerned (i) breach of building orders and fire safety orders and minor offences prosecuted under summonses for allowing object to fall from height and unauthorised extension of food business outside licensed area for certain Ma Companies, (ii) breach of traffic regulations relating to vehicle systems and parts (e.g. tyres, fittings, components and emissions, etc) of public light buses business operated by certain Ma Companies, (iii) minor offence prosecuted under summonses of not keeping the braking system in good and efficient order and traffic offence of having tyres with wrong tread pattern, and (iv) minor offences prosecuted under summonses for failing to forward annual return, failing to make available the latest test certificate for inspection and parking likely to cause unnecessary obstruction of a road or danger to other persons using the road. All of these criminal Cases were Business-related

DIRECTORS AND SENIOR MANAGEMENT

Cases and had ended and among which, the earliest court action commenced in 1989. As advised by Ms. Wendy W.Y. Yeung (the "**Counsel**"), these criminal litigations were departmental summonses and the punishment involved were fines only. The fines/penalties of these criminal Cases as meted out are modest ranging from approximately HK\$250.0 to approximately HK\$0.02 million in an aggregate amount of approximately HK\$0.2 million. Our executive Directors confirmed that no directors of the Ma Companies concerned had been charged.

DIRECTORS AND SENIOR MANAGEMENT

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(2) Civil Cases

To the best knowledge and belief of our Directors having made all reasonable enquiries, based on the relevant documents discovered up to the Latest Practicable Date, certain Ma Companies were/are involved as defendants in over 470 civil litigations with an aggregate settlement, adjudged and claim amount of approximately HK\$84.8 million, among which the earliest court action commenced in 1990.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

These civil Cases concerned (i) claims for property damage or personal injury and other related claims arising out of traffic accidents of certain Ma Companies mainly involving in public light bus business, (ii) claims for management fees, inspection fees, renovation and repair costs contribution or property damage relating to investment properties owned by certain Ma Companies, (iii) claims for employee compensation and employee-related matters arising out of business operated by certain Ma Companies, (iv) claims for insurance relating to accidents in which third parties (who are insured by certain Ma Company which engages in insurance business) are involved; (v) claims for service fees and damages and (vi) claims arising from discreet disputes on land and related sale and purchase of business interest contracts. In terms of the abovementioned nature, items (i), (ii), (iii) and (iv) were Business-related Cases while items (v) and (vi) were Commercial Cases. Among all the Civil Cases, (i) approximately 300 Cases had ended with settlement and adjudged amounts for each case ranging from approximately HK\$20.0 to approximately HK\$8.5 million in an aggregate amount of approximately HK\$38.3 million and (ii) approximately 115 Cases are pending with claim amounts for each case ranging from approximately HK\$2,700.0 to approximately HK\$3.9 million in an aggregate amount of approximately HK\$46.5 million.

Notes:

1. The number of criminal and civil Cases are counted based on each court case number and are based on the relevant documents discovered up to the Latest Practicable Date. This excluded civil Cases for which the nature cannot be ascertained because either (i) the relevant documents discovered do not indicate the nature (approximately 83 civil Cases) or (ii) court documents of these Cases have been destroyed as informed by the court (approximately 20 civil Cases).
2. The settlement and adjudged amount for settled cases, the claim amount for unsettled cases, the interests and/or costs thereon are excluded if the exact amount of the same are not stated in the relevant documents available.
3. A case is considered to be pending if, as shown in the relevant documents discovered: (a) order for full and final settlement was not handed down; (b) a judgment was not made; (c) the claim was not dismissed, withdrawn or discontinued; (d) a charging order (an order imposed on land/real estate in court) has not been discharged; (e) the case was not transferred or appealed to another court; or (f) no notice of acceptance of money paid into court/sanctioned payment. A case is considered to have ended if the relevant documents discovered show otherwise.

The settlement and adjudged amount for settled cases does not include those cases which (i) had been discontinued, dismissed, or withdrawn without any relevant documents discovered showing the settlement amount (if any); (ii) relevant settlement amount/settlement agreement is not available from the relevant documents available; or (iii) judgment was in favour of the plaintiff in the relevant case but the adjudged amount could not be ascertained from the relevant documents available.

(b) Litigations as shown in the table above relating to Mr. Ma Ah Muk and Mr. KS Ma only

Mr. Ma Ah Muk and Mr. KS Ma were parties to a civil litigation involving commercial dispute on a personal business agreement to acquire shares of a private company in which Mr. Ma Ah Muk and Mr. KS Ma invested. This case commenced in 2013 and was dismissed in 2017.

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(c) Legal advice of the Counsel

The Counsel is of the view that, on the suitability issue of our executive Directors, the most relevant question is whether the Cases have any bearing on the quality of a director of a [REDACTED] Company. This can be gathered from the nature of the actions and the claims made therein. The Counsel is also of the view that, based on the nature of the Cases and the claims made therein, despite a large number of the Cases involved certain Ma Companies, our executive Directors are suitable to act as directors of our Company under Rules 3.08 and 3.09 of the Main Board Listing Rules on the basis of the following facts and considerations:

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- (1) the incidents involved in each of the Cases are discrete and separate and there is nothing to suggest any breach of duty of care on the part of our executive Directors in relation to the incidents or any system failure in the management by our executive Directors;
- (2) save for the civil litigations in which Mr. Ma Ah Muk and/or Mr. KS Ma were parties, none of our executive Directors is party to any of the Cases;
- (3) the Business-related Cases are expected occurrences as being part of usual business hazards in the ordinary course of business by reason of the nature of the business of the Ma Companies concerned which were/are not uncommon. It is, therefore, well nigh impossible to suggest that the Cases happened because of any breach of fiduciary duty on the part of our executive Directors or mismanagement on their part;
- (4) none of the Commercial Cases contains any materials or findings to suggest they had anything to do with the integrity or competence of our executive Directors as directors of companies or the failure, if at all, on their parts to discharge their duties as directors;
- (5) many of the Cases have been concluded or settled, or are old stale actions spanning over a number of years which should have been concluded and even if not, they might not be proceeded with because of want of prosecution as in the least there is nothing to suggest the parties concerned have any intention to proceed with them after many years of inordinate delay;
- (6) none of the Cases involves any disqualification order against our executive Directors to act as directors or being litigations directly or indirectly implying any breach of fiduciary duties owed by them to the Ma Companies involved in the Cases as there is nothing to suggest that our executive Directors (i) did not act in good faith in the interests of the Ma Companies concerned, (ii) exercised powers for improper purpose, (iii) did not avoid conflicts between personal interests and those of the Ma Companies concerned, or (iv) had made secret profits, in the Cases;
- (7) there is nothing to suggest that those actions have any bearing on the performance of our executive Directors as directors of the Ma Companies or entailed a mismanagement of the relevant directors because (a) the Business-related Cases arose out of accidents or incidents which are not uncommon in the usual and ordinary course of businesses of the Ma Companies and when the daily operations and execution of businesses of the Ma Companies were delegated to other staff of the relevant companies at the material time or (b) the Commercial cases are not related to the management of the Ma Companies by our executive Directors. As such, nothing is to do with the integrity or competence of our executive Directors as directors of the Ma Companies or any failure, if at all, on their parts to discharge their duties as directors;
- (8) while the number of Cases is large, besides the fact that they all have nothing to do with the honesty and integrity of our executive Directors, the sheer number does not in one way or another show or prove that our executive Directors are not competent to manage a company in a law-compliant manner nor reflect negatively on their competence and suitability to act as directors of a [REDACTED] company under the Main Board Listing Rules;

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- (9) none of the Cases entailed any allegations and/or suggestions of intentional act, dishonesty, fraud, incompetence or mismanagement of the relevant Ma Companies on the part of our executive Directors as their directors, and such observation is underpinned by the fact that no disqualification order against our executive Directors was involved in the Cases; and
- (10) the criminal Cases (which were all departmental summonses) relating to certain Ma Companies and the civil litigations relating to Mr. Ma Ah Muk and Mr. KS Ma were/are indeed minor which were plainly not serious.

In summary, as advised by the Counsel, although some of the Cases are still on-going, none of them has any bearing or implication on the suitability of our executive Directors to act as Directors under Rules 3.08 and 3.09 of the Main Board Listing Rules as they are not litigations concerning or arising out of their management of the Ma Companies concerned or having any reflection on their personal integrity or competence to act as directors.

(d) Views of our Directors and the Sole Sponsor

Our Directors are of the view that our executive Directors have due regard to relevant laws and regulations, and are competent in operating our businesses in a law-compliant manner and the Cases would not reflect negatively on the competence of our executive Directors and our executive Directors are hence suitable to act as a director under Rules 3.08 and 3.09 of the Main Board Listing Rules. In arriving at their view, our Directors have taken into consideration the following factors:–

- (1) all the Business-related Cases are expected occurrences as being part of usual business hazards arising out of the usual and ordinary course of business of such Ma Companies by reason of the nature of their businesses. Our executive Directors have confirmed that all the Business-related Cases were unintentional and inadvertent. Among the Business-related Cases, majority of the cases were related to claims for property damage or personal injury and other related claims arising out of traffic accidents of certain Ma Companies mainly involving public light bus business. From 1991 (when the earliest case was commenced) and up to 31 December 2019, there were a total of approximately 124 cases which represent approximately 0.4% of over 28,900 road accidents involving public light buses in the same period according to the latest statistics published by the Transport Department. Furthermore, our executive Directors consider that the successful renewal of the passenger service licence of public light bus business operated by the Ma Companies indicates that their internal control measures, such as provision of safety features, have been put in place. In addition, Ma Companies have implemented certain internal control measures to ensure accident rate is kept at the lowest possible, such as passing the requisite road test prior to employment with Ma Companies as a public light bus driver, shorter working hours for public light bus drivers who are over the age of 65, and imposition of accident penalty on the drivers should accidents arise due to negligence and/or carelessness of the relevant driver(s). Our executive Directors confirmed that while they were responsible for the overall management and corporate

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governance of the Ma Companies, the Business-related Cases mostly occurred in the course of the daily operation and execution of businesses of the Ma Companies which were delegated to other staff of the relevant companies at the material time;

- (2) the overall annual road accident rate of public light bus industry in Hong Kong would be approximately 22.5%, 21.2% and 20.3%, respectively, for the period from 2017 to 2019 which is calculated based on the total number of road accidents relating to public light buses in Hong Kong ("**Number of Road Accident**") from 2017 to 2019 divided by the respective number of public light buses registered in the same period according to the data published by the Transport Department. For the same period, the annual road accident rate for the public light buses operated by Ma Companies would be approximately 2.0%, 3.4% and 2.2%, respectively, which are calculated based on the number of cases relating to public light bus operation of Ma Companies from 2017 to 2019 divided by approximately 650 public light buses operated by Ma Companies. The number of Business-related Cases relating to public light buses operated by Ma Companies during 2017 to 2019 represented approximately 1.3%, 2.4% and 1.6%, respectively, of the Number of Road Accident for each of the year of 2017 to 2019. In view of the above, our executive Directors consider that the number of Business-related Cases relating to public light bus operation encountered by Ma Companies is in line with the industry norm if not relatively lower;
- (3) the Commercial Cases are one-off incidents caused by commercial disputes between the Ma Companies and the parties involved and are not expected recurrences repeated by the Ma Companies and our executive Directors confirmed the Commercial Cases did not result in any disruption in the operation of the Ma Companies;
- (4) all the Cases did not involve any allegations or suggestion of dishonesty or fraudulent act on the part of our executive Directors as directors of the Ma Companies. None of the Cases involves any disqualification order against our executive Directors to act as directors or being litigations directly or indirectly implying any breach of fiduciary duties owed by them to the Ma Companies, or did not raise any question as to the integrity of our executive Directors;
- (5) many of the Cases have been concluded or settled, or are old stale actions spanning over a number of years as from 1989 up to now which would either had been concluded and even if not they could not be proceeded with because of want of prosecution as in the least there is nothing to suggest the parties concerned have any intention to proceed with them;
- (6) the criminal Cases relating to certain Ma Companies were/are indeed concerned minor offences and the other Cases did not involve claims of significant amount, all of which, our executive Directors confirmed, did not and will not have any significant financial and operational impact to the relevant Ma Companies;

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- (7) our Group has complied in all material respects with all applicable laws, rules and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, which demonstrated that our executive Directors possess the relevant competence and experience in managing the overall business operations of our Group in a law-compliant manner;
- (8) as stated in "(c) Legal advice of the Counsel" in this section above, the Counsel was engaged to provide legal advice on the suitability of our executive Directors to act as directors of a [REDACTED] company under Rules 3.08 and 3.09 of the Main Board Listing Rules. As confirmed by the Counsel, none of the Cases has any bearing or implication on the suitability of our executive Directors to act as directors of a [REDACTED] company under Rules 3.08 and 3.09 of the Main Board Listing Rules as they are not litigations concerning or arising out of their management of the Ma Companies concerned, having any reflection on their personal integrity or competence to act as directors, thus not suggesting or proving that they are not competent to manage a company in a law-compliant manner nor reflecting negatively on their competence, even though there was a large number of Cases involved;
- (9) training has been provided to all our Directors by our legal advisers as to Hong Kong law on, among other matters, corporate governance, Companies Ordinance, SFO, directors' responsibilities and compliance with the Main Board Listing Rules;
- (10) our Directors have reviewed the memorandum prepared and distributed by our legal advisers as to Hong Kong law which sets out the requisite on-going regulatory requirements in Hong Kong and obligations of our Directors after [REDACTED];
- (11) each of our executive Directors has confirmed that, after attending the directors' training mentioned in item (10) above, he had an understanding of the laws and regulations applicable to companies [REDACTED] in Hong Kong and their directors and he will exercise the skill, care and diligence as reasonably expected from a competent director of a [REDACTED] company and will give proper attention to the daily operations of our Group to ensure due compliance with the Main Board Listing Rules upon [REDACTED];
- (12) our Group has put in place internal control measures to ensure full compliance with applicable laws and regulations going forward, including but not limited, appointment of Red Solar Capital Limited as our compliance adviser; and
- (13) each of our executive Directors confirms that he will ensure compliance of our Group with all applicable laws and regulations, including but not limited to the Main Board Listing Rules, by timely consulting with our compliance adviser and where necessary, seeking independent legal advice from time to time.

Having considered (i) the facts relating to the nature and the circumstances giving rise to the Cases together with insignificant financial and operational impact of such Cases on certain Ma Companies, despite the sheer number of the Cases; (ii) none of the Cases were caused by the intentional act nor the dishonesty, fraudulent act or lack of integrity on the part of any of our executive Directors; (iii) the Business-related Cases relating to public light bus operation encountered by Ma Companies were in line with the industry norm if not relatively lower;

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(iv) the other information, representations and confirmations provided by the Directors; (v) the legal opinion prepared by the Counsel with respect to the suitability of our executive Directors under Rules 3.08 and 3.09 of the Main Board Listing Rules and their competency in operating our business in a law-compliant manner as stated in "(c) Legal advice of the Counsel" in this section above; (vi) other legal opinions prepared by the legal counsel and our legal adviser as to Hong Kong law; (vii) the internal control measures adopted by our Group and the findings of our Group's internal control consultant; and (viii) the independent due diligence inquiries made by the Sole Sponsor as required under Rule 3A.05(2) of the Main Board Listing Rules, nothing has come to the Sole Sponsor's attention which would cause it to cast any doubt that our executive Directors do not have due regard to relevant Hong Kong laws and regulations and are not competent in operating our business in a law-compliant manner and the Cases would undermine the integrity of our executive Directors as well as their suitability to act as directors of a [REDACTED] company under Rules 3.08 and 3.09 of the Main Board Listing Rules.

Independent non-executive Directors

Dr. NG Ka Sing David (吳家聲), aged 65, is an independent non-executive Director. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Dr. Ng was formerly an Assistant Commissioner of Police in the Hong Kong Police Force where he had served for more than 30 years. Dr. Ng is an adjunct assistant professor at the sociology department of The Chinese University of Hong Kong for the period from January 2018 to May 2018. He was the Police Public Relations Branch Chief Superintendent when he acted as the Force's spokesman and was responsible for handling media, public relations and crisis communications. Dr. Ng has been an Advisory Board Member at Lingnan University of Hong Kong from September 2012 to August 2018. In October 2016, Dr. Ng has been appointed as an adjunct associate professor of Hong Kong Shue Yan University for a period of four years, which was subsequently renewed for another four years from October 2020. He is currently a panel member of the Research Ethics Committee of the Hong Kong Hospital Authority. In February 2018, he was appointed as Member of the Hospital Governing Committee of Queen Elizabeth Hospital for the period from April 2018 to March 2020 and he was re-appointed as a Member of the said Committee for the period from April 2020 to March 2022.

Dr. Ng was awarded the Hong Kong Police Medal for Meritorious Service in 2004 and the Hong Kong Police Medal for Distinguished Service in 2011. Dr. Ng was also appointed as an Honorary Advisory to the Hong Kong Police College from January 2020 to December 2021.

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Dr. Ng obtained a doctoral degree in philosophy in December 2012 from The Chinese University of Hong Kong. He graduated from the University of Hong Kong with a master of social sciences in December 1990.

In addition, Dr. Ng was a director of the following company incorporated in Hong Kong during its dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
STAR BEST LIMITED	Music related	15 March 2002	Striking off	Cessation of business

Dr. Ng confirmed that (i) the abovementioned dissolved company was not subject to any civil, criminal litigation and arbitration proceedings at the time of dissolution, (ii) it was solvent immediately prior to its dissolution, and (iii) there was no wrongful act on his part leading to the dissolution.

Ms. CHANG Wai Ha (鄭惠霞), aged 53, is an independent non-executive Director. She is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Ms. Chang has over 20 years of experience in financial reporting, auditing and accounting. She is the founder, and is currently practising as a certified public accountant, of W H Chang Certified Public Accountant (Practising) which was established in October 2015. She joined Katak C.P.A. Limited, which has been engaged in the provision of accounting, auditing, consultancy and taxation services, as audit senior in May 2008 and was then promoted to be the audit manager in January 2013 when she was mainly responsible for performing auditing works and preparing tax computations. From January 2000 to April 2007, Ms. Chang was employed as accountant and administration manager of a group of companies of Wing Tat Engineering (Holdings) Limited, businesses of which range from provision of civil and engineering works, to rental of plant, to investment property. From March 1993 to November 1999, she worked as an accountant at Designworks & Associates Limited. On 1 February 2019, Ms. Chang has been appointed as an independent non-executive director of Trinity General Insurance Company Limited, a company which is wholly-owned by Mr. Ma Ah Muk.

Ms. Chang obtained a diploma in accounting (currently re-titled as advanced diploma of accounting) from The University of Hong Kong School of Professional and Continuing Education in December 2002. She graduated with a bachelor of commerce in accounting and finance in September 2005 from Curtin University of Technology in Australia. She has been a member of the Hong Kong Institute of Certified Public Accountants since 2013.

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Mr. YAU Siu Yeung (游紹揚), aged 35, is an independent non-executive Director. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Yau has over five years of experience in the legal industry. He currently works as an assistant solicitor in K.B. Chau & Co.. He was the company secretary of OOH Holdings Limited (stock code: 8091), a company listed on the GEM board of the Stock Exchange, from August 2016 to July 2017. Prior to joining K.B. Chau & Co., Mr. Yau was the operation director of Media Savvy Marketing Limited, a wholly-owned subsidiary of OOH Holdings Limited since 2006 and principally engaged in provision of advertising display services, from June 2006 to June 2013. Since April 2020, Mr. Yau has rejoined Media Savvy Marketing Limited as a general manager.

Mr. Yau was admitted as a solicitor of the High Court of Hong Kong in November 2015. Mr. Yau graduated with a bachelor’s degree of social sciences in public policy and administration in July 2009 from the City University of Hong Kong. He obtained a master degree of arts in social policy in December 2010, a juris doctor degree in November 2012 and postgraduate certificate in laws in July 2013 from The Chinese University of Hong Kong, respectively.

Save as disclosed in this section, as at the Latest Practicable Date, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company; and (iii) did not hold any other directorships in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for Mr. Ma Kiu Sang’s, Mr. Ma Kiu Mo’s and Mr. Vince Ma’s (including their respective deemed interests) interests in the Shares which are disclosed in the sections headed “Substantial Shareholders” and “Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 1. Disclosure of Interests — (a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations” in Appendix IV to this [REDACTED] document, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Main Board Listing Rules as at the Latest Practicable Date.

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SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Date of joining our Group	Date of appointment to present position	Position	Roles and Responsibilities	Relationship with Directors and other senior management
Choi Ming Fai, Andy (蔡明輝)	52	1 June 2008	15 May 2018	Chief executive officer	Supervising and managing the overall business operations of our Group	Nil
Kwong Tat Man (龔達文)	62	5 October 2016	5 October 2016	General Manager	Overall management of our Group	Nil
Lee Lai Sheung (李麗嫦)	51	1 April 2008	1 April 2008	Administrative Manager	Management of human resources and administration of our Group	Nil
Wong Chi Kong (王志剛)	38	3 April 2018	3 April 2018	Financial Controller	Overseeing the overall financial operation and company secretarial matters of our Group	Nil

Mr. CHOI Ming Fai Andy (蔡明輝) (“**Mr. Andy Choi**”), aged 52, joined our Group as operations director on 1 June 2008 and was promoted to be the chief executive officer on 15 May 2018. He is primarily responsible for supervising and managing the overall business operations of our Group.

Mr. Andy Choi has more than 19 years of experience in the security services industry. Prior to joining our Group, he worked at various security companies during the period from December 1997 to January 2007 where he was responsible for providing bank supporting services and guarding services. In particular, Mr. Andy Choi worked at Vigers Security Limited from May 2005 to December 2006 and worked at Securicor Hong Kong Limited (currently known as Brink’s Cash Solutions (Hong Kong) Limited subsequent to the acquisition by the Brink’s Company in 2020) from December 1997 to February 1998. He was a member of the Hong Kong Auxiliary Police, with roles ranging from internal security, to assistance in natural disasters or civil emergencies, to support during crowd management from September 1988 to August 2014. He was awarded the Hong Kong Auxiliary Police Long Service Medal in 2003.

Mr. Andy Choi has obtained the Property Management Practitioner (Tier 1) License which is valid from 17 May 2021 to 16 May 2024. He was elected a basic member of both Hong Kong Institute of Security Managers and Hong Kong Institute of Property Managers in July 2021. Mr. Andy Choi was appointed as OSH Ambassador recognised by Occupational Safety and Health Council from October 2009 to October 2012. He completed his secondary education at Mei Foo Sun Chuen St. Teresa College in Hong Kong in June 1985.

During the three years immediately preceding the Latest Practicable Date, Mr. Andy Choi has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

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Mr. KWONG Tat Man (鄺達文) (“**Mr. James Kwong**”), aged 62, joined our Group as the general manager in October 2016. He is primarily responsible for the overall management of our Group.

Mr. James Kwong has over 31 years of experience in the property management industry and manned security services industry. Prior to joining our Group, he joined The Link Management Limited (currently known as Link Asset Management Limited) as a portfolio manager from October 2006 to March 2015, and was promoted to senior portfolio manager of the property management department from April 2015 to October 2016. During the period from December 1980 to October 2006, Mr. James Kwong worked at various property management companies and management security companies where he was responsible for training and supervising staff, attending owners and/or residents meetings, handling complaints, budgeting and cost control, business development, and general management.

He has been an associate member and professional member of the Royal Institution of Chartered Surveyors since November 1998 and September 2016, respectively. He was registered as a professional housing manager on the Housing Managers Registration Board in January 2004. He was elected a member of the Hong Kong Institute of Housing in October 2003, a member of the Chartered Institute of Housing in November 2003, and a member of The Chartered Institute of Logistics and Transport in March 2021. He has obtained the Property Management Practitioner (Tier 1) License which is valid from 25 February 2021 to 24 February 2024.

Mr. James Kwong was awarded the Certificate in Building Studies and the Higher Certificate in Building Studies from the then Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and November 1985, respectively. He graduated from City University of Hong Kong with a bachelor of arts (Honours) in housing studies in November 2003.

During the three years immediately preceding the Latest Practicable Date, Mr. James Kwong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. LEE Lai Sheung (李麗嫦) (“**Ms. Fenny Lee**”), aged 51, joined our Group as the administrative manager in April 2008. She is primarily responsible for the management of human resources and administration of our Group. Prior to joining our Group, Ms. Fenny Lee worked at various companies where she was responsible for recruitment and training of staff, reporting of employees’ performances, and handling of administrative tasks. Ms. Fenny Lee completed secondary school education in Hong Kong in 1988.

During the three years immediately preceding the Latest Practicable Date, Ms. Fenny Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WONG Chi Kong (王志剛), aged 38, joined our Group as the financial controller in April 2018. He is primarily responsible for overseeing the overall financial operation and company secretarial matters of our Group.

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Mr. Wong has over 11 years of experience in auditing and accounting. Prior to joining our Group in April 2018, Mr. Wong worked at Margaret Wong & Co., a certified public accounting firm in Hong Kong, since April 2007 where he was responsible for performing auditing and tax works. During the period from October 2005 to April 2007, Mr. Wong has worked at Y’s Consulting Limited, a company principally engaged in provision of accounting, auditing and taxation services.

Mr. Wong obtained a bachelor of arts degree in accounting from the Napier University in Edinburgh in January 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2012.

During the three years immediately preceding the Latest Practicable Date, Mr. Wong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this [REDACTED] document. None of the above members of senior management had any relationship with our Directors, other senior management and our Controlling Shareholders as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. Wong Chi Kong (王志剛), aged 38, was appointed as our company secretary on 24 May 2018. He is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. Please refer to the paragraph headed “Senior Management” in this section for details of his qualifications and experience.

COMPLIANCE OFFICER

Mr. Leo Ma has been appointed as the compliance officer of our Company on 24 May 2018. His biography is set out in the paragraph headed “Board of Directors — Executive Directors” in this section.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 20 September 2019 in respect of the Listing on GEM. Our audit committee consists of three independent non-executive Directors, being Ms. Chang Wai Ha, Dr. Ng Ka Sing David and Mr. Yau Siu Yeung. Ms. Chang Wai Ha, an independent non-executive Director, serves as the chairlady of our audit committee. We adopted on [●] a new set of terms for the audit committee which shall be effective upon [REDACTED].

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The primary duties of our audit committee are to assist our Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board. The establishment of our audit committee is in compliance with Rule 3.21 of the Main Board Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Main Board Listing Rules.

Remuneration Committee

Our Company established a remuneration committee on 20 September 2019 in respect of the Listing on GEM. Our remuneration committee consists of one executive Director and three independent non-executive Directors, being Mr. Ma Ah Muk, Dr. Ng Ka Sing David, Ms. Chang Wai Ha and Mr. Yau Siu Yeung. Mr. Yau Siu Yeung, an independent non-executive Director, serves as the chairman of our remuneration committee. We adopted on [●] a new set of terms for our remuneration committee which shall be effective upon [REDACTED].

The primary duties of our remuneration committee include but without limitation, the following (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to our Board on the terms of the individual remuneration package of executive Directors and senior management; (iii) making recommendations to our Board on the remuneration of independent non-executive Directors; and (iv) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time. The establishment of our remuneration committee is in compliance with Rule 3.25 of the Main Board Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Main Board Listing Rules.

Nomination Committee

Our Company also established a nomination committee on 20 September 2019 in respect of the Listing on GEM. Our nomination committee consists of two executive Directors and three independent non-executive Directors, being Mr. Ma Ah Muk, Mr. KS Ma, Ms. Chang Wai Ha, Dr. Ng Ka Sing David and Mr. Yau Siu Yeung. Mr. Yau Siu Yeung, an independent non-executive Director, serves as the chairman of our nomination committee. We adopted on [●] a new set of terms for our nomination committee which shall be effective upon [REDACTED].

The primary functions of our nomination committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. The written terms of reference of our nomination committee are in compliance with Appendix 14 to the Main Board Listing Rules.

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Risk Management Committee

Our Company has established a risk management committee on 20 September 2019. Our risk management committee consists of two executive Directors and three independent non-executive Directors, being Dr. Ng Ka Sing David, Ms. Chang Wai Ha, Mr. Yau Siu Yeung, Mr. KS Ma and Mr. Leo Ma. Dr. Ng Ka Sing David, an independent non-executive Director, serves as the chairman of the risk management committee. We adopted on [●] a new set of terms for our risk management committee which shall be effective upon [REDACTED].

The primary duties of our risk management committee are to (i) advise our Board on risk-related issues; (ii) oversee the risk management framework to identify and deal with the risks faced by our Group such as business and financial risk; (iii) review reports on risks and breaches of risk policies; and (iv) review the effectiveness of our Company’s risk control and/or mitigation plans. The written terms of reference of our risk management committee are in compliance with Appendix 14 to the Main Board Listing Rules.

Corporate governance functions

For the purpose of performing the corporate governance functions in accordance with provision D.3 of the Corporate Governance Code in the GEM Listing Rules, our Board has adopted written terms of reference in accordance with provision D.2 of the Corporate Governance Code in the GEM Listing Rules on 20 September 2019.

The terms of reference provide for, among others, (i) developing and reviewing our Group’s policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group’s policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company’s compliance with the Corporate Governance Code and disclosure in the annual reports of our Company. We adopted on [●] a new set of terms in respect of corporate governance functions which shall be effective upon [REDACTED]. The written terms of reference of corporate governance functions are in compliance with Appendix 14 to the Main Board Listing Rules.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balanced mix of skills, experience and diversity of perspectives that are required to support our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors such as gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge and industry experience. Our Board comprises of eight members, including one female Director. Our Directors also have a balanced mix of knowledge, skills and experience. We have three independent non-executive Directors who have different industry backgrounds, representing more than one-third of our Board members. In recognition of the particular importance of gender diversity, our Company has taken, and will continue to take steps to promote gender diversity in our Board. Further, our Company will continue to consider increasing the

DIRECTORS AND SENIOR MANAGEMENT

proportion of female Board members over time when selecting suitable new or additional candidates for appointments to our Board so as to ensure that appropriate gender diversity is achieved. We target to achieve a gender diversity in the composition of our Board by having female representation of not less than 20% within three years upon [REDACTED]. These initiatives will form part of the agenda of our nomination committee from time to time for the purpose of due implementation. We will also ensure that there is gender diversity when recruiting management staff at the senior level and deploy more resources in training female staff.

Going forward, to develop a pipeline of potential successors to our Board that may meet the target gender diversity, our Company will (i) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; (ii) ensure that there is gender diversity when recruiting staff at mid-senior level; and (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company.

Our nomination committee is delegated to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Main Board Listing Rules and, will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Red Solar Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] pursuant to Rule 6A.19 of the GEM Listing Rules for the purpose of our Listing on GEM for a period commencing on the date of listing of our Shares on GEM and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the GEM Listing Date, or until the agreement is terminated, whichever is earlier. Pursuant to Rule 9A.13 of the Main Board Listing Rules, the continuous requirements relating to the appointment of a compliance adviser for the period specified in Rule 6A.19 of the GEM Listing Rules will survive in respect of our Company’s [REDACTED]. As the [REDACTED] takes effect before the expiry of the requirement under Rule 6A.19 of the GEM Listing Rules, this GEM Listing Rules requirement will continue for the remaining term notwithstanding that our Shares have been [REDACTED] to and [REDACTED] on the Main Board.

The Compliance Adviser shall advise us, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Main Board Listing Rules, is contemplated, including share issues and share repurchases;
- (c) where our business activities, developments or results of operation deviate from any forecast, estimate or other information in the GEM Prospectus; and
- (d) where the Stock Exchange makes an enquiry to us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters in accordance with Rule 13.10 of the Main Board Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the Track Record Period, the aggregate remuneration (including fees, salaries, contribution to defined contribution schemes and performance bonuses) paid to our Directors were HK\$nil, HK\$1.1 million, HK\$2.2 million and HK\$0.9 million, respectively.

Details of our Directors’ remuneration are set out in Note 11 to the Accountants’ Report as set out in Appendix I to this [REDACTED] document.

For the Track Record Period, the aggregate remuneration (including fees, salaries, contribution to defined contribution schemes and performance bonuses) paid to the five highest paid employees, excluding our Directors were in aggregate approximately HK\$3.8 million, HK\$18.8 million, HK\$18.1 million and HK\$1.7 million, respectively.

Details of our five highest paid employees are set out in Note 11 to the Accountants’ Report as set out in Appendix I to this [REDACTED] document.

DIRECTORS AND SENIOR MANAGEMENT

Our Group did not pay any remuneration to our Directors or the five highest paid employees as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. No Directors waived or agreed to waive his/her remuneration during the Track Record Period. Save as disclosed in this paragraph headed "Remuneration of Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

Under the arrangement currently in force, the aggregate emoluments (excluding performance bonuses and share-based payments) payable by our Group to our Directors for FY2022 are expected to be approximately HK\$2.2 million.

DIRECTORS' COMPETING INTERESTS

None of our Controlling Shareholders, Directors and their respective close associates are interested in any business which competes or is likely to compete with that of ours.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this [REDACTED] document and without taking into account of any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme, immediately upon the [REDACTED], the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	As at the Latest Practicable Date	
		Number of Shares ⁽¹⁰⁾	Percentage of shareholding
Mr. Ma Ah Muk	Interests under section 317 ⁽¹⁾	[REDACTED](L)	[REDACTED]%
Ms. Cheng Pak Ching	Interest of spouse ⁽²⁾	[REDACTED](L)	[REDACTED]%
Mr. KS Ma	Interest in controlled corporation ⁽⁴⁾ ; interest under section 317 ⁽³⁾	[REDACTED](L)	[REDACTED]%
Ms. Chow Yick Tung	Interest of spouse ⁽⁵⁾	[REDACTED](L)	[REDACTED]%
Morewood	Interest in a controlled corporation ⁽¹⁾	[REDACTED](L)	[REDACTED]%
Mr. KM Ma	Interest in controlled corporation ⁽⁶⁾ ; interest under section 317 ⁽³⁾	[REDACTED](L)	[REDACTED]%
Ms. Choi Lai Form	Interest of spouse ⁽⁷⁾	[REDACTED](L)	[REDACTED]%
Mandarin	Interest in a controlled corporation ⁽¹⁾	[REDACTED](L)	[REDACTED]%
Mr. Vince Ma	Interest in controlled corporation ⁽⁸⁾ ; interest under section 317 ⁽³⁾	[REDACTED](L)	[REDACTED]%
Ms. Ho Yin Nei	Interest of spouse ⁽⁹⁾	[REDACTED](L)	[REDACTED]%
Cambridge	Interest in a controlled corporation ⁽¹⁾	[REDACTED](L)	[REDACTED]%
IWS BVI	Beneficial owner	[REDACTED](L)	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. Pursuant to the Deed of AIC Confirmation and Supplemental Deed of AIC Confirmation, Mr. Ma Ah Muk is deemed to be interested in all the Shares held by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through Morewood, Mandarin and Cambridge, respectively, by virtue of section 317 of the SFO.
2. Ms. Cheng Pak Ching is the spouse of Mr. Ma Ah Muk. Therefore, Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma Ah Muk is interested for the purpose of the SFO.
3. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation and Supplemental Deed of AIC Confirmation and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge and in turn holding IWS BVI by virtue of section 317 of the SFO. See "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this [REDACTED] document for details of the relationships among Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
4. IWS BVI is owned as to 33.3% by Morewood, which is wholly-owned by Mr. KS Ma. Therefore, each of Mr. KS Ma and Morewood is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
5. Ms. Chow Yick Tung is the spouse of Mr. KS Ma. Therefore, Ms. Chow Yick Tung is deemed to be interested in all the Shares in which Mr. KS Ma is interested for the purpose of the SFO.
6. IWS BVI is owned as to 33.3% by Mandarin, which is wholly-owned by Mr. KM Ma. Therefore, each of Mr. KM Ma and Mandarin is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
7. Ms. Choi Lai Form is the spouse of Mr. KM Ma. Therefore, Ms. Choi Lai Form is deemed to be interested in all the Shares in which Mr. KM Ma is interested for the purpose of the SFO.
8. IWS BVI is owned as to 33.3% by Cambridge, which is wholly-owned by Mr. Vince Ma. Therefore, each of Mr. Vince Ma and Cambridge is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
9. Ms. Ho Yin Nei is the spouse of Mr. Vince Ma. Therefore, Ms. Ho Yin Nei is deemed to be interested in all the Shares in which Mr. Vince Ma is interested for the purpose of the SFO.
10. The letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately upon the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon the [REDACTED], IWS BVI will continue to own approximately [REDACTED] of the issued share capital voting rights in our Company. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through their respective wholly-owned subsidiaries, namely Morewood, Mandarin, Cambridge, own the entire 100% issued share capital of IWS BVI. Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, has been a director of our Group and been acting in concert with each other to exercise control in implementing the management and operations of our Group since 2008. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin and Cambridge, together through IWS BVI, will continue to be entitled to control approximately [REDACTED] of the issued share capital of our Company immediately upon the [REDACTED], Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma and their respective close associates other than our Group are regarded as a group of Controlling Shareholders.

Acting in concert arrangements

Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, our Controlling Shareholders, has been acting in concert with each other in all material aspects in the management and/or exercise of voting rights in our Group. Because we were a group of private entities in the past, these arrangements were not formalised into writing and each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma agreed on these arrangements based on their personal and/or family relationships. On 28 May 2018, in preparation for the GEM Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma executed the Deed of AIC Confirmation, whereby they have confirmed their acting in concert arrangements since the acquisition or incorporation of the relevant member of our Group, as well as their intention to continue to act in the above manner to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. The Deed of AIC Confirmation covers members of our Group and contains the salient terms as set out below.

Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have undertaken that, unless Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma unanimously agree in writing to amend or terminate the Deed of AIC Confirmation:

- (a) for as long as they hold any direct or indirect interest in our Group, they shall continue to act in concert in the daily operations of our Group, and when exercising voting rights and making major decisions relating to our Group;
- (b) they shall continue to act in concert and exercise the right to propose, nominate, vote and decide in a unitary manner with respect to any important decisions relating to the business, operations, financial matters and development that require approval in shareholders' meetings and board meetings of our Group under the applicable articles of association or equivalent constitutional document and the GEM Listing Rules;
- (c) they shall reach a consensus prior to discussing and approving any matters in the shareholders' meetings or board meetings of our Group and exercise their voting rights according to such consensus;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) they shall not entrust any of their equity interests in our Group directly or indirectly in any manner (including by way of trust) to any party; and
- (e) without the prior consent of each other, they shall not transfer or assign their rights and obligations under the Deed of AIC Confirmation.

On [●] 2021, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have executed the Supplemental Deed of AIC Confirmation, in which their undertaking to continue to act in concert and exercise the right to propose, nominate, vote and decide in a unitary manner shall also be extended to cover any important decisions relating to the business, operations, financial matters and development that require approval in shareholders' meetings and board meetings of our Group as required under the Main Board Listing Rules, with other salient terms of the Deed of AIC Confirmation remain unchanged.

As at the date of this [REDACTED] document, the Deed of AIC Confirmation and the Supplemental Deed of AIC Confirmation have not been terminated.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Save for the continuing connected transactions as disclosed in section headed "Connected Transactions" in this [REDACTED] document, our Directors do not expect that there will be any other significant transactions between our Group and the Ma Family, being our Controlling Shareholders. The Ma Family owns, controls and invests in, directly and indirectly, a number of companies engaged in a wide spectrum of businesses, including but not limited to, public light bus, property investment, finance and lending, property and casualty insurance and food and beverage, etc. which do not compete, or are not likely to compete, either directly or indirectly, with our business. Our Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates for the following reasons:

No Competition and clear delineation of business

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge and belief after making reasonable enquiries, none of our Controlling Shareholders, our Directors or their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business under Rule 8.10 of the Main Board Listing Rules.

Management independence

Our Board comprises five executive Directors and three independent non-executive Directors. Our senior management team consists of four members. Our Directors consider that our Board and our senior management team are able to function independently from our Controlling Shareholders and their respective close associates because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, the Director(s) shall fully disclose such matters to the Board and abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed "Corporate governance measures" in this section;
- (c) with three independent non-executive Directors out of a total of eight Directors in our Board, there will be independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;
- (d) connected transactions between our Group and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Main Board Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders' approval (where applicable);
- (e) our Group has an independent senior management team to carry out day to day operations and execute the business decisions of our Group, which is independent of our Controlling Shareholders. It has substantial experience in the industry we engaged in and has served our Group for a period of time during which it has demonstrated its capability of discharging its duties independently from our Controlling Shareholders. Our Directors do not foresee any issue or obstacle which may affect management independence. Our Directors are satisfied that the senior management team will be able to perform its roles in our Company independently; and
- (f) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas and responsibilities. We have also established a set of internal control mechanisms to facilitate the effective operations of our business.

We have sufficient capital, equipment and employees to operate our business independently. We have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save for (i) the leases of car parks and a motor vehicle and the purchases of vehicle insurances which constitute exempt continuing connected transactions by us from certain Ma Companies; and (ii) the provision of security and facility management services by us to certain Ma Companies which constitute non-exempt continuing connected transactions as disclosed in the section headed "Connected Transactions" in this [REDACTED] document, we have not entered into other continuing connected transactions with our Controlling Shareholders or their respective close associates.

Financial independence

Our Directors are of the view that our Group is financially independent of our Controlling Shareholders and any of their respective close associates. We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates did not provide any financial assistance to our Group.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To strengthen its corporate governance practice and to safeguard the interests of our Shareholders, our Company will implement the following measures:

- (a) the Articles provide that a Director shall declare the nature of his/her interest in any contract or proposed contract and shall not vote nor be counted in the quorum with respect to any resolution of our Board approving any such contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless expressly permitted by the Articles; and
- (b) our Company has appointed compliance adviser, who will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Main Board Listing Rules including various requirements relating to directors' duties and internal controls.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Main Board Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its Shareholders or among its Shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its Shareholders.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to safeguard the interests of our Shareholders.

SHARE CAPITAL

SHARE CAPITAL

Assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this [REDACTED] document and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issue Mandate and Repurchase Mandate, the share capital of our Company immediately upon the [REDACTED] will be as follows:

Authorised share capital

<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>HK\$20,000,000</u>
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Shares in issue as at the date of this [REDACTED] document:

<u>[REDACTED]</u>	Shares of HK\$0.01 each	<u>HK\$[REDACTED]</u>
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MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the [REDACTED] under the Main Board Listing Rules is [REDACTED] of its share capital in issue from time to time. Our Directors confirm that from the GEM Listing up to the Latest Practicable Date, we have maintained the minimum level of public float and have been in compliance with Rule 8.08 of the Main Board Listing Rules.

RANKING

Our Shares in issue are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with each other. Our Shares will qualify and rank equally for all dividends or other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the [REDACTED].

SHARE OPTION SCHEME

We have adopted the Share Option Scheme on 20 September 2019 for the purpose of the Listing on GEM. The Share Option Scheme will remain valid and effective following the [REDACTED] and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules. Please refer to the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this [REDACTED] document for details of the principal terms of the Share Option Scheme.

As at the Latest Practicable Date, no share options under the Share Option Scheme have been granted.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general mandate to allot and issue Shares pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 17 September 2021.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general mandate to repurchase Shares, details of which are set out in the circular of our Company dated 16 August 2021 in relation to the general mandate to issue and repurchase Shares and in the paragraph headed “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 5. Repurchase of our Shares” in Appendix IV to this [REDACTED] document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this [REDACTED] document.

SHAREHOLDER DISTRIBUTION

Our Company has engaged a search agent, which is an Independent Third Party, to conduct a public float search of our shareholder distribution. Based on the results of such search and to the best knowledge of our Directors having made due enquiries, as at 31 August 2021 (being the latest

SHARE CAPITAL

practicable date for ascertaining the shareholding structure of our Company prior to the [REDACTED]), our Company had at least [REDACTED] public Shareholders and the shareholding structure of our Company was as follows:—

	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding to our Company’s issued share capital
Controlling Shareholders	[REDACTED]	[REDACTED]
Top 25 Shareholders (excluding our Controlling Shareholders)		
— Top 1 Shareholder <i>(Note 2)</i>	[REDACTED]	[REDACTED]
— Top 2 to 5 Shareholders <i>(Note 2)</i>	[REDACTED]	[REDACTED]
— Top 6 to 20 Shareholders <i>(Note 2)</i>	[REDACTED]	[REDACTED]
— Top 21 to 25 Shareholders <i>(Note 2)</i>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
 Subtotal	 [REDACTED]	 [REDACTED]
Other Shareholders <i>(Note 2)</i>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
 Total	 <u>[REDACTED]</u>	 <u>100.0%</u>

Notes:

1. In calculating the number of Shareholders, (i) Shareholders with the same names; (ii) Shareholders who share the same address or (iii) Shareholders who holds Shares through multiple brokerage accounts via different brokerage firms would be deemed as one single beneficial Shareholder and the respective shareholdings will be aggregated in our shareholding distribution analysis.
2. To the best knowledge of our Directors have made reasonable enquiries, these Shareholders are all Independent Third Parties.

Our top 25 Shareholders (including our Controlling Shareholders) held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the entire issued share capital of our Company. Save for the interests disclosed in this [REDACTED] document, our Controlling Shareholders and substantial shareholders are not and were not interested in any Shares through any person, entity, custodian, nominee and brokerage firm. Our Controlling Shareholders and substantial shareholders do not and did not hold any Shares on behalf of any person, entity, custodian, nominee and brokerage firm. Please refer to the section headed “Substantial Shareholders” in this [REDACTED] document for further details in respect of the interests held by our substantial shareholders.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

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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.

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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	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
+/-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

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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.

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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.

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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.

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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.

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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 (HK\$'000)	FY2020 (HK\$'000)	FY2021 (HK\$'000)	5M2021 (HK\$'000) (unaudited)	5M2022 (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	<u>(822)</u>	<u>(2,066)</u>	<u>(130)</u>	<u>(38)</u>	<u>(58)</u>
Profit before taxation	22,877	60,118	72,806	29,072	31,304
Income tax expense	<u>(5,128)</u>	<u>(13,030)</u>	<u>(6,594)</u>	<u>(1,762)</u>	<u>(6,639)</u>
Profit and total comprehensive income for the year/period	<u><u>17,749</u></u>	<u><u>47,088</u></u>	<u><u>66,212</u></u>	<u><u>27,310</u></u>	<u><u>24,665</u></u>
For illustrative purpose: Adjusted net profit ⁽⁴⁾	<u><u>26,264</u></u>	<u><u>62,613</u></u>	<u><u>70,867</u></u>	<u><u>27,310</u></u>	<u><u>32,933</u></u>

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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.

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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)	%	(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
	<u>161,855</u>	<u>54.8</u>	<u>344,726</u>	<u>71.6</u>	<u>160,147</u>	<u>43.8</u>	<u>63,483</u>	<u>50.7</u>	<u>76,760</u>	<u>36.5</u>
Manpower support services										
— General services	105,216	35.7	106,264	22.1	101,598	27.8	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
	<u>105,216</u>	<u>35.7</u>	<u>106,735</u>	<u>22.2</u>	<u>176,709</u>	<u>48.3</u>	<u>49,760</u>	<u>39.6</u>	<u>121,100</u>	<u>57.7</u>
Event and crisis security services	<u>385</u>	<u>0.1</u>	<u>698</u>	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>267,456</u>	<u>90.6</u>	<u>452,159</u>	<u>93.9</u>	<u>336,856</u>	<u>92.1</u>	<u>113,243</u>	<u>90.3</u>	<u>197,860</u>	<u>94.2</u>
Facility management services										
— Property management services	12,958	4.4	18,479	3.8	18,679	5.1	7,740	6.2	7,924	3.8
— Others ^(Note)	<u>14,757</u>	<u>5.0</u>	<u>10,933</u>	<u>2.3</u>	<u>10,298</u>	<u>2.8</u>	<u>4,326</u>	<u>3.5</u>	<u>4,235</u>	<u>2.0</u>
	<u>27,715</u>	<u>9.4</u>	<u>29,412</u>	<u>6.1</u>	<u>28,977</u>	<u>7.9</u>	<u>12,066</u>	<u>9.7</u>	<u>12,159</u>	<u>5.8</u>
Total	<u>295,171</u>	<u>100.0</u>	<u>481,571</u>	<u>100.0</u>	<u>365,833</u>	<u>100.0</u>	<u>125,309</u>	<u>100.0</u>	<u>210,019</u>	<u>100.0</u>

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.

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

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.

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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.

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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)	%	(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.

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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

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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.

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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.

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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.

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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.

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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.

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NET CURRENT ASSETS

	2019	As at 31 March 2020	2021	As at 31 August 2021	As at 31 October 2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> (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	<u>27,096</u>	<u>78,874</u>	<u>127,159</u>	<u>131,490</u>	<u>90,098</u>
	<u>151,979</u>	<u>200,066</u>	<u>236,710</u>	<u>262,746</u>	<u>242,762</u>
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	<u>5,215</u>	<u>9,532</u>	<u>1,721</u>	<u>5,976</u>	<u>7,879</u>
	<u>104,846</u>	<u>57,531</u>	<u>47,104</u>	<u>49,302</u>	<u>45,333</u>
Net current assets	<u><u>47,133</u></u>	<u><u>142,535</u></u>	<u><u>189,606</u></u>	<u><u>213,444</u></u>	<u><u>197,429</u></u>

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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.

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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
	2019	2020	2021	31 August
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2021 (HK\$'000)
Trade receivables	49,421	59,502	60,474	93,281
Uncertified revenue	57,621	47,436	34,740	26,746
Deposits <i>Note</i>	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	<u>3,928</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total current trade and other receivables and deposits	 <u>123,923</u>	 <u>120,004</u>	 <u>100,372</u>	 <u>124,653</u>

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.

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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.

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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
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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	<u>4,577</u>	<u>6,860</u>	<u>304</u>	<u>288</u>
Total	<u><u>49,421</u></u>	<u><u>59,502</u></u>	<u><u>60,474</u></u>	<u><u>93,281</u></u>

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.

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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

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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

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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

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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”.

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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
	2019	2020	2021	31 August
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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	<u>5,452</u>	<u>—</u>	<u>380</u>	<u>1,598</u>
 Total trade and other payables and accrued expenses	 <u>35,327</u>	 <u>35,193</u>	 <u>43,587</u>	 <u>41,424</u>

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].

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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.

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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	<u>505</u>
	<u><u>2,272</u></u>

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.

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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)
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	<u>57,000</u>	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>64,304</u>	<u>13,334</u>	<u>4,100</u>	<u>3,693</u>	<u>3,381</u>

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.

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Bank facilities and bank borrowings

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

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

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.

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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.

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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)
Net cash (used in) from operating activities	(37,073)	43,165	78,774	38,976	6,116
— <i>Operating cash flows before movements in working capital</i>	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	<u>46,650</u>	<u>7,852</u>	<u>(29,810)</u>	<u>(12,776)</u>	<u>(896)</u>
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	<u>19,093</u>	<u>27,096</u>	<u>78,874</u>	<u>78,874</u>	<u>127,159</u>
Cash and cash equivalents at end of year/period	<u><u>27,096</u></u>	<u><u>78,874</u></u>	<u><u>127,159</u></u>	<u><u>104,137</u></u>	<u><u>131,490</u></u>

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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 HK\$26.6 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

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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.

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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.

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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;

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- 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;

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- 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.

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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
	2019	2020	2021	31 August
				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
— Facility 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.

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- (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.

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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.

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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.

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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.

FINANCIAL INFORMATION

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.

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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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

The following is the text of a report set out on pages I-[1] to I-[64], received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED] document.

Deloitte.

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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IWS GROUP HOLDINGS LIMITED AND TD KING CAPITAL LIMITED

Introduction

We report on the historical financial information of IWS Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[64], which comprises the consolidated statements of financial position of the Group as at 31 March 2019, 2020 and 2021 and 31 August 2021, the statements of financial position of the Company as at 31 March 2019, 2020 and 2021 and 31 August 2021 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 March 2021 and the five months ended 31 August 2021 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[64] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] document of the Company dated [●] (the “[REDACTED] Document”) in connection with the proposed [REDACTED] from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2019, 2020 and 2021 and 31 August 2021, of the Company's financial position as at 31 March 2019, 2020 and 2021 and 31 August 2021, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 August 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company and its subsidiaries in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[●] 2021

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The Historical Financial Information in this report was prepared based on previously issued consolidated financial statements of the Group for each of the three years ended 31 March 2021 and consolidated financial statements of the Group for the five months ended 31 August 2021. These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong Dollar (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31 March			For the five months ended 31 August	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
					(unaudited)	
Revenue	5	295,171	481,571	365,833	125,309	210,019
Other income	6	347	508	1,661	829	179
Other gains and losses, net	6	(2)	1,212	32	—	—
Impairment losses on financial assets, net	7	(250)	(833)	(47)	—	(390)
Employee benefit expenses	8	(252,127)	(388,463)	(249,988)	(89,058)	(130,826)
Selling and marketing expenses		(2,507)	(2,142)	(1,141)	(479)	(585)
Other operating expenses	8	(8,418)	(14,144)	(38,759)	(7,491)	(38,767)
[REDACTED] expenses	8	(8,515)	(15,525)	(4,655)	—	(8,268)
Finance costs	9	(822)	(2,066)	(130)	(38)	(58)
Profit before taxation		22,877	60,118	72,806	29,072	31,304
Income tax expense	10	(5,128)	(13,030)	(6,594)	(1,762)	(6,639)
Profit and total comprehensive income for the year/period		<u>17,749</u>	<u>47,088</u>	<u>66,212</u>	<u>27,310</u>	<u>24,665</u>
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		17,751	47,088	66,213	27,310	24,665
Non-controlling interests		(2)	—	(1)	—	—
		<u>17,749</u>	<u>47,088</u>	<u>66,212</u>	<u>27,310</u>	<u>24,665</u>
Earnings per share						
Basic (HK cents)	13	2.96	6.84	8.28	3.41	3.08
Diluted (HK cents)	13	N/A	6.84	N/A	N/A	N/A

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 August
		2019	2020	2021	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	<i>14</i>	2,006	1,527	1,332	1,253
Right-of-use assets	<i>15</i>	—	452	3,419	3,200
Finance lease receivables	<i>16</i>	—	1,308	607	306
Deposits	<i>17</i>	1,643	6,759	9,605	10,518
Deferred tax asset	<i>18</i>	<u>46</u>	<u>46</u>	<u>46</u>	<u>46</u>
		<u>3,695</u>	<u>10,092</u>	<u>15,009</u>	<u>15,323</u>
CURRENT ASSETS					
Trade and other receivables and deposits	<i>17</i>	123,923	120,004	100,372	124,653
Finance lease receivables	<i>16</i>	—	673	701	713
Amount due from a non-controlling shareholder of a subsidiary	<i>19</i>	—	2	2	2
Amount due from related companies	<i>19</i>	960	112	303	99
Tax recoverable		—	401	8,173	5,789
Bank balances and cash	<i>20</i>	<u>27,096</u>	<u>78,874</u>	<u>127,159</u>	<u>131,490</u>
		<u>151,979</u>	<u>200,066</u>	<u>236,710</u>	<u>262,746</u>
CURRENT LIABILITIES					
Trade and other payables and accrued expenses	<i>21</i>	35,327	35,193	43,587	41,424
Amount due to a non-controlling shareholder of a subsidiary	<i>22</i>	7,198	—	—	—
Amount due to a related company	<i>22</i>	106	94	93	—
Lease liabilities	<i>23</i>	—	712	1,703	1,902
Bank borrowings	<i>24</i>	57,000	12,000	—	—
Tax payable		<u>5,215</u>	<u>9,532</u>	<u>1,721</u>	<u>5,976</u>
		<u>104,846</u>	<u>57,531</u>	<u>47,104</u>	<u>49,302</u>
NET CURRENT ASSETS		<u>47,133</u>	<u>142,535</u>	<u>189,606</u>	<u>213,444</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,828</u>	<u>152,627</u>	<u>204,615</u>	<u>228,767</u>

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ACCOUNTANTS’ REPORT

		As at 31 March			As at 31 August
		2019	2020	2021	2021
	NOTES	HK\$’000	HK\$’000	HK\$’000	HK\$’000
NON-CURRENT LIABILITIES					
Lease liabilities	23	—	528	2,304	1,791
Other liabilities	21	—	123	123	123
		—	651	2,427	1,914
NET ASSETS		50,828	151,976	202,188	226,853
CAPITAL AND RESERVES					
Share capital	25	—	8,000	8,000	8,000
Reserves		50,828	143,976	194,189	218,854
Equity attributable to owners of the company		50,828	151,976	202,189	226,854
Non-controlling interests		—	—	(1)	(1)
TOTAL EQUITY		50,828	151,976	202,188	226,853

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ACCOUNTANTS' REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March			As at 31 August
		2019	2020	2021	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS					
Investments in subsidiaries	32	<u>34,744</u>	<u>35,134</u>	<u>35,134</u>	<u>35,134</u>
CURRENT ASSETS					
Trade and other receivables and prepayments	17	4,288	113	33,919	33,689
Amounts due from subsidiaries	19	—	8,690	2,546	—
Bank balances	20	<u>51</u>	<u>17,939</u>	<u>23,916</u>	<u>40,060</u>
		<u>4,339</u>	<u>26,742</u>	<u>60,381</u>	<u>73,749</u>
CURRENT LIABILITIES					
Accrued expenses	21	5,452	260	1,280	2,098
Amounts due to subsidiaries	22	7,408	452	390	976
Tax payable		<u>—</u>	<u>—</u>	<u>1,602</u>	<u>5,111</u>
		<u>12,860</u>	<u>712</u>	<u>3,272</u>	<u>8,185</u>
NET CURRENT (LIABILITIES)					
ASSETS		<u>(8,521)</u>	<u>26,030</u>	<u>57,109</u>	<u>65,564</u>
NET ASSETS					
		<u>26,223</u>	<u>61,164</u>	<u>92,243</u>	<u>100,698</u>
CAPITAL AND RESERVES					
Share capital	25	—	8,000	8,000	8,000
Reserves	32	<u>26,223</u>	<u>53,164</u>	<u>84,243</u>	<u>92,698</u>
TOTAL EQUITY					
		<u>26,223</u>	<u>61,164</u>	<u>92,243</u>	<u>100,698</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non- controlling interests	Total
	Share capital	Share premium	Merger reserve	Retained earnings	Subtotal		
	(Note 25) HK\$’000	HK\$’000	(note i) HK\$’000	HK\$’000	HK\$’000		
At 1 April 2018	3,030	—	—	38,047	41,077	—	41,077
Capital contributions from a non-controlling shareholder of a subsidiary	—	—	—	—	—	2	2
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	17,751	17,751	(2)	17,749
Dividend (Note 12)	—	—	—	(8,000)	(8,000)	—	(8,000)
Effect of Reorganisation (as defined in Note 2)	(3,030)	34,744	(31,714)	—	—	—	—
At 31 March 2019	—	34,744	(31,714)	47,798	50,828	—	50,828
Profit and total comprehensive income for the year	—	—	—	47,088	47,088	—	47,088
Issue of new shares	2,000	62,000	—	—	64,000	—	64,000
Transaction costs attributable to issue of new shares	—	(9,940)	—	—	(9,940)	—	(9,940)
Capitalisation issue (note ii)	6,000	(6,000)	—	—	—	—	—
At 31 March 2020	8,000	80,804	(31,714)	94,886	151,976	—	151,976
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	66,213	66,213	(1)	66,212
Dividend (Note 12)	—	—	—	(16,000)	(16,000)	—	(16,000)
At 31 March 2021	8,000	80,804	(31,714)	145,099	202,189	(1)	202,188
Profit and total comprehensive income for the period	—	—	—	24,665	24,665	—	24,665
At 31 August 2021	<u>8,000</u>	<u>80,804</u>	<u>(31,714)</u>	<u>169,764</u>	<u>226,854</u>	<u>(1)</u>	<u>226,853</u>

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ACCOUNTANTS’ REPORT

	Attributable to owners of the Company				Subtotal	Non-controlling interests	Total
	Share capital (Note 25) HK\$’000	Share premium HK\$’000	Merger reserve (note i) HK\$’000	Retained earnings HK\$’000			
At 1 April 2020	8,000	80,804	(31,714)	94,886	151,976	—	151,976
Profit and total comprehensive income for the period (unaudited)	—	—	—	27,310	27,310	—	27,310
At 31 August 2020 (unaudited)	<u>8,000</u>	<u>80,804</u>	<u>(31,714)</u>	<u>122,196</u>	<u>179,286</u>	<u>—</u>	<u>179,286</u>

Notes:

- (i) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the combined share capital of International Wing Shing Security Management Limited (“IWS Security”), International Wing Shing Property Management Limited (“IWS PM”), IWS Cleaning Services Limited (“IWS Cleaning”) and IWS Carpark Management Limited (“IWS Carpark”) exchanged in connection with the Reorganisation.
- (ii) Pursuant to the written resolution passed by the shareholders on 20 September 2019, the amount of HK\$5,999,999.99 standing to the credit of the share premium of the Company was capitalised by paying up in full at par of 599,999,999 shares of the Company for allotment and issue to the persons whose name appeared on register of members of the Company at the close of business on 20 September 2019.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 March			For the five months ended 31 August	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	22,877	60,118	72,806	29,072	31,304
Adjustments for:					
Depreciation of property, plant and equipment	689	714	774	297	356
Depreciation of right-of-use assets	—	1,678	1,455	595	650
Impairment losses on financial assets, net	250	833	47	—	390
Loss (gain) on disposal of property, plant and equipment	2	20	(32)	—	—
Gain on sub-leasing of car parks	—	(1,232)	—	—	—
Bank interest income	(7)	(168)	(59)	(53)	(1)
Finance costs	822	2,066	130	38	58
Operating cash flows before movements in working capital	24,633	64,029	75,121	29,949	32,757
(Increase) decrease in trade and other receivables and deposits	(81,500)	(13,158)	16,739	22,751	(24,767)
Decrease in finance lease receivables	—	54	673	278	289
Increase (decrease) in trade and other payables and accrued expenses	20,863	1,231	8,418	(12,741)	(2,163)
Increase in other liabilities	—	123	—	—	—
Cash (used in) generated from operations	(36,004)	52,279	100,951	40,237	6,116
Hong Kong Profits Tax paid	(1,069)	(9,114)	(22,177)	(1,261)	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(37,073)	43,165	78,774	38,976	6,116
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	3	1	32	—	—
Purchase of property, plant and equipment	(836)	(256)	(579)	(169)	(277)
Deposits paid for acquisition of property, plant and equipment	—	—	—	—	(817)
Interest received	7	168	59	53	1
Advances to related companies	(7,901)	(5,562)	(5,576)	(3,158)	(2,162)
Repayments from related companies	7,153	6,410	5,385	2,337	2,366
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,574)	761	(679)	(937)	(889)

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	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
FINANCING ACTIVITIES					
Advances from related parties/companies	999	20,194	148	58	—
Repayments to related parties/companies	(2,626)	(20,206)	(149)	(66)	(93)
New bank borrowings raised	67,000	126,000	—	—	—
Repayment of bank borrowings	(10,000)	(171,000)	(12,000)	(12,000)	—
Repayment of lease liabilities	—	(1,693)	(1,655)	(706)	(745)
Interest paid	(796)	(2,068)	(154)	(62)	(58)
Proceeds from issuance of shares	—	64,000	—	—	—
Transaction costs attributable to issue of shares	(1,554)	(7,375)	—	—	—
Dividend paid	(6,373)	—	(16,000)	—	—
	<u>46,650</u>	<u>7,852</u>	<u>(29,810)</u>	<u>(12,776)</u>	<u>(896)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES					
	<u>46,650</u>	<u>7,852</u>	<u>(29,810)</u>	<u>(12,776)</u>	<u>(896)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,003	51,778	48,285	25,263	4,331
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>19,093</u>	<u>27,096</u>	<u>78,874</u>	<u>78,874</u>	<u>127,159</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	<u><u>27,096</u></u>	<u><u>78,874</u></u>	<u><u>127,159</u></u>	<u><u>104,137</u></u>	<u><u>131,490</u></u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

IWS Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 October 2019 (the “Listing”). The Company’s immediate and ultimate holding company is IWS Group Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”) with limited liability, shareholders of which are the respective wholly owned entities of Mr. Ma Kiu Sang (“Mr. KS Ma”), Mr. Ma Kiu Mo (“Mr. KM Ma”) and Mr. Ma Kiu Man, Vince (“Mr. Vince Ma”). Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have been controlling the companies comprising the Company and its subsidiaries (collectively referred to as the “Group”) collectively. The addresses of the registered office and the principal place of business of the Company are disclosed in the section “Corporate Information” of the [REDACTED] Document.

The Company is engaged in the provision of manpower support services and investment holding and its subsidiaries are principally engaged in the provision of security services and facility management services in Hong Kong.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

In preparation of the Listing, the companies comprising the Group underwent a group reorganisation (the “Reorganisation”). Prior to the Reorganisation, IWS Security, IWS PM, IWS Cleaning and IWS Carpark were owned and controlled by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

The Reorganisation involved incorporating certain investment holding companies in the BVI by the Company and transferring the equity interests in IWS Security, IWS PM, IWS Cleaning and IWS Carpark to these investment holding companies by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 25 May 2018. The Company and its subsidiaries have been under the common control of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma throughout the year ended 31 March 2019 or since their respective dates of incorporation, where this is a shorter period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information for the year ended 31 March 2019 have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

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 the 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Group has applied the HKFRSs, Hong Kong Accounting Standards (“HKAS”) and amendments issued by the HKICPA which are relevant to the Group and effective for the accounting periods beginning on 1 April 2021 consistently throughout the Track Record Period, except that the Group adopted HKFRS 16 “Leases” (“HKFRS 16”) during the two years ended 31 March 2021 and the five months ended 31 August 2021, and applied HKAS 17 “Leases” (“HKAS 17”) during the year ended 31 March 2019.

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The effect of adoption of HKFRS 16 are as follow:

HKFRS 16 “Leases”

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

Definition of a lease

The 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, the 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, the 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

The 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, the 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.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.0%.

	<i>Note</i>	At 1 April 2019 <i>HK\$’000</i>
Operating lease commitments disclosed as at 31 March 2019	<i>26(b)</i>	<u>2,272</u>
Lease liabilities discounted at relevant incremental borrowing rates and as at 1 April 2019		<u><u>2,217</u></u>
Analysed as		
Current		1,734
Non-current		<u>483</u>
		<u><u>2,217</u></u>

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The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	At 1 April 2019 <i>HK\$'000</i>
Right-of-use assets relating to operating leases of office premises and car parks recognised upon application of HKFRS 16	<u>2,217</u>
By class:	
Office premises	1,087
Car parks	<u>1,130</u>
	<u>2,217</u>

Before the application of HKFRS 16, the 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, the Group is not required to make any adjustment on transition for leases in which the 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.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Right-of-use assets	<u>—</u>	<u>2,217</u>	<u>2,217</u>
CURRENT LIABILITIES			
Lease liabilities	<u>—</u>	<u>1,734</u>	<u>1,734</u>
NON-CURRENT LIABILITIES			
Lease liabilities	<u>—</u>	<u>483</u>	<u>483</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

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

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidated entities from the earliest date presented or since the date when the consolidated entities first came under the common control, where this is a shorter period.

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Revenue recognition

The Group recognises 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 the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the 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 the Group’s performance as the Group performs.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 “Financial Instruments” (“HKFRS 9”). In contrast, a receivable represents the Group’s 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 the Group’s performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date, for example, service contracts in which the Group bills a fixed amount for each hour of service provided, the Group recognises revenue in the amount to which the Group has the right to invoice.

The Group’s accounting policy for recognition of revenue from operating leases of car parks is described in the accounting policy for leasing below.

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Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

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Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment. The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which is derived from the Group’s ordinary courses of business are presented as revenue.

The Group as lessor (upon application of HKFRS 16 in accordance with transitions in Note 3)

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

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” (“HKFRS 15”). 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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

The 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, related companies and subsidiaries and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The 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 the 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.

The Group always recognises lifetime ECL for trade receivables and uncertified revenue. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at end of each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

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- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a trade receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the amounts are over one year past due without subsequent settlement, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on nature of financial instruments, past-due status, nature, size and industry of debtors and external credit ratings, where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Financial liabilities and equity instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, other liabilities, amounts due to a related company, a non-controlling shareholder of a subsidiary and subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

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Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. REVENUE AND SEGMENT INFORMATION

Revenue from the provision of security services and facility management services is recognised over time because the customers simultaneously receive and consume the benefits provided by the Group’s performance as the Group performs, and is measured based on the output method. The Group bills a fixed amount for each hour or month of services provided, which is the direct measurement of the value of the services transferred to the customer from the Group’s performance. The Group elects to apply the practical expedient by recognising revenue from provision of security services and facility management services in the amount to which the Group has a right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of the Group’s revenue is as follows:

	For the year ended 31 March			For the five months ended 31 August	
	2019 HK\$’000	2020 HK\$’000	2021 HK\$’000	2020 HK\$’000	2021 HK\$’000
				(unaudited)	
Types of services					
Provision of:					
General manned guarding services	161,855	344,726	160,147	63,483	76,760
Event and crisis security services	385	698	—	—	—
Manpower support services	105,216	106,735	176,709	49,760	121,100
Property management services	12,958	18,479	18,679	7,740	7,924
Car park management services	10,101	8,499	8,373	3,528	3,474
Cleaning services	1,757	1,997	1,859	767	742
Hotel management services	2,160	—	—	—	—
Rental of car parks	739	431	—	—	—
Interest income from sub-leasing of car parks	—	6	66	31	19
Total	295,171	481,571	365,833	125,309	210,019
Timing of revenue under HKFRS 15					
— Over time	294,432	481,134	365,767	125,278	210,000
Rental income	739	431	—	—	—
Interest income	—	6	66	31	19
Total	295,171	481,571	365,833	125,309	210,019

The Group’s operating segments are determined based on information reported to the chief executive, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment based on the types of services provided. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to CODM. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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The Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

- (i) Security services — provision of general manned guarding services, event and crisis security services and manpower support services at railway stations and facilities, sea, land and railway immigration control points and public amenities and during large-scale events and emergency and critical incidents in Hong Kong.
- (ii) Facility management services — provision of property management services, car park management services, cleaning services, hotel management services, rental of car parks and interest income from sub-leasing of car parks.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments.

	Security services <i>HK\$’000</i>	Facility management services <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the year ended 31 March 2019				
Revenue				
External revenue	267,456	27,715	—	295,171
Inter-segment revenue	<u>12,825</u>	<u>6,733</u>	<u>(19,558)</u>	<u>—</u>
	<u>280,281</u>	<u>34,448</u>	<u>(19,558)</u>	<u>295,171</u>
Segment results	41,310	10,717	—	52,027
Other income and loss				345
Impairment losses on financial assets, net				(250)
Other corporate expenses				(19,908)
[REDACTED] expenses				(8,515)
Finance costs				<u>(822)</u>
Profit before taxation				<u><u>22,877</u></u>
For the year ended 31 March 2020				
Revenue				
External revenue	452,159	29,412	—	481,571
Inter-segment revenue	<u>16,556</u>	<u>7,584</u>	<u>(24,140)</u>	<u>—</u>
	<u>468,715</u>	<u>36,996</u>	<u>(24,140)</u>	<u>481,571</u>
Segment results	108,046	13,696	—	121,742
Other income and loss				488
Impairment losses on financial assets, net				(833)
Other corporate expenses				(43,688)
[REDACTED] expenses				(15,525)
Finance costs				<u>(2,066)</u>
Profit before taxation				<u><u>60,118</u></u>

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	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2021				
Revenue				
External revenue	336,856	28,977	—	365,833
Inter-segment revenue	<u>14,711</u>	<u>7,826</u>	<u>(22,537)</u>	<u>—</u>
	<u>351,567</u>	<u>36,803</u>	<u>(22,537)</u>	<u>365,833</u>
Segment results	103,399	16,106	—	119,505
Other income and gain				1,693
Impairment losses on financial assets, net				(47)
Other corporate expenses				(43,560)
[REDACTED] expenses				(4,655)
Finance costs				<u>(130)</u>
Profit before taxation				<u><u>72,806</u></u>
For the five months ended 31 August 2020 (unaudited)				
Revenue				
External revenue	113,243	12,066	—	125,309
Inter-segment revenue	<u>5,818</u>	<u>3,253</u>	<u>(9,071)</u>	<u>—</u>
	<u>119,061</u>	<u>15,319</u>	<u>(9,071)</u>	<u>125,309</u>
Segment results	33,356	6,408	—	39,764
Other income				829
Other corporate expenses				(11,483)
Finance costs				<u>(38)</u>
Profit before taxation				<u><u>29,072</u></u>
For the five months ended 31 August 2021				
Revenue				
External revenue	197,860	12,159	—	210,019
Inter-segment revenue	<u>6,825</u>	<u>3,266</u>	<u>(10,091)</u>	<u>—</u>
	<u>204,685</u>	<u>15,425</u>	<u>(10,091)</u>	<u>210,019</u>
Segment results	48,373	5,446	—	53,819
Other income				179
Impairment losses on financial assets, net				(390)
Other corporate expenses				(13,978)
[REDACTED] expenses				(8,268)
Finance costs				<u>(58)</u>
Profit before taxation				<u><u>31,304</u></u>

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Inter-segment revenue are charged at prevailing market rates.

Segment results represent profits earned from each segment without allocation of other income, certain other gains and losses, net impairment losses on financial assets, other corporate expenses, [REDACTED] expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Set out below are the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Security services	Facility management services	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 March 2019				
Provision of:				
General manned guarding services	161,855	—	—	161,855
Event and crisis security services	385	—	—	385
Manpower support services	105,216	—	—	105,216
Property management services	—	12,958	—	12,958
Car park management services	—	10,101	—	10,101
Cleaning services	—	1,757	—	1,757
Hotel management services	—	2,160	—	2,160
	<u>—</u>	<u>2,160</u>	<u>—</u>	<u>2,160</u>
Sub-total	267,456	26,976	—	294,432
Rental of car parks	—	739	—	739
	<u>—</u>	<u>739</u>	<u>—</u>	<u>739</u>
Consolidated revenue	267,456	27,715	—	295,171
Inter-segment revenue	12,825	6,733	(19,558)	—
	<u>12,825</u>	<u>6,733</u>	<u>(19,558)</u>	<u>—</u>
Total	<u>280,281</u>	<u>34,448</u>	<u>(19,558)</u>	<u>295,171</u>
For the year ended 31 March 2020				
Provision of:				
General manned guarding services	344,726	—	—	344,726
Event and crisis security services	698	—	—	698
Manpower support services	106,735	—	—	106,735
Property management services	—	18,479	—	18,479
Car park management services	—	8,499	—	8,499
Cleaning services	—	1,997	—	1,997
	<u>—</u>	<u>1,997</u>	<u>—</u>	<u>1,997</u>
Sub-total	452,159	28,975	—	481,134
Rental of car parks	—	431	—	431
Interest income from sub-leasing of car parks	—	6	—	6
	<u>—</u>	<u>6</u>	<u>—</u>	<u>6</u>
Consolidated revenue	452,159	29,412	—	481,571
Inter-segment revenue	16,556	7,584	(24,140)	—
	<u>16,556</u>	<u>7,584</u>	<u>(24,140)</u>	<u>—</u>
Total	<u>468,715</u>	<u>36,996</u>	<u>(24,140)</u>	<u>481,571</u>

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	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2021				
Provision of:				
General manned guarding services	160,147	—	—	160,147
Manpower support services	176,709	—	—	176,709
Property management services	—	18,679	—	18,679
Car park management services	—	8,373	—	8,373
Cleaning services	—	1,859	—	1,859
	<u>336,856</u>	<u>28,911</u>	<u>—</u>	<u>365,767</u>
Sub-total	336,856	28,911	—	365,767
Interest income from sub-leasing of car parks	—	66	—	66
	<u>—</u>	<u>66</u>	<u>—</u>	<u>66</u>
Consolidated revenue	336,856	28,977	—	365,833
Inter-segment revenue	14,711	7,826	(22,537)	—
	<u>14,711</u>	<u>7,826</u>	<u>(22,537)</u>	<u>—</u>
Total	<u><u>351,567</u></u>	<u><u>36,803</u></u>	<u><u>(22,537)</u></u>	<u><u>365,833</u></u>
For the five months ended 31 August 2020 (unaudited)				
Provision of:				
General manned guarding services	63,483	—	—	63,483
Manpower support services	49,760	—	—	49,760
Property management services	—	7,740	—	7,740
Car park management services	—	3,528	—	3,528
Cleaning services	—	767	—	767
	<u>63,483</u>	<u>7,740</u>	<u>—</u>	<u>71,223</u>
Sub-total	113,243	12,035	—	125,278
Interest income from sub-leasing of car parks	—	31	—	31
	<u>—</u>	<u>31</u>	<u>—</u>	<u>31</u>
Consolidated revenue	113,243	12,066	—	125,309
Inter-segment revenue	5,818	3,253	(9,071)	—
	<u>5,818</u>	<u>3,253</u>	<u>(9,071)</u>	<u>—</u>
Total	<u><u>119,061</u></u>	<u><u>15,319</u></u>	<u><u>(9,071)</u></u>	<u><u>125,309</u></u>

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	Security services	Facility management services	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the five months ended 31 August 2021				
Provision of:				
General manned guarding services	76,760	—	—	76,760
Manpower support services	121,100	—	—	121,100
Property management services	—	7,924	—	7,924
Car park management services	—	3,474	—	3,474
Cleaning services	—	742	—	742
	<u>197,860</u>	<u>12,140</u>	<u>—</u>	<u>210,000</u>
Sub-total	197,860	12,140	—	210,000
Interest income from sub-leasing of car parks	—	19	—	19
	<u>—</u>	<u>19</u>	<u>—</u>	<u>19</u>
Consolidated revenue	197,860	12,159	—	210,019
Inter-segment revenue	6,825	3,266	(10,091)	—
	<u>6,825</u>	<u>3,266</u>	<u>(10,091)</u>	<u>—</u>
Total	<u>204,685</u>	<u>15,425</u>	<u>(10,091)</u>	<u>210,019</u>

Other segment information

	Security services	Facility management services	Segment total	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount included in the measure of segment results:					
For the year ended 31 March 2019					
Employee benefit expenses	<u>226,146</u>	<u>16,998</u>	<u>243,144</u>	<u>8,983</u>	<u>252,127</u>
For the year ended 31 March 2020					
Employee benefit expenses	<u>344,113</u>	<u>16,948</u>	<u>361,061</u>	<u>27,402</u>	<u>388,463</u>
For the year ended 31 March 2021					
Employee benefit expenses	<u>209,669</u>	<u>12,871</u>	<u>222,540</u>	<u>27,448</u>	<u>249,988</u>
For the five months ended 31 August 2020 (unaudited)					
Employee benefit expenses	<u>78,379</u>	<u>5,658</u>	<u>84,037</u>	<u>5,021</u>	<u>89,058</u>
For the five months ended 31 August 2021					
Employee benefit expenses	<u>116,823</u>	<u>6,713</u>	<u>123,536</u>	<u>7,290</u>	<u>130,826</u>

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Geographical information

The Group’s operations are all located in Hong Kong. All of the Group’s customers from whom the revenue are derived and non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers of corresponding years/periods contributing over 10% of the Group’s revenue are as follows:

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(unaudited)	
Customer A ¹	162,563	344,452	152,474	64,274	67,739
Customer B ²	<u>74,814</u>	<u>80,693</u>	<u>131,848</u>	<u>39,243</u>	<u>107,411</u>

¹ Revenue from security services segment and facility management services segment.

² Revenue from security services segment.

6. OTHER INCOME/OTHER GAINS AND LOSSES, NET

Other income

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(unaudited)	
Bank interest income	7	168	59	53	1
Insurance received	199	130	962	311	123
Others	<u>141</u>	<u>210</u>	<u>640</u>	<u>465</u>	<u>55</u>
Other income — Total	<u>347</u>	<u>508</u>	<u>1,661</u>	<u>829</u>	<u>179</u>

Other gains and losses, net

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(unaudited)	
(Loss) gain on disposal of property, plant and equipment	(2)	(20)	32	—	—
Gain on sub-leasing of car parks	<u>—</u>	<u>1,232</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other gains and losses, net — Total	<u>(2)</u>	<u>1,212</u>	<u>32</u>	<u>—</u>	<u>—</u>

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7. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Impairment losses (reversal of impairment) on:					
— trade receivables	191	347	(149)	—	400
— uncertified revenue	59	(7)	(6)	—	(10)
— other receivables and deposits	—	—	202	—	—
	250	340	47	—	390
Write off of trade receivables	—	493	—	—	—
	<u>250</u>	<u>833</u>	<u>47</u>	<u>—</u>	<u>390</u>

8. ANALYSIS OF EXPENSES

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Directors’ and chief executive’s emoluments (Note 11)	1,006	15,435	16,778	1,418	1,424
Other staff salaries, wages and allowances and bonuses	241,781	362,444	223,648	83,620	125,021
Retirement benefit scheme contributions, excluding those for directors and chief executive	9,340	10,584	9,562	4,020	4,381
Total employee benefit expenses (note)	<u>252,127</u>	<u>388,463</u>	<u>249,988</u>	<u>89,058</u>	<u>130,826</u>
Auditor’s remuneration	200	1,570	1,200	500	500
Depreciation of property, plant and equipment	689	714	774	297	356
Depreciation of right-of-use assets	—	1,678	1,455	595	650
Legal and professional fees	248	3,123	4,223	1,854	1,290
Subcontracting costs	—	—	23,788	1,508	32,664
Rent and rates	1,805	109	91	38	38
Motor vehicle rental and expenses	2,178	2,154	1,427	533	708
Other expenses	3,298	4,796	5,801	2,166	2,561
Total other operating expenses	<u>8,418</u>	<u>14,144</u>	<u>38,759</u>	<u>7,491</u>	<u>38,767</u>
Professional fees for initial listing	8,515	15,525	—	—	—
Professional fees for [REDACTED]	—	—	4,655	—	8,268
Total [REDACTED] expenses	<u>8,515</u>	<u>15,525</u>	<u>4,655</u>	<u>—</u>	<u>8,268</u>

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Note: During the five months ended 31 August 2020 and the year ended 31 March 2021, the Group recognised government grants of HK\$19,873,000 (unaudited) and HK\$39,701,000, respectively, in respect of COVID-19-related subsidies in relation to Employment Support Scheme provided by the Hong Kong government and net off against employee benefit expenses.

9. FINANCE COSTS

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interest on bank borrowings	822	2,008	6	6	—
Interest on lease liabilities	—	58	124	32	58
	<u>822</u>	<u>2,066</u>	<u>130</u>	<u>38</u>	<u>58</u>

10. INCOME TAX EXPENSE

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Current tax:					
Hong Kong Profits Tax					
— Current year/period	5,130	12,914	6,567	1,762	6,639
— Underprovision in prior years	—	116	27	—	—
Deferred tax (<i>Note 18</i>):					
Current year/period	(2)	—	—	—	—
	<u>5,128</u>	<u>13,030</u>	<u>6,594</u>	<u>1,762</u>	<u>6,639</u>

Hong Kong Profits Tax during the Track Record Period is calculated at 16.5% of the estimated assessable profits for the year/period, except for one subsidiary of the 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 are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$20,000 for each of the years ended 31 March 2019 and 2020 and HK\$10,000 for the year ended 31 March 2021.

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Income tax expense for the year/period is reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 March			For the five months ended 31 August	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (unaudited)	2021 HK\$'000
Profit before taxation	<u>22,877</u>	<u>60,118</u>	<u>72,806</u>	<u>29,072</u>	<u>31,304</u>
Tax at Hong Kong Profits Tax rate of 16.5%	3,775	9,919	12,013	4,797	5,165
Tax effect of expenses not deductible for tax purposes	1,440	3,248	1,371	399	1,612
Tax effect of income not taxable for tax purpose	(7)	(43)	(6,674)	(3,282)	(13)
Underprovision in prior years	—	116	27	—	—
Tax concessions	(80)	(80)	(50)	—	—
Tax effect on two-tiered tax rate	—	(165)	(165)	(165)	(165)
Others	—	<u>35</u>	<u>72</u>	<u>13</u>	<u>40</u>
Income tax expense for the year/period	<u>5,128</u>	<u>13,030</u>	<u>6,594</u>	<u>1,762</u>	<u>6,639</u>

11. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

(a) Directors’ and chief executive’s emoluments

Details of the emoluments paid or payable by the Group to the directors and the chief executive of the Company disclosed pursuant to the applicable Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance, are as follows:

	Directors’ fee HK\$'000	Salaries and other allowances HK\$'000	Performance-based bonus HK\$'000 (note i)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2019					
Executive directors:					
Mr. Ma Ah Muk	—	—	—	—	—
Mr. KS Ma	—	—	—	—	—
Mr. KM Ma	—	—	—	—	—
Mr. Vince Ma	—	—	—	—	—
Mr. Ma Yung King, Leo	—	—	—	—	—
Chief executive:					
Mr. Choi Ming Fai, Andy	—	988	—	18	1,006
	<u>—</u>	<u>988</u>	<u>—</u>	<u>18</u>	<u>1,006</u>

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	Directors' fee <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Performance- based bonus <i>HK\$'000</i> <i>(note i)</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2020					
Executive directors:					
Mr. Ma Ah Muk	120	—	—	—	120
Mr. KS Ma	120	—	—	6	126
Mr. KM Ma	120	—	—	6	126
Mr. Vince Ma	120	—	—	6	126
Mr. Ma Yung King, Leo	120	—	200	6	326
Chief executive:					
Mr. Choi Ming Fai, Andy	—	1,186	13,167	18	14,371
Independent non-executive directors:					
Ms. Chang Wai Ha <i>(note ii)</i>	60	—	—	—	60
Dr. Ng Ka Sing, David <i>(note ii)</i>	120	—	—	—	120
Mr. Yau Siu Yeung <i>(note ii)</i>	60	—	—	—	60
	<u>840</u>	<u>1,186</u>	<u>13,367</u>	<u>42</u>	<u>15,435</u>
For the year ended 31 March 2021					
Executive directors:					
Mr. Ma Ah Muk	720	—	—	—	720
Mr. KS Ma	240	—	—	12	252
Mr. KM Ma	240	—	—	12	252
Mr. Vince Ma	240	—	—	12	252
Mr. Ma Yung King, Leo	240	—	—	12	252
Chief executive:					
Mr. Choi Ming Fai, Andy	—	1,176	13,376	18	14,570
Independent non-executive directors:					
Ms. Chang Wai Ha <i>(note ii)</i>	120	—	—	—	120
Dr. Ng Ka Sing, David <i>(note ii)</i>	240	—	—	—	240
Mr. Yau Siu Yeung <i>(note ii)</i>	120	—	—	—	120
	<u>2,160</u>	<u>1,176</u>	<u>13,376</u>	<u>66</u>	<u>16,778</u>

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	Directors’ fee <i>HK\$’000</i>	Salaries and other allowances <i>HK\$’000</i>	Performance- based bonus <i>HK\$’000</i> <i>(note i)</i>	Retirement benefit scheme contributions <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the five months ended					
31 August 2020 (unaudited)					
Executive directors:					
Mr. Ma Ah Muk	300	—	—	—	300
Mr. KS Ma	100	—	—	5	105
Mr. KM Ma	100	—	—	5	105
Mr. Vince Ma	100	—	—	5	105
Mr. Ma Yung King, Leo	100	—	—	5	105
Chief executive:					
Mr. Choi Ming Fai, Andy	—	490	—	8	498
Independent non-executive directors:					
Ms. Chang Wai Ha <i>(note ii)</i>	50	—	—	—	50
Dr. Ng Ka Sing, David <i>(note ii)</i>	100	—	—	—	100
Mr. Yau Siu Yeung <i>(note ii)</i>	50	—	—	—	50
	<u>900</u>	<u>490</u>	<u>—</u>	<u>28</u>	<u>1,418</u>
For the five months ended					
31 August 2021					
Executive directors:					
Mr. Ma Ah Muk	300	—	—	—	300
Mr. KS Ma	100	—	—	1	101
Mr. KM Ma	100	—	—	5	105
Mr. Vince Ma	100	—	—	5	105
Mr. Ma Yung King, Leo	100	—	—	5	105
Chief executive:					
Mr. Choi Ming Fai, Andy	—	500	—	8	508
Independent non-executive directors:					
Ms. Chang Wai Ha <i>(note ii)</i>	50	—	—	—	50
Dr. Ng Ka Sing, David <i>(note ii)</i>	100	—	—	—	100
Mr. Yau Siu Yeung <i>(note ii)</i>	50	—	—	—	50
	<u>900</u>	<u>500</u>	<u>—</u>	<u>24</u>	<u>1,424</u>

Notes:

- (i) The bonus is determined with reference to the Group’s financial performance or duties and responsibilities of the relevant employee within the Group.
- (ii) All the independent non-executive directors were appointed on 20 September 2019.

The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors’ emoluments shown above were for their services as director of the Company.

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During the Track Record Period, no emolument was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Track Record Period.

(b) Employees' emoluments

The five highest paid employees of the Group include the chief executive of the Company for the years ended 31 March 2019 and 2020, and the chief executive and a director of the Company for the year ended 31 March 2021 and the five months ended 31 August 2020 and 2021, whose emoluments are included in the disclosures in Note 11(a). The emoluments of the remaining 4 non-director employees for the years ended 31 March 2019 and 2020, and the remaining 3 non-director employees for the year ended 31 March 2021 and the five months ended 31 August 2020 and 2021 are as follows:

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries and other allowances	2,715	2,575	2,256	940	949
Performance-based bonus	—	1,824	758	—	—
Retirement benefit scheme contributions	69	71	54	23	21
	<u>2,784</u>	<u>4,470</u>	<u>3,068</u>	<u>963</u>	<u>970</u>

The number of highest paid employees, who are not directors or chief executive of the Company, whose remuneration within the following bands were as follows:

	Number of employees				
	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
				(unaudited)	
Emolument bands					
Nil to HK\$1,000,000	3	3	2	3	3
HK\$1,000,001 to HK\$1,500,000	1	—	—	—	—
HK\$1,500,001 to HK\$2,000,000	—	—	1	—	—
HK\$2,000,001 to HK\$2,500,000	—	1	—	—	—
	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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12. DIVIDENDS

The dividend declared and paid by the Company’s subsidiaries to the then shareholders during the year ended 31 March 2019 before the completion of Reorganisation was HK\$8,000,000. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful.

A final dividend for the year ended 31 March 2020 of HK2 cents per ordinary share, totaling HK\$16,000,000 based on [REDACTED] ordinary shares has been declared and paid by the Company during the year ended 31 March 2021.

During the five months ended 31 August 2021, a final dividend for the year ended 31 March 2021 of HK3.25 cents per ordinary share totaling HK\$26,000,000, based on [REDACTED] ordinary shares, has been proposed by the board of directors (the “Board”). The proposed dividend was approved by the shareholders of the Company at the annual general meeting on 17 September 2021.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	For the year ended 31 March			For the five months ended 31 August	
	2019	2020	2021	2020	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Earnings				(unaudited)	
Profit for the year/period attributable to owners of the Company	<u>17,751</u>	<u>47,088</u>	<u>66,213</u>	<u>27,310</u>	<u>24,665</u>
				For the five months ended 31 August	
				2020	2021
				(unaudited)	
Number of shares					
Weighted average number of ordinary shares	<u>[REDACTED]</u>	<u>688,524,590</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The weighted average number of ordinary shares for the years ended 31 March 2019 and 2020 for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (details as disclosed in Note 25) had been effective on 1 April 2018.

The calculation of diluted earnings per share for the year ended 31 March 2020 does not assume the exercise of the offer size adjustment option granted and lapsed before the Listing. No diluted earnings per share for the years ended 31 March 2019 and 2021 and the five months ended 31 August 2020 and 2021 were presented as there were no potential ordinary shares in issue for the years ended 31 March 2019 and 2021 and the five months ended 31 August 2020 and 2021.

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14. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2018	1,561	1,329	225	3,115
Additions	811	—	25	836
Disposal	—	—	(38)	(38)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2019	2,372	1,329	212	3,913
Additions	195	—	61	256
Disposal	—	—	(25)	(25)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020	2,567	1,329	248	4,144
Additions	261	—	318	579
Disposal	—	—	(187)	(187)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2021	2,828	1,329	379	4,536
Additions	102	175	—	277
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 August 2021	<u>2,930</u>	<u>1,504</u>	<u>379</u>	<u>4,813</u>
DEPRECIATION				
At 1 April 2018	885	198	168	1,251
Provided for the year	368	266	55	689
Disposal	—	—	(33)	(33)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2019	1,253	464	190	1,907
Provided for the year	433	266	15	714
Disposal	—	—	(4)	(4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020	1,686	730	201	2,617
Provided for the year	453	226	55	774
Disposal	—	—	(187)	(187)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2021	2,139	996	69	3,204
Provided for the period	202	115	39	356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 August 2021	<u>2,341</u>	<u>1,111</u>	<u>108</u>	<u>3,560</u>
CARRYING VALUES				
At 31 March 2019	<u>1,119</u>	<u>865</u>	<u>22</u>	<u>2,006</u>
At 31 March 2020	<u>881</u>	<u>599</u>	<u>47</u>	<u>1,527</u>
At 31 March 2021	<u>689</u>	<u>333</u>	<u>310</u>	<u>1,332</u>
At 31 August 2021	<u>589</u>	<u>393</u>	<u>271</u>	<u>1,253</u>

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The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Furniture, fixtures and equipment	25% per annum
Leasehold improvements	Over the estimated useful lives of 5 years or the period of the relevant lease, whichever is shorter
Motor vehicles	25% per annum

15. RIGHT-OF-USE ASSETS

	Car parks <i>HK\$'000</i>	Office premises <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019			
Carrying amount	<u>1,130</u>	<u>1,087</u>	<u>2,217</u>
At 31 March 2020			
Carrying amount	<u>170</u>	<u>282</u>	<u>452</u>
At 31 March 2021			
Carrying amount	<u>1,476</u>	<u>1,943</u>	<u>3,419</u>
At 31 August 2021			
Carrying amount	<u>1,202</u>	<u>1,998</u>	<u>3,200</u>
For the year ended 31 March 2020			
Depreciation	<u>894</u>	<u>784</u>	<u>1,678</u>
For the year ended 31 March 2021			
Depreciation	<u>662</u>	<u>793</u>	<u>1,455</u>
For the five months ended 31 August 2020 (unaudited)			
Depreciation	<u>279</u>	<u>316</u>	<u>595</u>
For the five months ended 31 August 2021			
Depreciation	<u>274</u>	<u>376</u>	<u>650</u>

During the Track Record Period, the Group leases car parks and offices premises for its operations. Lease contracts are entered into for fixed terms of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the years ended 31 March 2020 and 2021 and the five months ended 31 August 2020 and 2021, right-of-use assets amounting to HK\$716,000, HK\$4,422,000, HK\$4,422,000 (unaudited) and HK\$431,000, respectively are recognised with related lease liabilities attributable to renewal of the existing leased properties. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. This constitutes the Group's major non-cash transactions.

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In addition, the Group regularly entered into short-term leases for motor vehicles. At 31 March 2020 and 2021 and 31 August 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense incurred during the years ended 31 March 2020 and 2021 and the five months ended 31 August 2021. The expenses relating to short-term leases recognised during the years ended 31 March 2020 and 2021 and the five months ended 31 August 2020 and 2021 amounted to HK\$1,778,000, HK\$1,096,000, HK\$428,000 (unaudited) and HK\$536,000 respectively.

The total cash outflow for leases during the years ended 31 March 2020 and 2021 and the five months ended 31 August 2020 and 2021 amounted to HK\$3,529,000, HK\$2,875,000, HK\$1,166,000 (unaudited) and HK\$1,339,000 respectively.

16. FINANCE LEASE RECEIVABLES

During the year ended 31 March 2020, the Group entered into finance lease arrangement as a lessor for sub-leasing car parks leased from a related party. The related right-of-use assets are derecognised and a gain on sub-leasing of car parks amounting to HK\$1,232,000 is recognised in profit or loss and presented under other gains and losses (Note 6). The term of finance lease entered into is 3 years.

	As at 31 March		As at 31 August	
	2020	2021	2021	2021
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprise:				
Within one year	739	673	739	701
In more than one year but not more than two years	739	701	616	607
In more than two years but not more than three years	<u>616</u>	<u>607</u>	<u>—</u>	<u>—</u>
	2,094	1,981	1,355	1,308
Less: unearned finance income	<u>(113)</u>	<u>N/A</u>	<u>(47)</u>	<u>N/A</u>
Present value of minimum lease payment receivables	<u>1,981</u>	<u>1,981</u>	<u>1,308</u>	<u>1,308</u>
Analysed for reporting purpose as:				
Current assets		673		701
Non-current assets		<u>1,308</u>		<u>607</u>
		<u>1,981</u>		<u>1,308</u>

At 31 March 2020 and 2021 and 31 August 2021, the Group received deposit of HK\$123,000, HK\$123,000 and HK\$123,000, respectively, from the customer under finance lease and recognised as other liabilities under non-current liabilities.

There has been no significant increase in credit risk of the lessee since initial recognition, and accordingly 12m ECL is recognised. The amount is insignificant and therefore no loss allowance is recognised.

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17. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group

	Notes	As at 31 March			As at
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	31 August 2021 HK\$'000
Trade receivables	(a)				
— Third parties		47,726	55,665	56,455	89,805
— Related parties		<u>2,155</u>	<u>4,644</u>	<u>4,677</u>	<u>4,534</u>
		49,881	60,309	61,132	94,339
Less: Loss allowance		<u>(460)</u>	<u>(807)</u>	<u>(658)</u>	<u>(1,058)</u>
		<u>49,421</u>	<u>59,502</u>	<u>60,474</u>	<u>93,281</u>
Uncertified revenue	(b)	57,680	47,488	34,786	26,782
Less: Loss allowance		<u>(59)</u>	<u>(52)</u>	<u>(46)</u>	<u>(36)</u>
		<u>57,621</u>	<u>47,436</u>	<u>34,740</u>	<u>26,746</u>
Deposits					
— Third parties		10,411	7,626	1,372	1,414
— Related parties		<u>280</u>	<u>280</u>	<u>—</u>	<u>—</u>
		10,691	7,906	1,372	1,414
Less: Loss allowance		<u>—</u>	<u>—</u>	<u>(2)</u>	<u>(2)</u>
		<u>10,691</u>	<u>7,906</u>	<u>1,370</u>	<u>1,412</u>
Other receivables and prepayments		1,902	5,160	2,446	3,339
Less: Loss allowance		<u>—</u>	<u>—</u>	<u>(180)</u>	<u>(180)</u>
		<u>1,902</u>	<u>5,160</u>	<u>2,266</u>	<u>3,159</u>
Prepayments for [REDACTED] expenses and issue costs		360	—	1,522	55
Deferred issue costs		<u>3,928</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total trade and other receivables and deposits (shown under current assets)		<u>123,923</u>	<u>120,004</u>	<u>100,372</u>	<u>124,653</u>
Non-current deposits					
— Third parties		1,643	6,759	9,345	10,258
— Related parties		<u>—</u>	<u>—</u>	<u>280</u>	<u>280</u>
		1,643	6,759	9,625	10,538
Less: Loss allowance		<u>—</u>	<u>—</u>	<u>(20)</u>	<u>(20)</u>
		<u>1,643</u>	<u>6,759</u>	<u>9,605</u>	<u>10,518</u>

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	Note	As at 31 March			As at
		2019	2020	2021	31 August
		HK\$’000	HK\$’000	HK\$’000	2021
					HK\$’000
Trade receivables	(a)				
— Third parties		—	—	31,905	33,527
Less: Loss allowance		—	—	(44)	(46)
		—	—	31,861	33,481
Other prepayments		—	113	536	153
Prepayments for [REDACTED]					
expenses and issue costs		360	—	1,522	55
Deferred issue costs		3,928	—	—	—
		<u>4,288</u>	<u>113</u>	<u>33,919</u>	<u>33,689</u>

All the related parties above are companies controlled by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

The Group allows credit period of 30 to 120 days to the customers.

(a) Trade receivables

At 1 April 2018, trade receivables from contracts with customers for the Group amounted to HK\$27,306,000.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the invoice dates at the end of each reporting period:

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2019	2020	2021	31 August	31 March	31 August
	HK\$’000	HK\$’000	HK\$’000	2021	2021	2021
				HK\$’000	HK\$’000	HK\$’000
0–30 days	40,698	38,250	45,708	57,249	23,040	12,682
31–60 days	1,586	7,582	11,859	24,973	8,821	11,723
61–90 days	1,089	4,171	1,699	10,596	—	9,076
91–120 days	1,471	2,639	904	175	—	—
Over 120 days	4,577	6,860	304	288	—	—
	<u>49,421</u>	<u>59,502</u>	<u>60,474</u>	<u>93,281</u>	<u>31,861</u>	<u>33,481</u>

Before accepting any new customer, the Group assesses the potential customer’s credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that is neither past due nor impaired has no history of defaulting on repayments.

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At 31 March 2019, 2020 and 2021 and 31 August 2021, included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK\$8,723,000, HK\$21,252,000, HK\$14,766,000 and HK\$33,400,000, respectively, which are past due as at the reporting date. Out of the past due balances, HK\$4,577,000, HK\$6,860,000, HK\$304,000 and HK\$288,000, respectively, has been past due 90 days or more and is not considered as in default as the management of the Group considered that the presumption of default has occurred when the instrument is more than 90 days past due is rebutted by considering the background (including the financial background) of these trade debtors. At 31 March 2021 and 31 August 2021, the Company's trade receivables balances amounting to HK\$8,821,000 and nil, respectively, are past due.

In determining the recoverability of a trade receivable, the Group considers 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 HK\$2,155,000, HK\$4,644,000, HK\$4,677,000 and HK\$4,534,000 as at 31 March 2019, 2020 and 2021 and 31 August 2021 respectively, the management of the Group 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.

As part of the Group's credit risk management, the Group applies internal credit rating for its third party customers. The debtors with significant balances at 31 March 2019, 2020 and 2021 and 31 August 2021 with gross carrying amount amounted to HK\$34,829,000, HK\$46,479,000, HK\$51,207,000 and HK\$82,508,000, respectively, are assessed individually. The rest of 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 estimated loss rates and the gross carrying amount of the trade receivables are set out below:

	2019		As at 31 March 2020		2021		As at 31 August 2021	
	Estimated loss rate	Gross carrying amount <i>HK\$'000</i>	Estimated loss rate	Gross carrying amount <i>HK\$'000</i>	Estimated loss rate	Gross carrying amount <i>HK\$'000</i>	Estimated loss rate	Gross carrying amount <i>HK\$'000</i>
Low risk	0.10%	4,102	0.11%	1,713	0.13%	2,253	0.13%	3,691
Medium risk	3.34%	7,826	2.10%	4,808	2.79%	1,726	2.79%	2,033
High risk	18.84%	<u>969</u>	21.02%	<u>2,665</u>	32.66%	<u>1,269</u>	32.66%	<u>1,573</u>
		<u>12,897</u>		<u>9,186</u>		<u>5,248</u>		<u>7,297</u>

The above estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking macroeconomic information (for example, the current and forecasted gross domestic product growth rates in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made during the Track Record Period.

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The movement in the allowance for impairment in respect of trade receivables is as follows:

The Group

	Trade receivables not credit-impaired <i>HK\$’000</i>
At 1 April 2018	269
Changes due to trade receivables recognised at 1 April 2018	
— Impairment losses reversed	(269)
Trade receivables newly originated	<u>460</u>
At 31 March 2019	460
Changes due to trade receivables recognised at 1 April 2019	
— Impairment losses reversed	(460)
Trade receivables newly originated	<u>807</u>
At 31 March 2020	807
Changes due to trade receivables recognised at 1 April 2020	
— Impairment losses reversed	(807)
Trade receivables newly originated	<u>658</u>
At 31 March 2021	658
Changes due to trade receivables recognised at 1 April 2021	
— Impairment losses reversed	(595)
Trade receivables newly originated	<u>995</u>
At 31 August 2021	<u><u>1,058</u></u>

The Company

	Trade receivables not credit-impaired <i>HK\$’000</i>
At 1 April 2020	—
Trade receivables newly originated	<u>44</u>
At 31 March 2021	44
Changes due to trade receivables recognised at 1 April 2021	
— Impairment loss reversed	(44)
Trade receivables newly originated	<u>46</u>
At 31 August 2021	<u><u>46</u></u>

There is no transfer between the impairment loss allowance made under credit-impaired trade receivables and trade receivables not credit-impaired for the Group and the Company during the Track Record Period.

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The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier. The Group has taken legal action against a debtor to recover the amount due of HK\$493,000 during the year ended 31 March 2020.

(b) Uncertified revenue

Uncertified revenue represents the Group’s right to receive consideration for security services rendered pending verification of attendance records by customers as at the end of each reporting period. Uncertified revenue is transferred to trade receivables when the Group obtains the certification issued by the customers and is to be settled within 30 days from the date of certification.

At 1 April 2018, there was no uncertified revenue from contracts with customer.

The uncertified revenue with gross carrying amount of HK\$57,680,000, HK\$47,488,000, HK\$34,786,000 and HK\$26,782,000, respectively, at 31 March 2019, 2020 and 2021 and 31 August 2021 are assessed individually. Based on assessment by the management of the Group, impairment loss of HK\$59,000, reversal of impairment losses of HK\$7,000, HK\$6,000, nil (unaudited) and HK\$10,000, respectively, has been recognised during the years ended 31 March 2019, 2020 and 2021 and the five months ended 31 August 2020 and 2021.

The movement in the allowance for impairment in respect of uncertified revenue is as follows:

	Uncertified revenue not credit-impaired <i>HK\$’000</i>
At 1 April 2018	—
Uncertified revenue newly originated	<u>59</u>
At 31 March 2019	59
Changes due to uncertified revenue recognised at 1 April 2019	
— Impairment losses reversed	(59)
Uncertified revenue newly originated	<u>52</u>
At 31 March 2020	52
Changes due to uncertified revenue recognised at 1 April 2020	
— Impairment losses reversed	(52)
Uncertified revenue newly originated	<u>46</u>
At 31 March 2021	46
Changes due to uncertified revenue recognised at 1 April 2021	
— Impairment losses reversed	(44)
Uncertified revenue newly originated	<u>34</u>
At 31 August 2021	<u><u>36</u></u>

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18. DEFERRED TAX ASSET

Deferred tax asset is recognised on loss allowance of trade receivables and uncertified revenue and movements thereon during the Track Record Period is disclosed as below.

	Loss allowance of trade receivables and uncertified revenue HK\$’000
At 1 April 2018	44
Credit to profit or loss (<i>Note 10</i>)	<u>2</u>
At 31 March 2019, 2020 and 2021 and 31 August 2021	<u><u>46</u></u>

19. AMOUNT(S) DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED COMPANIES/SUBSIDIARIES

The Group

The amount due from a non-controlling shareholder of a subsidiary of the Company is non-trade nature, unsecured, interest-free and repayable on demand.

Details of the amounts due from related companies are as follows:

Name of related companies	At 1 April		At 31 March			Maximum amount outstanding during the five months ended			
						the year ended 31 March		31 August	
	2018	2019	2020	2021	2021	2019	2020	2021	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Yan Yan Motors Limited	1,831	960	112	303	9	2,288	1,346	1,620	1,138
Deluxe Tower Limited	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>90</u>	121	—	—	90
	<u><u>1,839</u></u>	<u><u>960</u></u>	<u><u>112</u></u>	<u><u>303</u></u>	<u><u>99</u></u>				

The amounts are non-trade nature, unsecured, interest-free and repayable on demand. The above related companies are controlled by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

The Company

The amounts due from subsidiaries at 31 March 2020 and 2021 are unsecured, interest-free and have no fixed repayment terms. The directors of the Company expect the amounts will be recovered within 12 months after the end of each reporting period and is classified as current.

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20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at prevailing market rates of 0.01% per annum at 31 March 2019, 2020 and 2021 and 31 August 2021.

21. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/OTHER LIABILITIES

The Group

	As at 31 March			As at
	2019	2020	2021	31 August
	HK\$’000	HK\$’000	HK\$’000	2021
				HK\$’000
Trade and other payables and accrued expenses — current				
Trade payables	—	—	6,234	10,120
Other payables and accrued expenses	2,514	3,300	1,801	1,724
Accrued [REDACTED] expense and issue costs	5,452	—	380	1,598
Accrued staff costs	27,361	31,893	35,172	27,982
	<u>35,327</u>	<u>35,193</u>	<u>43,587</u>	<u>41,424</u>
Other liabilities — non-current				
Deposit received from customer under finance lease (Note 16)	—	123	123	123
	<u>—</u>	<u>123</u>	<u>123</u>	<u>123</u>

The credit terms of the trade payables are generally 30 days. The following is an ageing analysis of trade payables, presented based on the invoice dates at the end of each reporting period.

	As at 31 March			As at
	2019	2020	2021	31 August
	HK\$’000	HK\$’000	HK\$’000	2021
				HK\$’000
0–30 days	—	—	6,234	6,626
31–60 days	—	—	—	2,259
61–90 days	—	—	—	1,235
	<u>—</u>	<u>—</u>	<u>6,234</u>	<u>10,120</u>

The Company

	As at 31 March			As at
	2019	2020	2021	31 August
	HK\$’000	HK\$’000	HK\$’000	2021
				HK\$’000
Accrued expenses — current				
Accrued expenses	—	260	900	500
Accrued [REDACTED] expense and issue costs	5,452	—	380	1,598
	<u>5,452</u>	<u>260</u>	<u>1,280</u>	<u>2,098</u>

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22. AMOUNT(S) DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A RELATED COMPANY/SUBSIDIARIES

The Group

	As at 31 March			As at 31 August
	2019	2020	2021	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Amount due to a non-controlling shareholder of a subsidiary:				
Oblivian Limited	<u>7,198</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amount due to a related company:				
Deluxe Tower Limited	<u>106</u>	<u>94</u>	<u>93</u>	<u>—</u>

All the amounts due to a non-controlling shareholder of a subsidiary and a related company are non-trade nature, unsecured, interest-free and repayable on demand.

The Company

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

23. LEASE LIABILITIES

	As at 31 March		As at 31 August
	2020	2021	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Lease liabilities payable:			
Within a period of not exceeding one year	712	1,703	1,902
Within a period of more than one year but not exceeding two years	248	1,784	1,700
Within a period of more than two years but not exceeding five years	<u>280</u>	<u>520</u>	<u>91</u>
	1,240	4,007	3,693
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(712)</u>	<u>(1,703)</u>	<u>(1,902)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>528</u>	<u>2,304</u>	<u>1,791</u>

24. BANK BORROWINGS

The Group’s bank borrowings were unsecured, repayable within one year and contained a repayment on demand clause.

At 31 March 2019 and 2020, bank borrowings carried variable interest rate at one month Hong Kong Interbank Offered Rate plus 1.75%.

At 31 March 2019, the Group’s bank borrowings were guaranteed by Mr. Ma Ah Muk and Mr. KS Ma. Such personal guarantee had been released during the year ended 31 March 2020.

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25. SHARE CAPITAL

The issued share capital as at 1 April 2018 represented the combined share capital of IWS PM, IWS Security, IWS Carpark and IWS Cleaning.

The share capital of the Group as at 31 March 2019 represented the issued share capital of the Company following the completion of Reorganisation on 25 May 2018 as detailed in Note 2.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018 and 31 March 2019	38,000,000	380
On 20 September 2019 (<i>note i</i>)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2020 and 2021 and 31 August 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018 and 31 March 2019	[REDACTED]	[REDACTED]
Capitalisation issue on 22 October 2019 (<i>note i</i>)	[REDACTED]	[REDACTED]
Issue of shares on 22 October 2019 (<i>note ii</i>)	<u>[REDACTED]</u>	<u>[REDACTED]</u>
At 31 March 2020 and 2021 and 31 August 2021	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (i) On 20 September 2019, a written resolution to increase the authorised share capital of the Company to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of the Company was passed. On 22 October 2019, [REDACTED] shares of the Company were issued through capitalisation of approximately HK\$5,999,999.99 standing to the credit of share premium of the Company.
- (ii) The shares of the Company have been listed on GEM of the Stock Exchange by way of share offer on 22 October 2019. [REDACTED] shares of the Company of HK\$0.01 each were issued at HK\$0.32 per share.

The new shares rank pari passu with the existing shares.

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26. OPERATING LEASE COMMITMENTS

(a) The Group as lessor

At 31 March 2019, the Group had contracted with a tenant in respect of car parks for the following future minimum lease payments amounting to HK\$677,000 under a non-cancellable operating lease with a three year lease term, which fall due within one year.

(b) The Group as lessee

The operating lease rentals in respect of office premises and car parks for the year ended 31 March 2019 was HK\$1,764,000.

At 31 March 2019, the Group 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
	<i>HK\$'000</i>
Within one year	1,767
In the second to fifth year inclusive	<u>505</u>
	<u><u>2,272</u></u>

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

27. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The total expense recognised in profit or loss for the years ended 31 March 2019, 2020 and 2021 and the five months ended 31 August 2020 and 2021 is HK\$9,358,000, HK\$10,626,000, HK\$9,628,000, HK\$4,048,000 (unaudited) and HK\$4,405,000, respectively, which represent contributions paid or payable to these plans by the Group at rates specified in the rules of the plans. The Group's contributions to the MPF scheme for its employees are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the MPF scheme that may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 of the Listing Rules.

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28. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statements of financial position and in Notes 17, 19 and 22.

(b) Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

Relationship with the Group	Name of related party	Transactions	For the year ended 31 March			For the five months ended 31 August		
			2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	
							(unaudited)	
Controlled by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma	Yan Yan Motors Limited	Building management fee	89	89	89	37	37	
		Security services income	3,759	3,700	3,763	1,542	1,680	
		Facility management services income	9,276	11,746	12,278	5,057	5,173	
		Interest expenses on lease liabilities	N/A	31	79	26	31	
		Lease liabilities (note)	N/A	939	2,026	2,533	1,657	
		Rental expenses	960	—	—	—	—	
		Car rental expenses	8	—	—	—	—	
		Fu Wan Public Light Bus (Scheduled) Service Company Limited	Security services income	310	193	194	81	81
			Facility management services income	540	1,106	1,106	461	461
		Better Coin Industrial Limited	Security services income	359	526	526	219	219
			Security services income	1,580	1,711	1,723	718	718
		Golden Way Public Light Bus (Scheduled) Service Company Limited	Security services income	657	623	627	261	261
			Security services income	322	349	352	147	147
		Koon Wing Motors Limited	Security services income	367	2	—	—	—
Security services income	131		—	—	—	—		
Sheung Shui Public Light Bus (Scheduled) Service Company Limited	Security services income	252	—	—	—	—		
	Car rental expenses	58	—	—	—	—		
Success Transportation Limited	Security services income	—	10	—	—	—		
	Security services income	—	—	—	—	—		
Yan Yan Ho Motors Limited	Security services income	26	26	26	2	55		
	Insurance expenses	108	432	432	180	562		
CTBus Limited	Security services income	—	—	—	—	—		
	Security services income	—	—	—	—	—		
Brilliant Way Public Light Bus (Scheduled) Service Company Limited	Security services income	—	—	—	—	—		
	Security services income	—	—	—	—	—		
Controlled by Mr. Ma Ah Muk	Trinity General Insurance Company Limited	Insurance expenses	26	26	26	2	55	
		Security services income	108	432	432	180	562	
Controlled by Ms. Ma Wah Chu, daughter of Mr. Ma Ah Muk	Eco Tree Hotel Limited	Security services income	108	432	432	180	562	
		Security services income	108	432	432	180	562	

Note: During the years ended 31 March 2020 and 2021 and five months ended 31 August 2020, the Group has entered into lease modifications with a related company to extend the lease term of car parks for 3 years, 3 years and 3 years respectively. The Group has recognised additions of right-of-use assets of HK\$737,000 and HK\$1,968,000 and HK\$1,968,000 (unaudited), and lease liabilities of HK\$737,000, HK\$1,968,000 and HK\$1,968,000 (unaudited) respectively.

The above security services income and facility management services income constitute continuing connected transactions under the Listing Rules.

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(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the year ended 31 March			For the five months ended 31 August	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000 (unaudited)	2021 HK\$'000
Short-term employee benefits	2,975	19,234	19,568	2,255	2,280
Post-employment benefits	<u>64</u>	<u>95</u>	<u>119</u>	<u>50</u>	<u>46</u>
	<u>3,039</u>	<u>19,329</u>	<u>19,687</u>	<u>2,305</u>	<u>2,326</u>

The remuneration of directors and key executives is reviewed by the remuneration committee having regard to the performance of individuals and market trends.

- (d) At 31 March 2019, banking facilities of HK\$90,000,000 provided by a bank to the Group with utilised amount of HK\$75,207,000 were guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma. The personal guarantee has been released during the year ended 31 March 2020.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through payment of dividend, new share issues, issue of new debt and redemption of existing debts.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 March			As at
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	31 August 2021 HK\$'000
Financial assets				
Amortised cost	<u>148,284</u>	<u>203,462</u>	<u>234,621</u>	<u>263,904</u>
Financial liabilities				
Amortised cost	<u>71,239</u>	<u>12,732</u>	<u>7,351</u>	<u>13,065</u>

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	As at 31 March			As at 31 August
	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Amortised cost	<u>51</u>	<u>26,629</u>	<u>58,323</u>	<u>73,541</u>
Financial liabilities				
Amortised cost	<u>12,860</u>	<u>452</u>	<u>390</u>	<u>2,574</u>

(b) Financial risk management objectives and policies

The Group’s major financial instruments include trade receivables, deposits and other receivables, amount(s) due from related companies/a non-controlling shareholder of a subsidiary, bank balances and cash, amount(s) due to a related company/a non-controlling shareholder of a subsidiary, trade and other payables, bank borrowings, lease liabilities and other liabilities. The Company’s major financial instruments include trade receivables, amounts due from subsidiaries, bank balances and amounts due to subsidiaries.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings due to the fluctuation of the prevailing market interest rate. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables and lease liabilities. In addition, the Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The directors of the Company consider the Group’s and the Company’s exposure of the bank balances to interest rate risk is insignificant as interest bearing bank balances are within short maturity period and the fluctuation of market interest rate is not expected to be significant, no sensitivity analysis is presented accordingly.

The Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. The directors of the Company monitor the Group’s exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As at 31 March 2019 and 2020, the Group’s cash flow interest rate risk related to bank borrowings is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable-rate bank borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial period and held constant throughout the period in the case of instruments that have variable rates. A 50 basis points increase or decrease is used by the management for the assessment of the possible change in interest rates.

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If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2019 and 2020 would decrease/increase by approximately HK\$238,000 and HK\$50,000, respectively.

Credit risk and impairment assessment

The carrying amount of the respective recognised financial assets as stated in the statements of financial position of the Group and the Company represents the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties.

The Group's credit risk is primarily attributable to its trade receivables and uncertified revenue. The Company's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced. In addition, the Group and the Company reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

At 31 March 2019, 2020 and 2021 and 31 August 2021, the Group has concentration of credit risk as 78%, 76%, 46% and 47%, respectively, of the total trade receivables and uncertified revenue was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 92%, 95%, 95% and 95% of the total trade receivables and uncertified revenue at 31 March 2019, 2020 and 2021 and 31 August 2021. At 31 March 2021 and 31 August 2021, the Company has concentration of credit risk as the entire trade receivables is due from one customer. The management of the Group considers the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and/or financial positions.

The Group and the Company has applied the simplified approach to measure the ECL on trade receivables and the Group also applied the simplified approach to measure ECL on uncertified revenue at lifetime ECL as disclosed in Note 17. ECL for other financial assets at amortised cost and other item, including deposits and other receivables, finance lease receivables, amount due from a non-controlling shareholder of a subsidiary, amounts due from related companies, amounts due from subsidiaries and bank balances, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

The management of the Group makes individual assessment on the recoverability of amount due from a non-controlling shareholder of a subsidiary, amount due from related companies, amounts due from subsidiaries, deposits and other receivables based on historical settlement records and past experience. At 31 March 2021 and 31 August 2021, the Group assessed the ECL for deposits and other receivables to be HK\$202,000 and HK\$202,000 respectively. The ECL is not material for other financial assets at amortised cost during the Track Record Period.

As at 31 March 2019, 2020 and 2021 and 31 August 2021, the gross carrying amounts of bank balances are HK\$27,050,000, HK\$78,828,000, HK\$127,113,000 and HK\$131,444,000, respectively. The credit risk on bank balances of the Group and the Company is limited because the counterparties are banks with high credit ratings (i.e. AA- to A) assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material.

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Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following details the Group’s and the Company’s remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings of the Group with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest cash flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity tables

The Group

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$’000	3 months to 1 year HK\$’000	1 year to 3 years HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
As at 31 March 2019						
Trade and other payables	—	6,935	—	—	6,935	6,935
Amount due to a non-controlling shareholder of a subsidiary	—	7,198	—	—	7,198	7,198
Amount due to a related company	—	106	—	—	106	106
Bank borrowings — variable rate	3.36	57,000	—	—	57,000	57,000
		<u>71,239</u>	<u>—</u>	<u>—</u>	<u>71,239</u>	<u>71,239</u>
As at 31 March 2020						
Trade and other payables	—	515	—	—	515	515
Amount due to a related company	—	94	—	—	94	94
Bank borrowings — variable rate	2.94	12,000	—	—	12,000	12,000
Other liabilities	—	—	—	123	123	123
		<u>12,609</u>	<u>—</u>	<u>123</u>	<u>12,732</u>	<u>12,732</u>
Lease liabilities	4.00	<u>439</u>	<u>301</u>	<u>550</u>	<u>1,290</u>	<u>1,240</u>
As at 31 March 2021						
Trade and other payables	—	7,135	—	—	7,135	7,135
Amount due to a related company	—	93	—	—	93	93
Other liabilities	—	—	—	123	123	123
		<u>7,228</u>	<u>—</u>	<u>123</u>	<u>7,351</u>	<u>7,351</u>
Lease liabilities	3.62	<u>446</u>	<u>1,370</u>	<u>2,356</u>	<u>4,172</u>	<u>4,007</u>

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 August 2021						
Trade and other payables	—	12,942	—	—	12,942	12,942
Other liabilities	—	—	—	123	123	123
		<u>12,942</u>	<u>—</u>	<u>123</u>	<u>13,065</u>	<u>13,065</u>
Lease liabilities	3.53	<u>499</u>	<u>1,498</u>	<u>1,820</u>	<u>3,817</u>	<u>3,693</u>

Bank borrowings of the Group with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 March 2019 and 2020, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$57,000,000 and HK\$12,000,000, respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that these bank borrowings will be repaid within 1 year after the end of the respective reporting period in accordance with the scheduled repayment dates set out in the loan agreements at the aggregate principal and interest cash outflows of HK\$57,142,000 and HK\$12,006,000 as at 31 March 2019 and 2020, respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if actual changes in variable interest rates differ to those estimated at the end of each reporting period.

The Company

The Company’s financial liabilities are interest-free and repayable on demand. Accordingly, the contractual maturity of these liabilities on the basis of the earliest date on which the Company can be required to pay is less than one month and the undiscounted cash flows of such liabilities are approximately equal to their carrying amounts.

(c) Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Accrued finance cost HK\$'000	Bank borrowings HK\$'000	Accrued issue costs HK\$'000	Dividend payable HK\$'000	Amounts due to related parties/ companies HK\$'000	Amount due to a non- controlling shareholder of a subsidiary HK\$'000	Lease liabilities HK\$'000
At 1 April 2018	—	—	582	—	1,733	—	—
Financing cash flows	(796)	57,000	(1,554)	(6,373)	(1,627)	—	—
<i>Non-cash changes</i>							
Finance costs accrued	822	—	—	—	—	—	—
Issue costs accrued	—	—	2,335	—	—	—	—
Dividend declared (<i>Note 12</i>)	—	—	—	8,000	—	—	—
Others (<i>note</i>)	—	—	—	(1,627)	—	7,198	—
At 31 March 2019	26	57,000	1,363	—	106	7,198	—
Application of HKFRS 16 (<i>Note 3</i>)	—	—	—	—	—	—	2,217
At 1 April 2019 (restated)	26	57,000	1,363	—	106	7,198	2,217
Financing cash flows	(2,010)	(45,000)	(7,375)	—	(12)	—	(1,751)
<i>Non-cash changes</i>							
Finance costs accrued	2,008	—	—	—	—	—	58
Issue costs accrued	—	—	6,012	—	—	—	—
Lease modifications	—	—	—	—	—	—	716
Others (<i>note</i>)	—	—	—	—	—	(7,198)	—
At 31 March 2020	24	12,000	—	—	94	—	1,240
Financing cash flows	(30)	(12,000)	—	(16,000)	(1)	—	(1,779)
<i>Non-cash changes</i>							
Finance costs accrued	6	—	—	—	—	—	124
Lease modifications	—	—	—	—	—	—	4,422
Dividend declared (<i>Note 12</i>)	—	—	—	16,000	—	—	—
At 31 March 2021	—	—	—	—	93	—	4,007
Financing cash flows	—	—	—	—	(93)	—	(803)
<i>Non-cash changes</i>							
Finance costs accrued	—	—	—	—	—	—	58
New lease entered	—	—	—	—	—	—	431
At 31 August 2021	—	—	—	—	—	—	3,693
At 1 April 2020	24	12,000	—	—	94	—	1,240
Financing cash flows (unaudited)	(30)	(12,000)	—	—	(8)	—	(738)
<i>Non-cash changes</i>							
Finance costs accrued (unaudited)	6	—	—	—	—	—	32
Lease modifications (unaudited)	—	—	—	—	—	—	4,422
At 31 August 2020 (unaudited)	—	—	—	—	86	—	4,956

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Note: Among the dividend declared by the Company’s subsidiaries amounted to HK\$8,000,000 during the year ended 31 March 2019, HK\$1,627,000 has been used to set off the amounts due from related companies. The remaining dividend of HK\$6,373,000 was settled by cash in July 2018.

During the year ended 31 March 2019, a non-controlling shareholder of a subsidiary has directly placed a deposit of HK\$7,200,000 on behalf of the Group to a third party for bidding a new service contract. In addition, the non-controlling shareholder has agreed to net off the capital contribution of HK\$2,000 with the deposit placed accordingly, amount due to a non-controlling shareholder of a subsidiary was HK\$7,198,000 as of 31 March 2019. During the year ended 31 March 2020, the deposit of HK\$7,200,000 was refunded directly to the non-controlling shareholder due to unsuccessful bidding and therefore the amount due to a non-controlling shareholder of a subsidiary was reduced by HK\$7,198,000 and amount due from a non-controlling shareholder of a subsidiary was increased by HK\$2,000.

32. INVESTMENTS IN SUBSIDIARIES/RESERVES OF THE COMPANY

The Company’s investments in unlisted subsidiaries are carried at cost.

Movements of the Company’s reserves during the Track Record Period are:

	Share premium <i>HK\$’000</i>	(Accumulated losses) retained earnings <i>HK\$’000</i>	Total <i>HK\$’000</i>
At 1 April 2018	—	—	—
Loss and total comprehensive expense for the year	—	(8,521)	(8,521)
Effect of Reorganisation	<u>34,744</u>	<u>—</u>	<u>34,744</u>
At 31 March 2019	34,744	(8,521)	26,223
Loss and total comprehensive expense for the year	—	(19,119)	(19,119)
Issue of new shares	62,000	—	62,000
Transaction costs attributable to issue of new shares	(9,940)	—	(9,940)
Capitalisation issue	<u>(6,000)</u>	<u>—</u>	<u>(6,000)</u>
At 31 March 2020	80,804	(27,640)	53,164
Profit and total comprehensive income for the year	—	47,079	47,079
Dividend (<i>Note 12</i>)	<u>—</u>	<u>(16,000)</u>	<u>(16,000)</u>
At 31 March 2021	80,804	3,439	84,243
Profit and total comprehensive income for the period	<u>—</u>	<u>8,455</u>	<u>8,455</u>
At 31 August 2021	<u><u>80,804</u></u>	<u><u>11,894</u></u>	<u><u>92,698</u></u>

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33. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group					Principal activities
			at 31 March 2019	2020	2021	at 31 August 2021	at the date of this report	
Directly held by the Company								
IWS Security Management Holdings Limited	BVI 18 May 2018	HK\$2	100%	100%	100%	100%	100%	Investment holding
IWS Property Management Holdings Limited	BVI 18 May 2018	HK\$2	100%	100%	100%	100%	100%	Investment holding
IWS Cleaning Management Holdings Limited	BVI 18 May 2018	HK\$2	100%	100%	100%	100%	100%	Investment holding
IWS Carpark Management Holdings Limited	BVI 18 May 2018	HK\$2	100%	100%	100%	100%	100%	Investment holding
IWS Tunnel Management Holdings Limited	BVI 26 February 2020	United States Dollar 50,000	—	100%	100%	100%	100%	Investment holding
Indirectly held by the Company								
IWS Security	Hong Kong 18 April 1996	HK\$3,000,000	100%	100%	100%	100%	100%	Provision of general manned security services, event and crisis security services and manpower support services
IWS PM	Hong Kong 9 August 2016	HK\$10,000	100%	100%	100%	100%	100%	Provision of property management services and hotel management services
IWS Carpark	Hong Kong 30 December 2016	HK\$10,000	100%	100%	100%	100%	100%	Provision of car park management services and rental of car parks
IWS Cleaning	Hong Kong 4 November 2016	HK\$10,000	100%	100%	100%	100%	100%	Provision of cleaning services
IWS Carpark (JV 1) Limited	Hong Kong 8 March 2019	HK\$10,000	80%	80%	80%	80%	80%	Inactive
IWS Tunnel Management Limited	Hong Kong 5 March 2020	HK\$10,000	—	100%	100%	100%	100%	Inactive

None of the subsidiaries had issued any debt securities of the end of each reporting period. All subsidiaries operate in Hong Kong. There are no statutory audit requirements in the BVI. The statutory financial statements of the above subsidiaries incorporated in Hong Kong during the Track Record Period were prepared in accordance with HKFRSs issued by the HKICPA and audited by us.

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ACCOUNTANTS’ REPORT

34. PERFORMANCE BONDS

Certain customers of service contracts undertaken by the Group require the Group to 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. At 31 March 2019, 2020 and 2021 and 31 August 2021, the outstanding performance bonds are amounted to HK\$18,207,000, HK\$29,373,000, HK\$29,373,000 and HK\$30,067,000, respectively.

35. SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) was adopted by the Company by a written shareholder’s resolution of the Company passed on 20 September 2019.

A summary of the principal terms of the Share Option Scheme is set out as follows:

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option. An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00. The total number of shares available for issue under the Share Option Scheme is [REDACTED] shares representing 10% of the Company’s issued share capital at the date of the report.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders of the Company in general meeting with such grantee and his/her close associates abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The Share Option Scheme will remain in force for a period of ten years commencing on 20 September 2019 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

No share options have been granted since the adoption of the Share Option Scheme.

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ACCOUNTANTS’ REPORT

36. EVENTS AFTER THE REPORTING PERIOD

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37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 August 2021.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants’ Report on the financial information of our Group for three years ended 31 March 2021 and the five months ended 31 August 2021 issued by [REDACTED], Certified Public Accountants, Hong Kong, our Company’s Reporting Accountants, as set out in Appendix I to this [REDACTED] document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with “Financial information” in this [REDACTED] document and the Accountants’ Report set out in Appendix I to this [REDACTED] document.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the [REDACTED] on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the [REDACTED] had been taken place on 31 August 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 or any future date following the [REDACTED].

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 as derived from the Accountants’ Report set out in Appendix I to this [REDACTED] document, and adjusted as follows:

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated [REDACTED] expenses <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 <i>HK\$’000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 per Share <i>HK\$</i> <i>(Note 3)</i>
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Based on

[REDACTED]
ordinary shares

226,854	[REDACTED]	[REDACTED]	[REDACTED]
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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The amount is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 August 2021 amounting to HK\$226,854,000, extracted from the Accountants' Report set out in Appendix I to this [REDACTED] document.
2. The estimated [REDACTED] expenses mainly include professional fees paid/payable to professional parties related to the [REDACTED], which are expected to be incurred by the Group subsequent to 31 August 2021.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at after the adjustment as described in note 2 above.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2021.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account of a final dividend of an aggregate amount of HK\$26,000,000 proposed by the board of directors of the Company on 28 May 2021 and approved by the shareholders at the annual general meeting on 17 September 2021. Assuming that the dividend had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2021 would have been HK\$[REDACTED] and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2021 per Share would have been HK\$[REDACTED].

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018 under the Companies Act, Cap.22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 September 2019 and took effect from the date of listing of the Company's shares on GEM. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its

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listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

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The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

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- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

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(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any

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executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

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(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same

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powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

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Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as

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proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

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(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall

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constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the Subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the

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manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 April 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company

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with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

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4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this [REDACTED] document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 1/F, Hang Seng Castle Peak Road Building, 339 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong and have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Leo Ma and Mr. Wong Chi Kong have been appointed as our authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the Memorandum of Association and the Articles of Association. Accordingly, our corporate structure and Articles are subject to the Cayman Companies Act and other relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III to this [REDACTED] document.

2. Change in share capital of our Company

- (a) At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On incorporation of our Company, one subscriber Share was allotted and issued, fully paid at par, to an initial subscriber, an Independent Third Party, who then transferred it to IWS BVI on the same date.
- (b) Pursuant to the written resolutions of our Shareholders passed on 20 September 2019, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further [REDACTED] Shares.
- (c) Immediately following completion of the GEM Share Offer and the capitalisation issue (the "GEM Capitalisation Issue") for the purpose of the GEM Listing (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital was HK\$20,000,000 divided into 2,000,000,000 Shares, of which [REDACTED] Shares were issued fully paid or credited as fully paid, and [REDACTED] Shares remained unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions of our Board in respect of the [REDACTED]

Pursuant to the resolutions passed by our Directors on [●], *inter alia*:

- (a) subject to the [REDACTED] granting approval for the [REDACTED], our Shares shall be [REDACTED] to be [REDACTED] on the Main Board; and

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- (b) subject to the [REDACTED] granting approval for the [REDACTED], the Share Option Scheme shall remain valid and effective, subject to changes in relation to the [REDACTED] including but not limited to all references to the GEM Listing Rules therein shall mean the Main Board Listing Rules and the specific reference to any rule of the GEM Listing Rules shall be deemed to refer to the corresponding rule in the Main Board Listing Rules with the equivalent content.

4. Changes in the share capital of our Subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this [REDACTED] document.

Save for the alterations mentioned in the section headed “History and corporate structure” in this [REDACTED] document, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the issue of this [REDACTED] document.

5. Repurchase of our Shares

This paragraph contains information required by the Stock Exchange to be included in this [REDACTED] document concerning the repurchase of Shares by our Company.

(a) Provisions of the Main Board Listing Rules

The Main Board Listing Rules permit companies whose primary [REDACTED] is on the Main Board to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholder’s approval

The Main Board Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note:

The general mandates granted by our Shareholders at the annual general meeting of our Company on 17 September 2021 to our Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

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

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(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws and rules and regulations of the Cayman Islands and the Main Board Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time the Shares are repurchased. Subject to satisfaction of the solvency test prescribed by the Cayman Companies Act, a repurchase may also be made out of our share capital.

(iii) Core connected parties

The Main Board Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” (as defined in the Main Board Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

Our Directors have been granted a general unconditional mandate (the “**Repurchase Mandate**”) to exercise all powers of our Company to repurchase our Shares pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 17 September 2021.

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue on the date when the said ordinary resolutions were passed, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

As at the Latest Practicable Date, the Repurchase Mandate had not been utilised and will lapse at the conclusion of the next annual general meeting of our Company.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market

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conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Main Board Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this [REDACTED] document and taking into account the current working capital position of our Group, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Main Board Listing Rules), has any present intention to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same be applicable, they will exercise the Repurchase Mandate in accordance with the Main Board Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below [REDACTED] of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Main Board Listing Rules).

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence which may give rise under the Takeovers Code as a result of a repurchase of Shares pursuant to the Repurchase Mandate.

At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

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No core connected person (as defined in the Main Board Listing Rules) of our Company has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Group within the two years immediately preceding the date of this [REDACTED] document and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Deed of Indemnity and the Supplemental Deed of Indemnity;
- (b) the public offer underwriting agreement dated 26 September 2019 entered into by, among others, our Company, our Controlling Shareholders, South China Capital Limited and the public offer underwriters (whose names appear in Schedule 2 thereto);
- (c) the placing underwriting agreement dated 10 October 2019 entered into by, among others, our Company, our Controlling Shareholders, South China Capital Limited and the placing underwriters (whose names appear in Schedule 2 thereto); and
- (d) the Master Services Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks which we consider are material to our business:

Trademark	Class	Registration number	Registration date	Expiry date	Place of registration	Registrant
	36, 37 and 45	304349863	28 November 2017	27 November 2027	Hong Kong	IWS Security
	36, 37 and 45	304349863	28 November 2017	27 November 2027	Hong Kong	IWS Security

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name which we consider are material to our business:

Domain name	Registrant	Registration Date	Expiry date
<u>iws.com.hk</u>	IWS Security	28 July 2009	5 August 2022

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C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this [REDACTED] document and without taking into account of any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme, immediately upon the [REDACTED], the interests and short positions of our Directors and chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Main Board Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

a. Long position in the Shares

Name of Director	Nature of interest	Number and class of securities⁽¹⁾	Percentage of shareholding
Mr. Ma Ah Muk	Interest under section 317 ⁽⁵⁾	[REDACTED] ordinary Shares	[REDACTED]
Mr. KS Ma	Interest in controlled corporations ⁽²⁾ and under section 317 ⁽⁵⁾	[REDACTED] ordinary Shares	[REDACTED]
Mr. KM Ma	Interest in controlled corporations ⁽³⁾ and under section 317 ⁽⁵⁾	[REDACTED] ordinary Shares	[REDACTED]
Mr. Vince Ma	Interest in controlled corporations ⁽⁴⁾ and under section 317 ⁽⁵⁾	[REDACTED] ordinary Shares	[REDACTED]

Notes:

- All interests are long positions.
- Our Company is beneficially owned as to [REDACTED] by IWS BVI. IWS BVI is beneficially owned as to 33.33% by Morewood, a company wholly owned by Mr. KS Ma.

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3. Our Company is beneficially owned as to [REDACTED] by IWS BVI. IWS BVI is beneficially owned as to 33.33% by Mandarin, a company wholly owned by Mr. KM Ma.
4. Our Company is beneficially owned as to [REDACTED] by IWS BVI. IWS BVI is beneficially owned as to 33.33% by Cambridge, a company wholly owned by Mr. Vince Ma.
5. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge, and in IWS BVI by virtue of section 317 of the SFO. See “Relationship with Our Controlling Shareholders — Our Controlling Shareholders” in this [REDACTED] document for details of the relationships among Mr. Ma Ah Muk.

b. Long position in the shares of associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Percentage of shareholding
Mr. Ma Ah Muk	IWS BVI	Interest in a controlled corporation and under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
	Morewood	Interest under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
	Mandarin	Interest under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
	Cambridge	Interest under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
Mr. KS Ma	Morewood	Beneficial owner ⁽²⁾	[REDACTED]	[REDACTED]%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
Mr. KM Ma	Mandarin	Beneficial owner ⁽³⁾	[REDACTED]	[REDACTED]%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%
Mr. Vince Ma	Cambridge	Beneficial owner ⁽⁴⁾	[REDACTED]	[REDACTED]%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽¹⁾	[REDACTED]	[REDACTED]%

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Notes:

1. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation (as amended by the Supplemental Deed of AIC Confirmation) and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge, and in IWS BVI by virtue of section 317 of the SFO. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders" in this [REDACTED] document for details of the relationships among Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
2. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Morewood, a company wholly owned by Mr. KS Ma.
3. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Mandarin, a company wholly owned by Mr. KM Ma.
4. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Cambridge, a company wholly owned by Mr. Vince Ma.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this [REDACTED] document and without taking into account of any Shares which may be or have been allotted and issued pursuant to the Share Option Scheme, immediately upon the [REDACTED], the following persons (not being a Director or chief executive of our Company) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

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a. Long position in the Shares

Name	Capacity/nature of interest	Number of share held/interested	Percentage of shareholding
IWS BVI	Beneficial owner	[REDACTED]	[REDACTED]%
Morewood	Interest in a controlled corporation ⁽¹⁾	[REDACTED]	[REDACTED]%
Mandarin	Interest in a controlled corporation ⁽²⁾	[REDACTED]	[REDACTED]%
Cambridge	Interest in a controlled corporation ⁽³⁾	[REDACTED]	[REDACTED]%
Ms. Cheng Pak Ching	Interest of spouse ⁽⁴⁾	[REDACTED]	[REDACTED]%
Ms. Chow Yick Tung	Interest of spouse ⁽⁵⁾	[REDACTED]	[REDACTED]%
Ms. Choi Lai Form	Interest of spouse ⁽⁶⁾	[REDACTED]	[REDACTED]%
Ms. Ho Yin Nei	Interest of spouse ⁽⁷⁾	[REDACTED]	[REDACTED]%

Notes:

- (1) Our Company will be owned as to [REDACTED]% by IWS BVI, which is owned as to 33.33% by Morewood, which is wholly owned by Mr. KS Ma. By virtue of the SFO, Morewood is deemed to be interested in the Shares held by IWS BVI.
- (2) Our Company will be owned as to [REDACTED]% by IWS BVI, which is owned as to 33.33% by Mandarin, which is wholly owned by Mr. KM Ma. By virtue of the SFO, Mandarin is deemed to be interested in the Shares held by IWS BVI.
- (3) Our Company will be owned as to [REDACTED]% by IWS BVI, which is owned as to 33.33% by Cambridge, which is wholly owned by Mr. Vince Ma. By virtue of the SFO, Cambridge is deemed to be interested in the Shares held by IWS BVI.
- (4) Ms. Cheng Pak Ching is the spouse of Mr. Ma Ah Muk. By virtue of the SFO, Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma Ah Muk is interested.
- (5) Ms. Chow Yick Tung is the spouse of Mr. KS Ma. By virtue of the SFO, Ms. Chow Yick Tung is deemed to be interested in all the Shares in which Mr. KS Ma is interested.
- (6) Ms. Choi Lai Form is the spouse of Mr. KM Ma. By virtue of the SFO, Ms. Choi Lai Form is deemed to be interested in all the Shares in which Mr. KM Ma is interested.
- (7) Ms. Ho Yin Nei is the spouse of Mr. Vince Ma. By virtue of the SFO, Ms. Ho Yin Nei is deemed to be interested in all the Shares in which Mr. Vince Ma is interested.

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2. Particulars of Directors' service agreements

- (a) Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the date when our Shares commence trading on the Main Board, which may be terminated in accordance with the terms of the service contracts. Under the arrangements currently proposed, conditional upon the [REDACTED], excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma are entitled to a monthly salary of HK\$60,000, HK\$20,000, HK\$20,000, HK\$20,000 and HK\$20,000, respectively. Each of our executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our executive Director.
- (b) Each of the independent non-executive Director has on [●] entered into a letter of engagement with our Company under which each of them is appointed for a period of [three] years starting from the date when our Shares commence trading on the Main Board. The annual director's fee payable to each of Dr. Ng Ka Sing David, Ms. Chang Wai Ha and Mr. Yau Siu Yeung under their respective letter of engagement shall be HK\$480,000. Save for the annual director's fees mentioned above, none of our independent non-executive Director is expected to receive any other remuneration for holding his office as an independent non-executive Director.

3. Remuneration of Directors

- (a) The aggregate amount of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind granted to the Directors in respect of each of the Track Record Period were HK\$nil, HK\$1,064,000, HK\$2,208,000 and HK\$916,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for FY2022 will be approximately HK\$2.2 million.

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- (c) Under the arrangements currently in force the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Mr. Ma Ah Muk	720,000
Mr. KS Ma	240,000
Mr. KM Ma	240,000
Mr. Vince Ma	240,000
Mr. Leo Ma	240,000

HK\$

Independent non-executive Directors

Dr. Ng Ka Sing David	240,000
Ms. Chang Wai Ha	120,000
Mr. Yau Siu Yeung	120,000

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the Track Record Period.
- (e) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the Track Record Period as (1) an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed "E. Other Information — 3. Sponsor" in this Appendix, none of our Directors or the experts named in the paragraph headed "E. Other Information — 8. Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this [REDACTED] document.

5. Related party transactions

Details of the related party transactions are set out under Note 28 to the Accountants' Report of our Company set out in Appendix I to this [REDACTED] document.

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6. Disclaimers

Save as disclosed in this [REDACTED] document:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately upon the [REDACTED], have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) so far as our Directors are aware, taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" contained in the Main Board Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the Main Board of the Stock Exchange;
- (c) so far as our Directors are aware, none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this [REDACTED] document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this [REDACTED] document which is significant in relation to the business of our Group taken as a whole;
- (e) none of the experts named in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

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- (f) so far as is known to our Directors, save as disclosed in the section headed "Business — Clients" of this [REDACTED] document, none of our Directors, their respective associates (as defined under the Main Board Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers and/or the five largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme (as amended and modified by the resolutions of our Board on [●]), which shall remain valid and effective following the [REDACTED] and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules. As at the Latest Practicable Date, no share options under the Share Option Scheme have been granted.

(a) Summary of terms

(i) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial Shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in

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the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb), (cc) and (dd) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the [REDACTED] (the "Scheme Mandate Limit") unless approved by our shareholders pursuant to the sub-paragraph (iii) below. On the basis of [REDACTED] Shares in issue on the GEM Listing Date, the Scheme Mandate Limit shall be equivalent to [REDACTED] Shares, representing 10% of our Shares in issue as at the GEM Listing Date.
- (bb) The Scheme Mandate Limit may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit. A circular must be sent to our Shareholders containing the information as required under the Main Board Listing Rules from time to time in this regard.
- (cc) Subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided the options in excess of the Scheme Mandate Limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose

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of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Main Board Listing Rules.

- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Main Board Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - a. representing in aggregate over 0.1% of the Shares in issue; and
 - b. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company

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shall send a circular to our Shareholders containing all information as required under the Main Board Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Main Board Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
 - a. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Main Board Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Main Board Listing Rules); and
 - b. the deadline for our Company to announce its results for any year, half-year or quarterly period under the Main Board Listing Rules, or other interim period (whether or not required under the Main Board Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
 - a. during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - b. during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xiii) An option shall not be transferable or assignable and shall be personal to the grantee of the option.

An option shall not be transferable or assignable and shall be personal to the grantee and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised without incurring any liability on our Company.

(xiv) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xxi) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death.

(xv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with

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his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xvi) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xxi) below, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvii) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option; and/or the number of Shares subject to the Share Option Scheme, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable, provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xviii) Rights of general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

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(xix) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xx) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by

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any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xxi) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (xxiv) below;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiv), (xv), (xvi), (xvii), (xviii), (xix) or (xx) above;
- (dd) subject to paragraph (xix) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally or having been guilty of serious misconduct by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial Shareholder of any member of our Group, the date on which the grantee ceases to be a substantial Shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xx) become effective, the date on which such compromise or arrangement becomes effective.

(xxii) Cancellation of options granted but not exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxiii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

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(xxiv) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alter to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Main Board Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which is of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Main Board Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxv) Termination of Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxvi) Conditions of the Share Option Scheme

The Share Option Scheme took effect upon the passing of our then Shareholder's resolution on 20 September 2019 to adopt the Share Option Scheme and is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on GEM.

The aforesaid conditions have been fulfilled.

(b) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme. A total number of [REDACTED] Shares, representing 10% of the share capital of our Company in issue as at the GEM Listing Date, may fall to be issued upon exercise of the share options that may be but have not yet been granted under the Share Option Scheme.

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E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders have, entered into the Deed of Indemnity (as amended by the Supplemental Deed of Indemnity) in favour of our Company (for itself and as trustee for other Group members) referred to in the paragraph headed "B. Further information about the Business of our Company — 1. Summary of material contracts" in this Appendix, pursuant to which the Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date of [REDACTED]; (b) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received up to the date of [REDACTED]; or (ii) in respect of or resulting from any event or transaction occurring up to the date of [REDACTED]; and (c) any action, claims, losses, charges, penalties which any member of the Group may incur or suffer as a result of or in connection with, among other things, any failure to comply with relevant laws and regulations up to the date when our Shares commence trading on the Main Board, and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity (as amended by the Supplemental Deed of Indemnity) for taxation to the extent that, among others:

- (a) provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for the Track Record Period; or
- (b) any provision or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 31 March 2019 which is finally established to be an over-provision or an excessive reserve, then the amount of any such provision or reserve shall be applied to reduce our Controlling Shareholders' liability by an amount not exceeding such over-provision on excess reserve; or
- (c) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the GEM Listing Date.

In the event that the Controlling Shareholders have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity (as amended by the Supplemental Deed of Indemnity) referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediately after the payment of indemnification by the Controlling Shareholders.

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Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that save as disclosed in the paragraphs headed "Business – Occupational Health and Safety — Litigation, claims and legal compliance" of this [REDACTED] document as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] Division for the [REDACTED] on the Main Board of, and permission to [REDACTED], the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Main Board Listing Rules..

The fee payable by our Company to the Sole Sponsor to act as sole sponsor in relation to the [REDACTED] is HK\$3.5 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,588 and are payable by our Company.

5. Promoter

Our Company has no promoter within two years preceding the date of this [REDACTED] document, no amount or benefit has been paid or given to the promoter in connection with the [REDACTED] or the related transactions described in this [REDACTED] document.

6. Compliance Adviser

Our Company has appointed Red Solar Capital Limited as the compliance adviser for the purpose of the GEM Listing to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the GEM Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the GEM Listing Date or until the agreement is terminated, whichever is the earlier.

Pursuant to Rule 9A.13 of the Main Board Listing Rules, the continuous requirements relating to the appointment of a compliance adviser for the period specified in Rule 6A.19 of the GEM Listing Rules will survive in respect of our Company's [REDACTED]. As the [REDACTED] takes effect before the expiry of the requirement under Rule 6A.19 of the GEM

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Listing Rules, this GEM Listing Rules requirement will continue for the remaining term notwithstanding that our Shares have been [REDACTED] to and [REDACTED] on the Main Board.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this [REDACTED] document:

Name	Qualifications
TD King Capital Limited	A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants Registered Public Interest Entity Auditors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ms. Yeung Wing Yan, Wendy	Barrister-at-law of Hong Kong
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of TD King Capital Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Ms. Yeung Wing Yan, Wendy and Frost & Sullivan Limited has given and has not withdrawn its/his/her written consent to the issue of this [REDACTED] document, with the inclusion of its/his/her letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his/her name included herein in the form and context in which it respectively appears.

9. Binding effect

This [REDACTED] document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands is maintained by [REDACTED] and a branch register of members of our Company is maintained by [REDACTED], our [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

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11. No material adverse change

Save as disclosed in the paragraph headed "Financial Information — Material Adverse Change" in this [REDACTED] document, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 August 2021 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this [REDACTED] document.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present laws of the Cayman Islands, there is no stamp duty payable in the Cayman Islands on transfers of Shares so long as our Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

13. Miscellaneous

(a) Save as disclosed in this [REDACTED] document:

(i) within the two years immediately preceding the date of this [REDACTED] document:

(aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

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- (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this [REDACTED] document;
- (v) none of the parties listed in the paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this [REDACTED] document shall prevail over the Chinese text.

APPENDIX V

DOCUMENTS AVAILABLE FOR INSPECTION

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Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.iws.com.hk up to and including the date which is 14 days from the date of this [REDACTED] document:

- (a) the Memorandum and the Articles;
- (b) the accountants' report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this [REDACTED] document;
- (c) the annual reports of our Company for the two years ended 31 March 2021;
- (d) the audited consolidated financial statements of the Group for the five months ended 31 August 2021;
- (e) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this [REDACTED] document;
- (f) the legal opinion prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this [REDACTED] document;
- (g) the Cayman Companies Act;
- (h) the material contracts referred to in the paragraph headed "B. Further information about the business of our Company — 1. Summary of material contracts" in Appendix IV to this [REDACTED] document;
- (i) the written consents referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix IV to this [REDACTED] document;
- (j) the rules of the Share Option Scheme;
- (k) the Frost & Sullivan Report;
- (l) the service agreements and letters of appointment referred to in the paragraph headed "C. Further information about Directors, substantial Shareholders and experts — 2. Particulars of Directors' service agreements" in Appendix IV to this [REDACTED] document; and
- (m) the circular of our Company dated 16 August 2021 in relation to the general mandates to issue and repurchase Shares.