Hong Kong Security Services and Facility Management Services Market Study

Confidential for

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

Frost & Sullivan

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Scope

- **The project scope is defined as follows:**

Research Period	• **Historical Year: 2015-2020** • **Base Year: 2020** • **Forecast Year: 2021E-2025E**
Geographic Scope	• **Hong Kong**
Target Market	• **Security Services** • **Facility Management Services**

Assumptions and Parameters

■ Regarding the market sizing and the forecast model used in the report, the historical data are based on Publicly available information as set out below and data beyond those periods are based on F&S 's estimates Extrapolated from such publicly available information .

- Nominal and Real GDP
- Number of New Building Completion by Type
- Number of Railway Stations
- Major Infrastructure Projects
- Total Floor Area of Commercial Use Buildings

Limitations

Source of Information

- Interviews with industry experts and competitors will be conducted on a best-effort basis to collect information for in-depth analysis for this report.
- Frost & Sullivan will not be responsible for any information gaps where Interviewees have refused to disclose confidential data or figures.

Official Statistical sources

Market indicators for modeling

Industry Expert Interview

- The study took 2020 as the base year for analysis and 2021-2025 for forecast. However, as the point of this study being 2021, some of the figures of 2020 may not be available at the moment from public statistical sources. Frost & Sullivan will use the latest information available (e.g. 2019/ 2018) or make projections based on historical trends.
- Under circumstances where information is not available, Frost & Sullivan in-house analysis will be leveraged using appropriate models and indicators to arrive at an estimate.
- Sources of information and data will be clearly stated in the bottom right hand corner on each slide for reference.

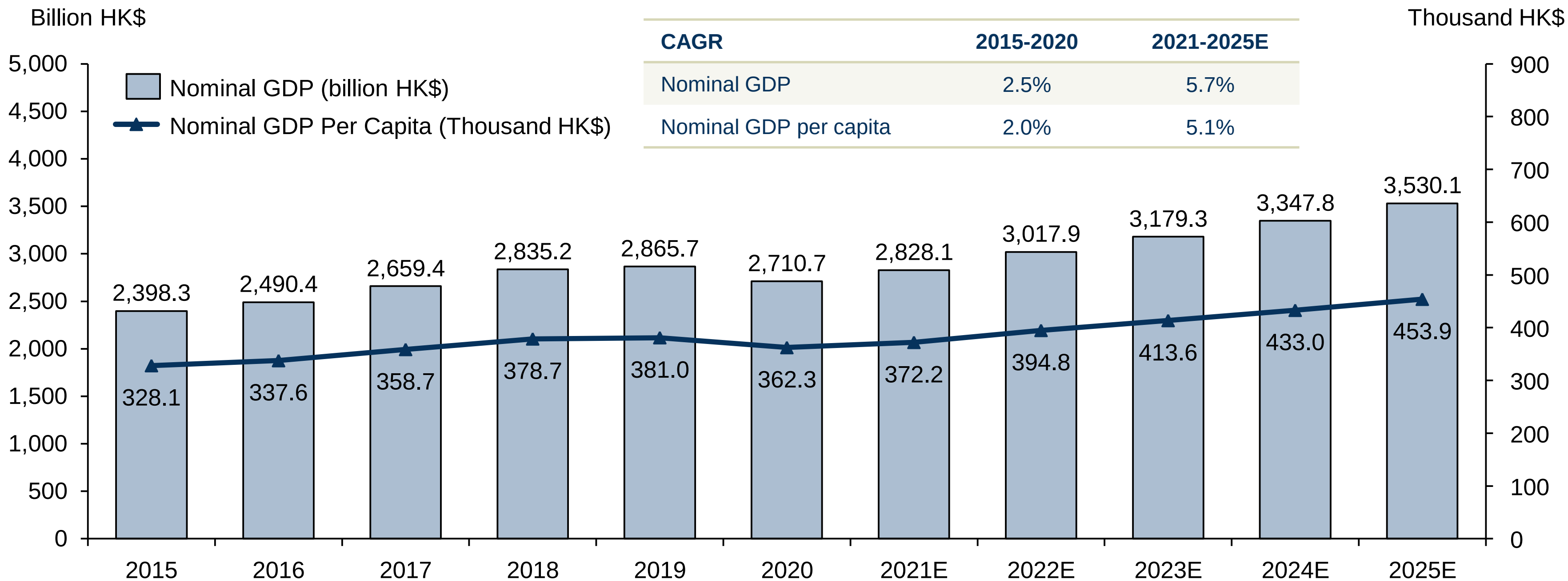
Content

Macro Environment in Hong Kong

Nominal and Real GDP

Nominal GDP and nominal GDP per capita (Hong Kong), 2015-2025E

CAGR	2015-2020	2021-2025E
Nominal GDP	2.5%	5.7%
Nominal GDP per capita	2.0%	5.1%



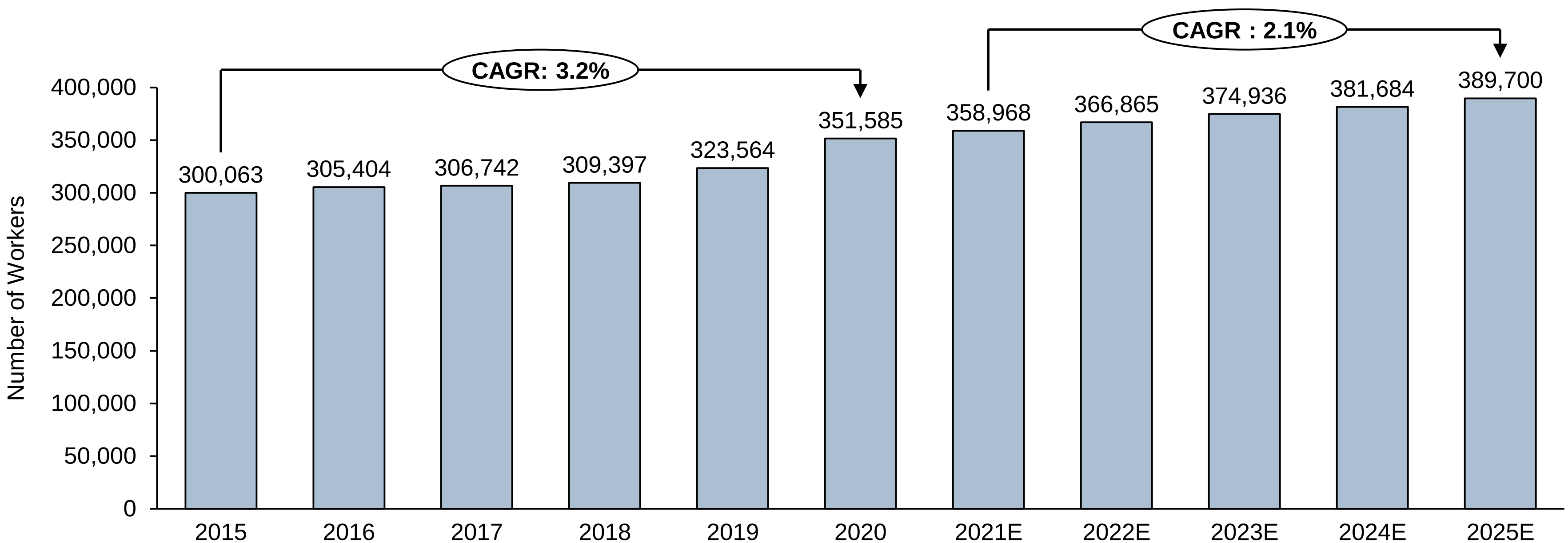
- Driven by the improving trade performance and domestic demand, as well as recovering economy in Europe and the United States, the nominal GDP of Hong Kong recorded a growth from HK$2,398.3 billion in 2015 to HK$2,710.7 billion in 2020, representing a CAGR of 2.5%. The outbreak of COVID-19 in early 2020 have brought negative impacts to both domestic and global economy which is expected to cause a fall in nominal GDP in 2020. The economy is expected to resume its growth after the pandemic and the nominal GDP of Hong Kong is forecasted to reach HK$3,530.1 billion by 2025, representing a CAGR of 5.7% from 2021 to 2025.
- Along with the growth of nominal GDP, the nominal GDP per capita in Hong Kong has risen from HK$328.1 thousand in 2015 to HK$362.3 thousand in 2020, representing a CAGR of 2.0% during 2015 to 2020. Also, under the shadow brought by COVID-19, the nominal GDP per capita has dropped in 2020 and is expected to recover after the pandemic is effectively controlled. It is forecasted to increase from HK$372.2 thousand in 2021 to HK$453.9 thousand in 2025, at a CAGR of 5.1% from 2021 to 2025.

Source: International Monetary Fund ("IMF")

Macro Environment in Hong Kong

Number of Valid Security Personnel Permit Holders

Number of Valid Security Personnel Permit Holders (Hong Kong) , 2015 – 2025E



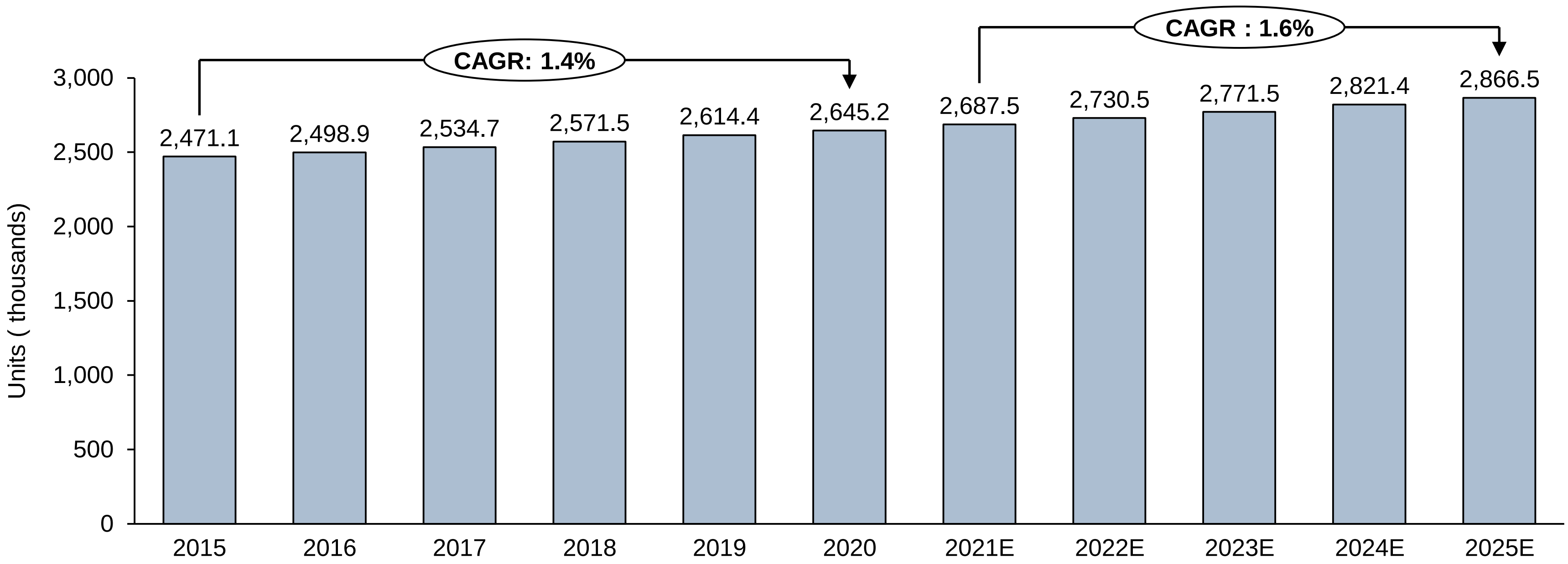
- During 2015 to 2020, the number of valid security personnel permit holders increased from 300,063 in 2015 to 351,585 in 2020, representing a CAGR of approximately 3.2%.
- Due to the steady demand of security service from both public and private sector in coming years, the number of valid security personnel permit holders is expected to grow at a CAGR of 2.1% from 2021 to 2025. As projected, the demand for security services workers would rise accordingly at a CAGR of 2.1% from 2021 to 2025.

Source: Security Bureau of Hong Kong, Frost & Sullivan

Macro Environment in Hong Kong

Number of Domestic Households

Number of Domestic Households (Hong Kong), 2015 – 2025E



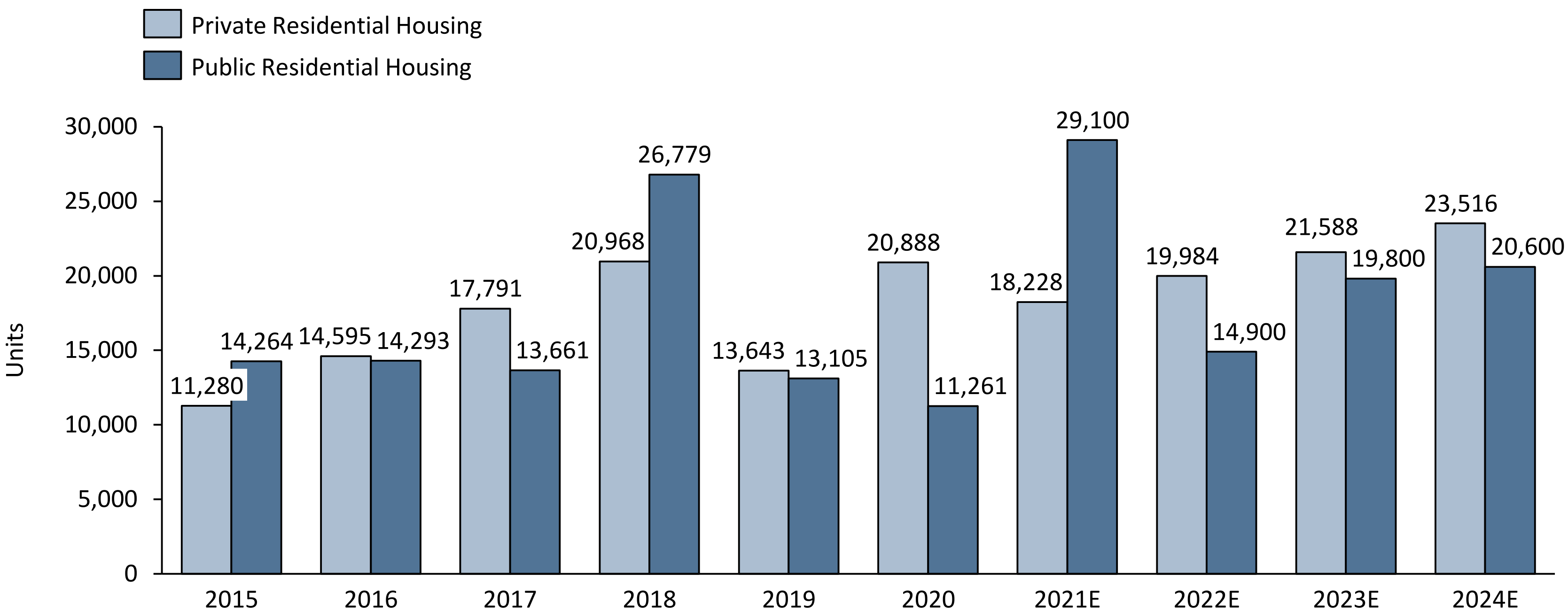
- During 2015 to 2020, number of households in Hong Kong increased from 2,471.1 thousands units in 2015 to 2,645.2 thousands units in 2020, representing a CAGR of approximately 1.4%. The number of households in Hong Kong is expected to reach 2,866.5 thousand units in 2025, at a CAGR of 1.6% from 2021 to 2025.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Macro Environment in Hong Kong

Number of Building Completion by Type

Number of New Building Completion by Type (Hong Kong), 2015 – 2024E



- Building completions in Hong Kong are influenced mainly by government policy and land supply. Completion of different sectors of buildings has been fluctuating in the past few years. Completions of private residential housing increased at a CAGR of approximately 13.1% from 11,280 units in 2015 to 20,888 units in 2020. From 2015 to 2020, completion of public residential housing reached around 11,000 to 27,000 units every year. According to "Public Housing Production Forecast of Housing Authority and Hong Kong Housing Society from 2020/21 to 2024/25", the estimated total public housing production will amount to 20,600 units in 2024, with an accumulation of more than 84,400 units in the coming four years. For private residential housing, with the sustained supply of small and medium sized private domestic units in Hong Kong, the amount of private residential units is anticipated to reach 23,516 units by the end of 2024, representing a CAGR of 3.0% in the coming four years.

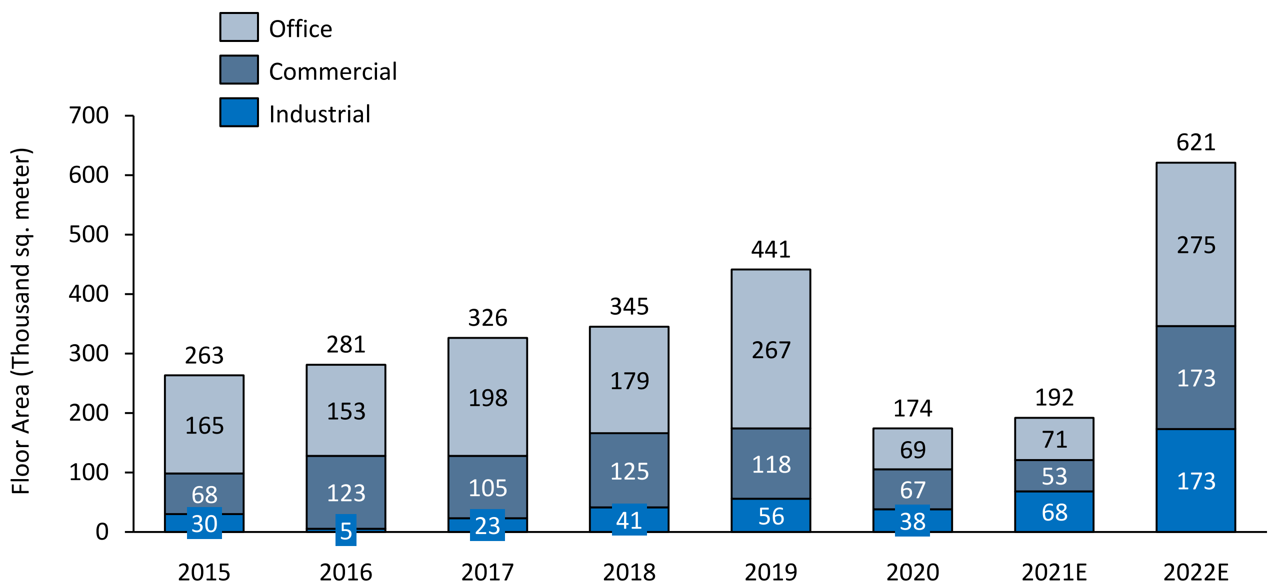
Remark: Latest available figures recorded in 2024.

Source: Census and Statistics Department, Transport and Housing Bureau, Rating and Valuation Department of Hong Kong

Macro Environment in Hong Kong

Floor Area of Building Completion by Type

Floor Area of New Building Completion by Type (Hong Kong), 2015 – 2022E



- Completions of office, commercial and industrial building has increased steadily, with an increase recorded for the aggregated floor area from 263 thousand square meter to 441 thousand square meter during 2015 to 2019. The outbreak of the COVID-19 has resulted in a disruption of construction schedule in 2020 and 2021. Overall, office completions experienced a decline at a CAGR of -16.0% and commercial completion experienced a decline at a CAGR of -0.3% from 2015 to 2020. Going forward, with the rising number of newly built buildings, the demand for security and facility management gradually increases along with the containment of the COVID-19. According to the “Hong Kong Property Review 2020” published by the Rating and Valuation Department, the projected number of building completion of the three types of buildings aggregated in 2022 is expected to reach 621 thousand square meter .

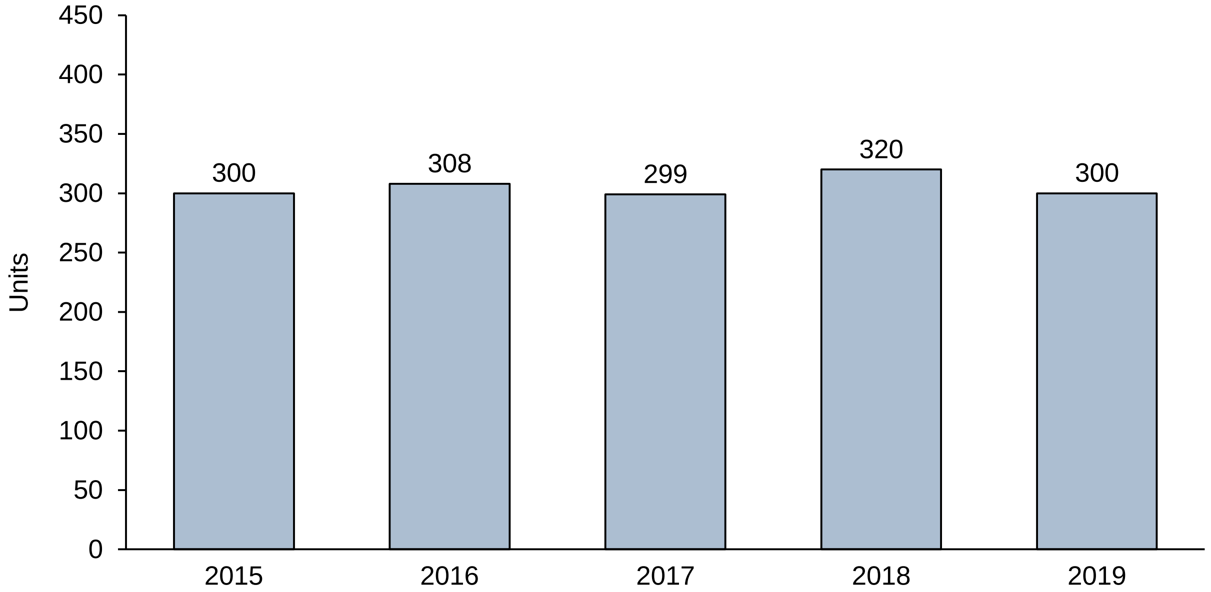
Remark: Commercial type buildings comprises retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices.
The forecast data was based on estimation of the Rating and Valuation Department in “Hong Kong Property Review 2019”. Due to limited availability of information, forecast data in 2022 and thereafter is not available.

Source: Census and Statistics Department, Rating and Valuation Department of Hong Kong

Macro Environment in Hong Kong

Number of Private Real Estate Development Projects

Number of Private Real Estate Development Projects (Hong Kong), 2015 – 2019



- 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.

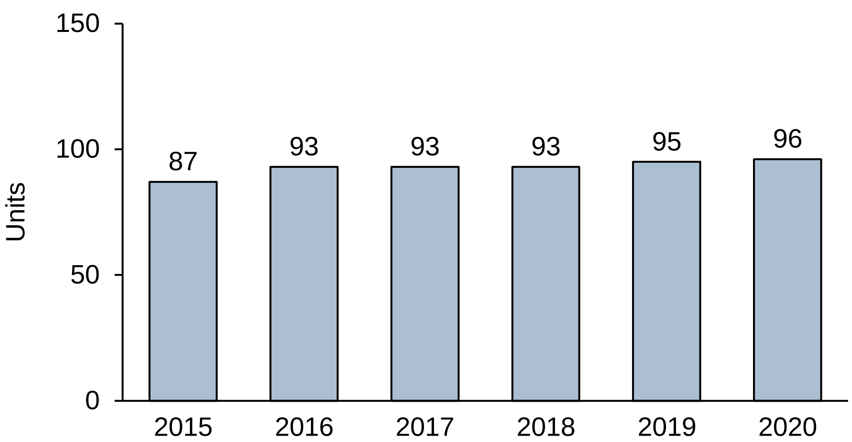
Remark: The recorded data was based on estimation of the Census and Statistics Department in "Hong Kong Annual Digest of Statistics". Due to limited availability of information, Latest available figures were recorded in 2018

Source: Census and Statistics Department of Hong Kong

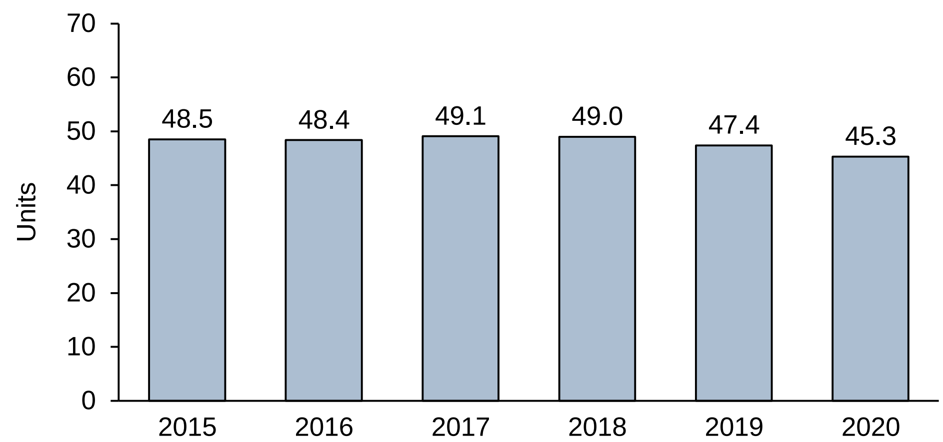
Macro Environment in Hong Kong

Development of Rail Transportation

Number of Railway Stations (Hong Kong), 2015 – 2020



Market Share of Railways in Franchised Public Transport (Hong Kong), 2015 – 2020



- 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 MTR (Mass Transit Railway) station requires the provision of security services for ticket inspection, by-law enforcement and customer care operations for by-laws inspection unit. The needs for security services are, therefore, correlated to the number of MTR stations. 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. With the gradual completion of these mega-scale railway and transportation infrastructure projects, the needs for security services, especially crowd coordination and management services, in the public transportation sector is expected to grow significantly.

Source: MTR Corporation Limited.

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Content

Market Overview of Security Services in Hong Kong

Definition

Definition

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 through 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.

Security services also include (i) general manned guarding services; (ii) event and crisis security services; and (iii) manpower support services. General manned guarding services refer to services provided by personnel who are specifically trained, qualified and/or experienced in certain tasks and security guarding typically involve patrolling, entrance guarding, access control and compliance with applicable laws, regulations and bye-laws at public transportation facilities, other public facilities, and private properties. Event and crisis security services refer to patrolling, 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. Manpower support services refer to provision of personnel who are specifically trained, qualified and/or experienced in certain tasks and areas other than security and guarding.

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Value Chain Analysis

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.

Upstream

Security Systems and Equipment Providers

- **Equipment Providers**
  Hardware and software provider for guarding service, e.g. video surveillance equipment provider, guard uniform provider etc.
- **Skill Training Provider**
  Independent security training provider. Security services provider with internal training capability.
- **Human Resource Supplier**
  Manpower provider such as human resource centre, personnel agency, etc. Security services provider with recruiting capability.

Midstream

Security Services Providers

- Type I Licensed Security Companies
- Type II Licensed Security Companies
- Type III Licensed Security Companies

Downstream

End-users

- Property Owner
- Property Management Companies
- Event Organisers
- Government Department
- Educational and other public institutions
- Individual Clients

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Value Chain Analysis (Cont'd)

Value Chain Analysis

➢ Major contractual terms and conditions :

- The agreements for contracts with customers are legally binding and negotiated independently. The contractual terms vary among different services contracts. Major contractual terms that are generally contained in a security services contract are one-off services or a fixed period of up to 36 months.

- Usually, the service contracts for fixed position contain terms allowing for adjustment of services fees if there are changes to the statutory minimum wage or if there is change in the demand from the customers. In the event that the service provider cannot fulfill its obligation, the customers may ask for a replacement of services providers or terminate the service contract in accordance with the termination clause. The service provider shall enter into new service contracts with its customers before the expiry of relevant contracts to secure a renewal of expiring contracts. The service provider prepares the new service contracts with reference to the existing contract terms and any change in scope of required work and makes appropriate adjustments for revised service scope, if any.

- Parties may also first enter into framework agreements to fix the hourly rate of services to be provided during a fixed term. Further definitive agreements will be entered into between the parties when there is an actual demand from the customers during the fixed term.

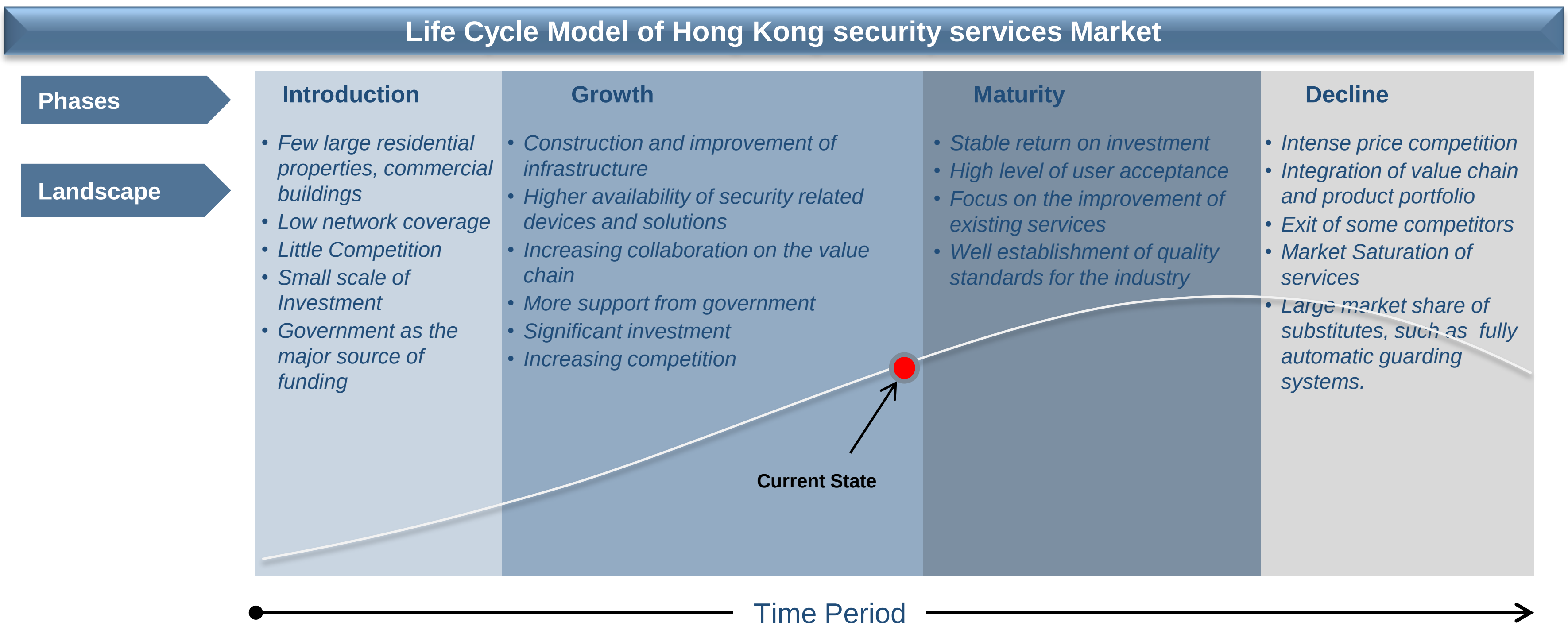
- It is a common practice in the security services and facility management services markets to engage sales agent for sourcing new clients. In light of the competitive business environment, some market participants would adopt the commission model, where the commission is equal to profit margin less a fixed amount times the number of shift, with the profit margin being the difference between the unit rate of services provided in one shift and the wage of the personnel of the same shift, 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. The commission rate varies in the industry and is negotiated between the agent and the service provider on arm's length and case-by-case basis.

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Industry Lifecycle

- A typical life cycle model of Hong Kong security services market is highlighted by four phases including introduction, growth, maturity and decline.
- Based on the nature of security services that is required by customers all year round, it is reasonable to consider that the security services industry is not subject to substantial seasonality.
- 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.
- According to the development characteristics of Hong Kong security services industry, the period before the year 2000 is the early stage phase, and then it entered the growth phase. Although the security and guarding services industry in Hong Kong has experienced years of fast growth, it is still lacking well established quality standards that are generally recognised among the public. The security services industry in Hong Kong therefore is considered at growth phase due to the incomplete qualification framework that signals the maturity stage. In 2019, there are in total 1,275 industry players holding either Type I/II/III license in the security services industry in Hong Kong.



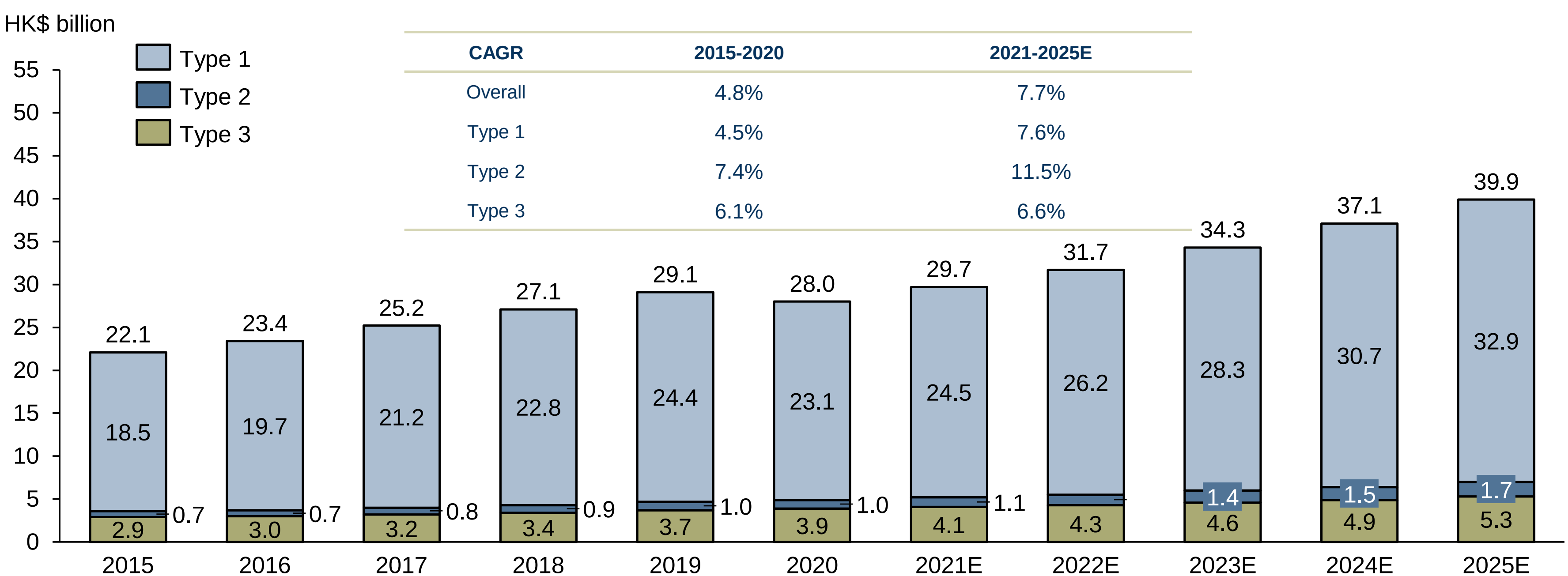
Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

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 HK$22.1 billion in 2015 to 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 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



CAGR	2015-2020	2021-2025E
Overall	4.8%	7.7%
Type 1	4.5%	7.6%
Type 2	7.4%	11.5%
Type 3	6.1%	6.6%

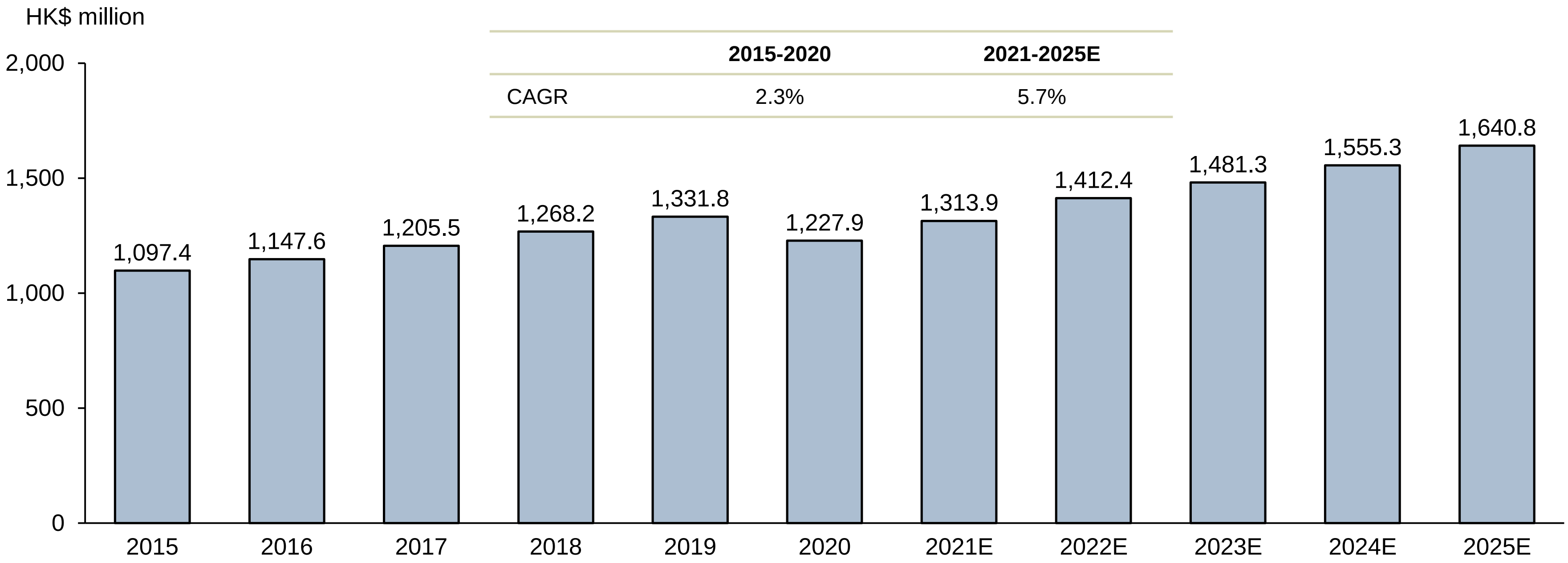
Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

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 amentities, 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 from HK$1,097.4 million to HK$1,227.9 million with a CAGR of 2.3%. The market size of security services in public sector decreased from HK$1,331.8 million in 2019 to HK$1,277.9 million in 2020, due to the temporary suspension of some MTR stations, namely Lo Wu Station and West Kowloon Station to contain the COVID-19 outbreak 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.. Outsourcing of security guarding services is becoming the mainstream and the growing demand from the continued development of public transport facilities, it is estimated that the market size of security services in public sector would grow from HK$1,313,9 million in 2021 to HK$1,640.8 million in 2025 with a CAGR of 5.7%.

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



Source: Frost & Sullivan

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Market Overview of Security Services in Hong Kong

Market Size in public sector

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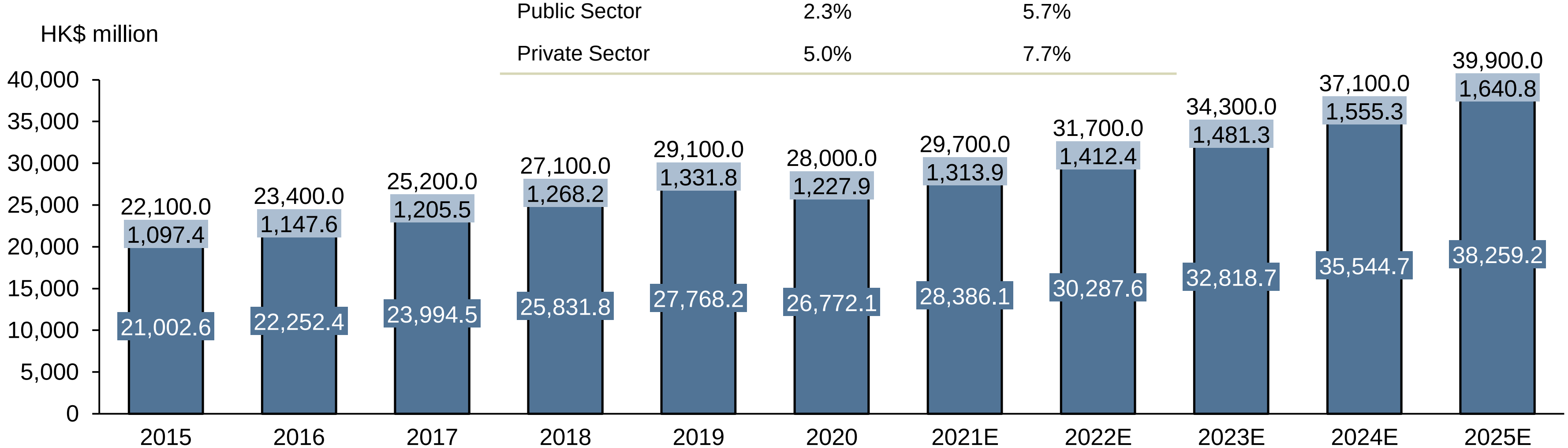
- Attributed to the continuous demand from the public sector, which is driven by (i) the trend of outsourcing in the security guarding industry is becoming increasingly common; (ii) the increasing penetration of security guarding services deployed in public transport facilities; (iii) the rollout of 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 auxiliary health screening service provided by security guards 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 HK$1,313,9 million in 2021 to HK$1,640.8 million in 2025 with a CAGR of 5.7%.

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

	2015-2020	2021-2025E
Public Sector	2.3%	5.7%
Private Sector	5.0%	7.7%



Source: Frost & Sullivan

Market Overview of Security Services 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 units in 2019. The rising number of residential properties, commercial and retail shops contributes 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

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, such as a hybrid of facility management, security service, cleaning service, are more likely to garner a better position to cushion the impact of the epidemic. The public events occurred 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.

Source: Rating and Valuation Department, Hong Kong Security Bureau, Frost & Sullivan

Market Overview of Security Services in Hong Kong

Market Opportunities and Challenges

Opportunities

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. Leveraging technology solutions, control rooms are conducive to continuous monitoring, analysis of activity and assisted mitigation of mission-critical emergencies., which offer businesses an advantage to defend against incidents and intrusions. 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. Companies that are capable to diversify the service scope and recruit corresponding specialize workers will gain competitive edge.

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.

Challenges

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. In the meantime, with the growing demand for security service from real estate sector, the average monthly salary of workers in security services industry increased from HK$11,490 in 2015 to HK$13,886 in 2020, representing a CAGR of 3.9% from 2015 to 2020. However, the aging workforce, of which the percentage of licensed workers aged 61 or above increased from 20.3% from 2015 to 31.6% in 2020, would intensify the labour shortage issue.

Proliferation of casual 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. Competition for the pool of part-time workers is a commonplace among the security services providers. In order to attract staff, the use of competitive remuneration packages, personal growth opportunities and flexible schedule are adopted by security services providers. In addition, the extensive use of part-time employees may lead to the inconsistency of the services standards. Hiring, training and retaining staff becomes very challenging, which adds to the complexity for the provision of security services.

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Policy and Regulation

Name of Regulation/Policy	Effective Time	Description	Impact on security services Industry
Statutory Minimum Wage	2019 (revised)	The regulation revised the statutory minimum wage to HK$34.5 per hour in 2017. 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.	The increase of statutory minimum wage leads to the increase of company operation costs and sets higher entry barrier for security services industry
Security Guarding Services Ordinance (Section III: Permit)	2015 (revised)	The regulation revised the upper age limit for Category B Security Personnel Permit (SPP) from 65 to 70. Applicants aged 65 or above are required to produce a valid medical certificate at the time of application and every two years afterwards	Implementation of this regulation is expected to encourage security guards who currently hold Category A Security Personnel Permit to enter Category B guarding service and alleviate the lack of labour in guarding service industry
Security Guarding Services Ordinance (Section IV: License)	1994	Security Company Licenses are classified into three categories: Type I Security work - Provision of security guarding services; Type II Security work- Provision of armed transportation services; and Type III Security work - installation, maintenance and/or repairing of a security device and/or designing a security system incorporating a security device	The Ordinance stipulates that guarding service providers can only perform the types of security work as specified in its license. The licensing system for providers and operators is the cornerstone of an effective regulatory system to guarantee well-regulated development of Hong Kong guarding service industry

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Policy and Regulation (Cont'd)

Name of Regulation/Policy	Effective Time	Description	Impact on security services Industry
International Ship and Port Facility Security Code	2004	It is an amendment to the Safety of Life at Sea (SOLAS) Convention (1974/1988) on minimum security arrangements for ships, ports and government agencies.	It prescribes responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade.
Rail Industry or Rail Safety Worker Induction	2003	It is a recognised competency of safely access to the rail corridor designed for workers who are required to perform work in the transport fo rail corridor.	Workers are required to have an understanding of rail industry terminology, basic signaling indications, rules and regulations for people working in the rail corridor, knowledge of a safe place, electrical safety, personal & legal requirements of fatigue, drugs and alcohol.
Statutory Paternity Leave	2015	Male employees with child born on or after 27 February 2015 are entitled to 3 days' paternity leave to be taken consecutively or separately for each confinement of their spouse/partner if they fulfil other requirements as stipulated in the law. They may take paternity leave at any time during the period from 4 weeks before the expected date of delivery of the child to 10 weeks beginning on the actual date of delivery of the child. Employees who are qualified for paternity leave pay may receive a daily rate of four-fifths of their average wages as paternity leave pay.	This incurred administrative and operating costs for service providers due to the reduction in human resources and labor supply during paternity leave.

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Policy and Regulation (Cont'd)

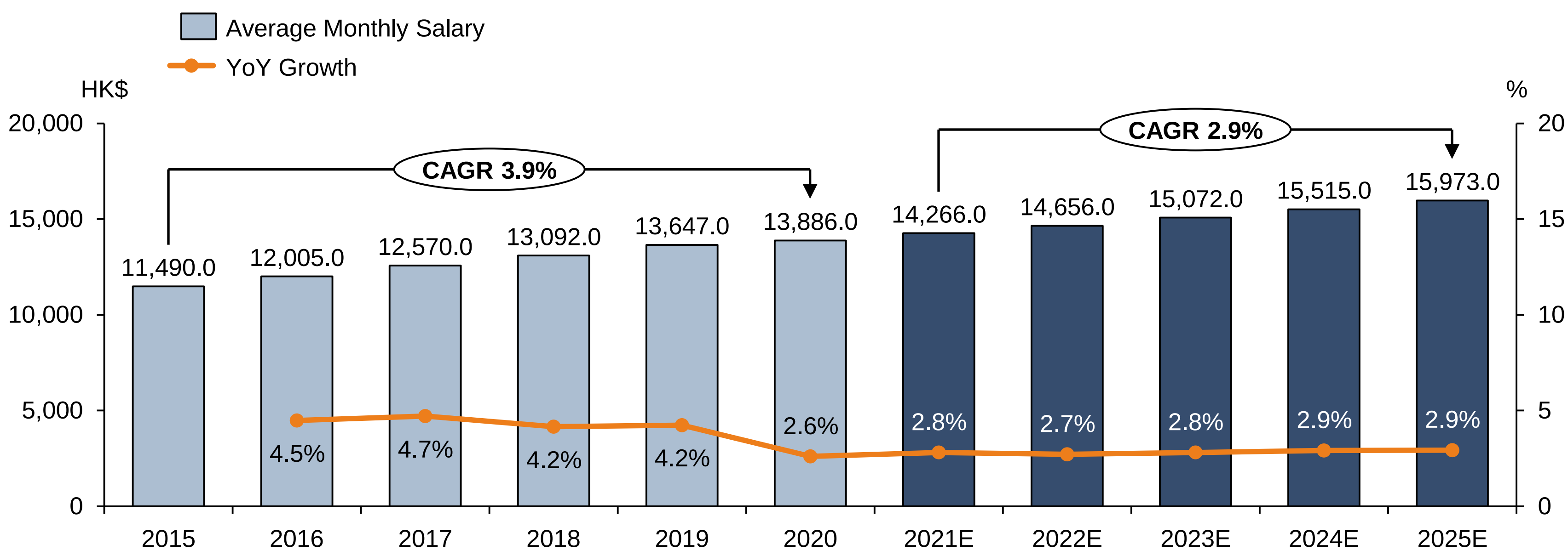
Name of Regulation/Policy	Effective Date	Description	Impact on Property Management Services Industry
Standard Working Hours	Pending	The government mainly aims to set a standard working hour in order to improve people's work-life balance as well as occupational safety and health. The Government set up the Standard Working Hours Committee ("SWHC") in April 2013. SWHC recommended legislation for (a) compulsory written contracts on normal working hours and (b) higher overtime pay rates for low-income workers. However the policy has not been proceeded in the absence of consensus with labour organisations	Implementation of a working hours regime may reduce labour supply, coupled with an ageing population, will worsen the labor shortage situation. Also, this may increase the labor costs as firms may replace full-time workers with part-time workers who are paid at a minimum hourly wage.
Removal of Mandatory Provident Fund (MPF) offset mechanism	Pending	In March 2018, the government put forth a preliminary plan on abolishing the offsetting of severance payments or long service payments with MPF contributions in order to protect the retirement populations. The Chief Executive proposed to progressively reduce the proportion of employer's contributions that can be used to offset long service or severance payments over a period of 10 years, by setting up a HK$6 billion fund to cushion the effect of the proposed abolition to employers. Alternatively, he proposed that the government would contribute HK$15 billion to a fund, and the employers would contribute HK$100 to HK$200 for each employee. Taking into account the complexities of procedures involved, the government strike to officially implement removal of MPF offset by 2022.	Employees from the car parking rental and management services and cleaning services are mainly high age. The removal of the offsetting mechanism may largely increase the cost for employers paying the long service payments for the retired employees.

Source: Frost & Sullivan

Market Overview of Security Services in Hong Kong

Average Monthly Salary of Security Guards

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



- 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 HK$11,490 in 2015 to 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 HK$15,973.0 in 2025, representing a CAGR of approximately 2.9%.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Content

Market Overview of Facility Management Services in Hong Kong

Definition

Definition

- 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.

Main types of facility 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.

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

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 of Facility Management Market

Upstream

Subcontractors or In-house Team of Facility Management Services Providers
providing services including

- Cleaning Service
- Maintenance Service
- Buildings, Car Park and other Venue Management

Midstream

Facility Management Service Providers
include

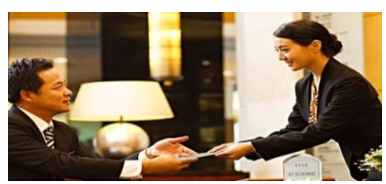
- Facility Management Companies
- Subsidiary of Property Developers
- Owner's Corporations of Individual Building
- Housing Authority

Downstream

Property Owners or Occupants
include

- Facilities' operators such as Housing Authority and property developer
- Owner's Corporations
- Landlord, tenants, residents and users of facilities

Subcontractors → Property Owners or Occupants



Source: Frost & Sullivan

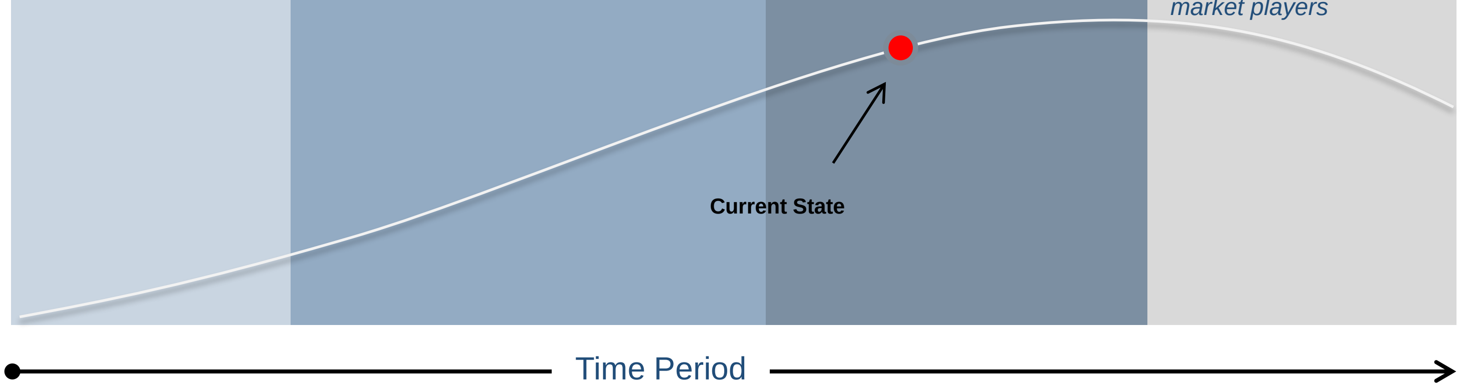
Market Overview of Facility Management Services in Hong Kong

Industry Lifecycle

- A typical life cycle model of Hong Kong facility management market is highlighted by four phases including introduction, growth, maturity and decline.
- Based on the nature of facility management service that is required by customers all year round, it is reasonable to consider that the facility management service industry is not subject to seasonality.
- Hong Kong facility management industry has currently entered the mature phase with a number of service providers engaged in the market. As estimated, there are approximately 900 facility management companies (including property management and car parking rental management services providers) and 1,000 cleaning companies in Hong Kong in 2020.
- With the government's supportive and on-going urban renewal projects, the land and housing supply is expected to grow, resulting in further potential growth of facility management services

Life Cycle Model of Facility Management Market in Hong Kong

Phases	Introduction	Growth	Maturity	Decline
Landscape	• *Few service providers* • *Many individual old buildings without appointment of facility management service providers* • *Low level of attention to service quality*	• *Increasing number of service providers* • *Robust growth of property development and housing supply* • *Rising demand for quality services in residential and commercial sectors*	• *Stable return on investment for facility management service providers* • *Players focus on the improvement of existing services or further business expansion*	• *Market saturation with a number of players in the market* • *More intensive price war resulted from higher degree of price sensitivity in customer end* • *Merger and acquisition of market players*



Source: Frost & Sullivan

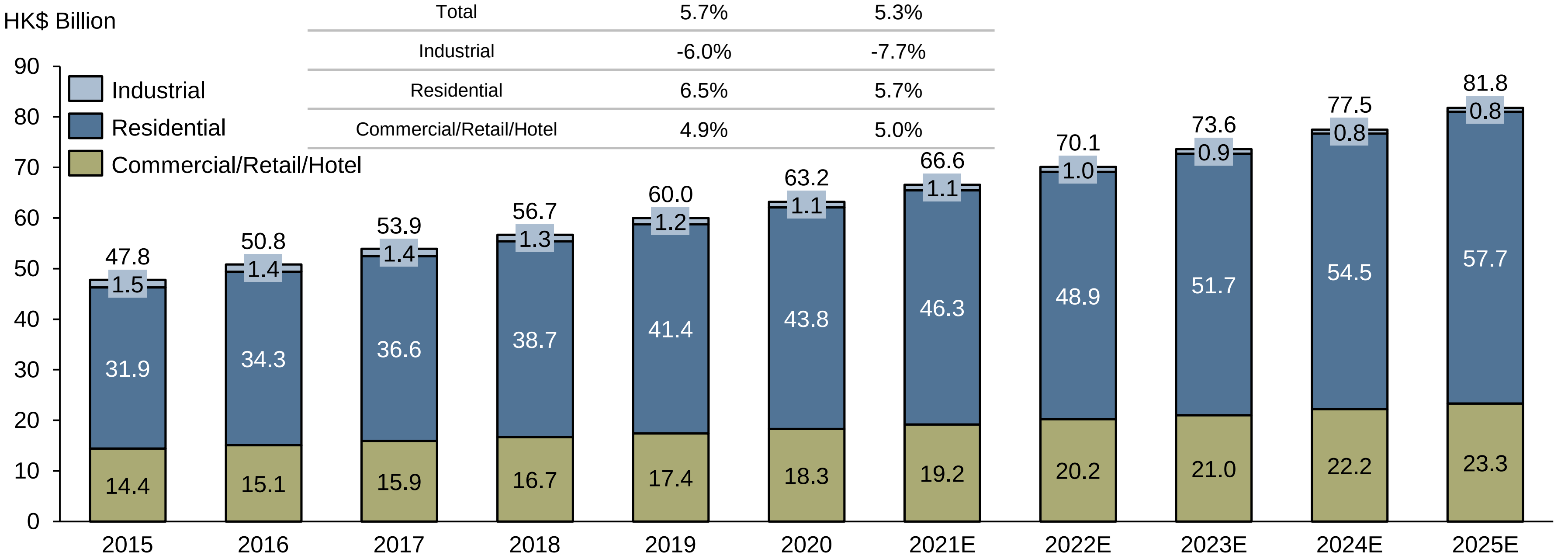
Market Overview of Facility Management Services in Hong Kong

Market Size Breakdown by Property Type

- The facility management market in Hong Kong has experienced a growth from HK$47.8 billion in 2015 to 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 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 providing more floor space for Hong Kong's changing social and economic needs, leading a slightly drop in the industrial market size.

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

CAGR	2015-2020	2021-2025E
Total	5.7%	5.3%
Industrial	-6.0%	-7.7%
Residential	6.5%	5.7%
Commercial/Retail/Hotel	4.9%	5.0%



Source: Frost & Sullivan

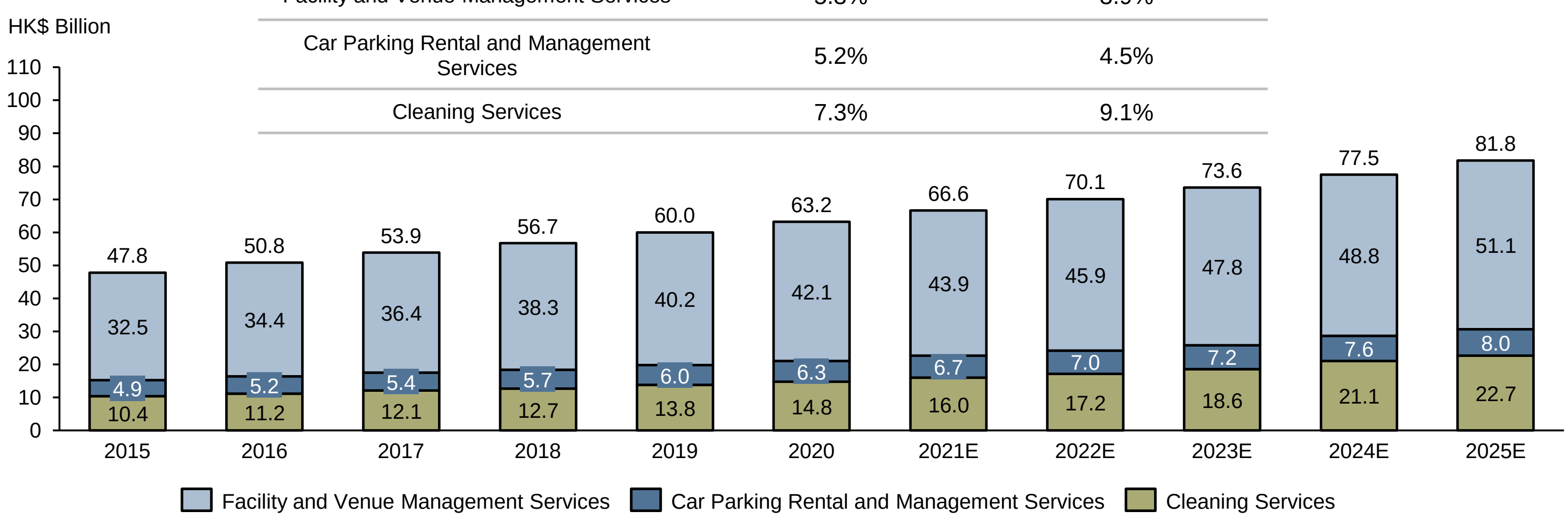
Market Overview of Facility Management Services in Hong Kong

Market Size Breakdown by Services Type

- 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 CAGR of approximately 7.3%, from HK$10.4 billion in 2015 to 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 HK$6.3 billion in 2020, representing a CAGR of approximately 5.2%.

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

CAGR	2015-2020	2021-2025E
Total	5.7%	5.3%
Facility and Venue Management Services	5.3%	3.9%
Car Parking Rental and Management Services	5.2%	4.5%
Cleaning Services	7.3%	9.1%



Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Market Drivers and Trends (1/3)

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.

Source: Hong Kong Government, the Transport and Housing Bureau, Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Market Drivers and Trends (2/3)

Increase in public awareness in facility hygiene

- The outbreak of COVID-19 in 2020 since 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.

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Market Drivers and Trends (3/3)

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

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Market Opportunities and Challenges (1/2)

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 projects 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.

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 next round of review of the Statutory Minimum wage rate will be conducted in October 2022.

Established educational framework for entry personnel

In light of the establishment of the Property Management Practitioner License stipulated under the Property Management Services Ordinance (PMSO), the Property Management Services Authority (PMSA) has introduced a comprehensive framework of the pathway to attain the professional qualifications of the facility management services industry. Several education institution has be 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 elevate the quality of delivery and industry standards for practitioners, supervisors and managers.

Source: Urban Renewal Authority, Property Management Services Authority, Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Market Opportunities and Challenges (2/2)

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.

Source: Frost & Sullivan

FROST & SULLIVAN

Market Overview of Facility Management Services in Hong Kong

Law, Policy and Regulation for Facility Management Services (1/2)

Name of Regulation/Policy	Effective Date	Description	Impact on Property Management Services Industry
Property Management Services Ordinance	2016	The government aims to regulate the current property management services providers and clarify the legal liabilities between property owners and the property management companies. A licensing scheme is also in place to verify the qualifications of the service providers.	The licensing scheme from the Property Management Services Authority may increase the management cost for the service providers as they need to adjust and to comply with the regulation in order to obtain the license.
Statutory Paternity Leave	2015	Male employees with child born on or after 27 February 2015 are entitled to 3 days' paternity leave to be taken consecutively or separately for each confinement of their spouse/partner if they fulfil other requirements as stipulated in the law. They may take paternity leave at any time during the period from 4 weeks before the expected date of delivery of the child to 10 weeks beginning on the actual date of delivery of the child. Employees who are qualified for paternity leave pay may receive a daily rate of four-fifths of their average wages as paternity leave pay.	This incurred administrative and operating costs for service providers due to the reduction in human resources and labor supply during paternity leave.
Statutory Minimum Wage	2019 (revised)	The regulation revised the statutory minimum wage to HK$34.5 per hour in 2017. 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.	The increase of statutory minimum wage leads to the increase of company operation costs and sets higher entry barrier for security services industry

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Law, Policy and Regulation for Facility Management Services (2/2)

Name of Regulation/Policy	Effective Date	Description	Impact on Property Management Services Industry
Standard Working Hours	Pending	The government mainly aims to set a standard working hour in order to improve people's work-life balance as well as occupational safety and health. The Government set up the Standard Working Hours Committee ("SWHC") in April 2013. SWHC recommended legislation for (a) compulsory written contracts on normal working hours and (b) higher overtime pay rates for low-income workers. However the policy has not been proceeded in the absence of consensus with labour organisations	Implementation of a working hours regime may reduce labour supply, coupled with an ageing population, will worsen the labor shortage situation. Also, this may increase the labor costs as firms may replace full-time workers with part-time workers who are paid at a minimum hourly wage.
Removal of MPF offset mechanism	Pending	In March 2018, the government put forth a preliminary plan on abolishing the offsetting of severance payments or long service payments with MPF contributions in order to protect the retirement populations. The Chief Executive proposed to progressively reduce the proportion of employer's contributions that can be used to offset long service or severance payments over a period of 10 years, by setting up a HK$6 billion fund to cushion the effect of the proposed abolition to employers. Alternatively, he proposed that the government would contribute HK$15 billion to a fund, and the employers would contribute HK$100 to HK$200 for each employee. Taking into account the complexities of procedures involved, the government strike to officially implement removal of MPF offset by 2022.	Employees from the car parking rental and management services and cleaning services are mainly high age. The removal of the offsetting mechanism may largely increase the cost for employers paying the long service payments for the retired employees.

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Licensing Regime

- **The latest licensing regime may set up a more regulated environment for facility management market**

Background	➢ For the purpose of implementing the licensing regime under the Property Management Services Ordinance. The Property Management Services Ordinance (PMSO) (Cap. 626) was passed by the Legislative Council on 26 May 2016 and to establish the Property Management Services Authority (PMSA) and regulate and control the provision of property management services by the licensing of property management companies and property management practitioners. ➢ The PMSA has officially started implementing the licensing regime on 1 August, 2020. 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. During the transitional period, PMCs and PMPs may choose, but are not required, to be licensed. Non-licenced PMCs/PMPs can continue to operate/ practise during the transitional period, while the following arrangements will be made available:
Highlight of the Regime	➢ For the implementation of a mandatory licensing regime, minimum academic, work and professional qualification requirements are set for Property Management Company (PMC) and Property Management Practitioner (PMP). ➢ Any property management company or practitioner engaging in the following activities (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, shall be required to hold a license. ➢ For PMP, a two-tier licensing system would be applied, which include licensed property practitioners (Tier 1) and licensed property practitioners (Tier 2), encouraging the development of practitioners to obtain relevant qualifications and upgrade to upper tier. ➢ For PMC, companies must maintain certain number of employee and directors holding facility management practitioners licenses, in particular at least one employee licensed with PMP (Tier 1) ➢ According to the PMSA, as at April 2021, approximately 1,080 formal PMP and PMC licenses are issued, while approximately 920 provisional PMP licenses are issued.
Impact on the Industry	➢ Overall enhancement in service quality and professionalism ➢ Property management service providers may compete for licensed practitioners in market, resulting in higher expense on staff. ➢ Small service providers may not be able to maintain the specified number of licensed staff, leading to potential consolidation among low end providers.

Source: Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Professional Membership

- **Professional memberships related to facility management market are listed below. Under the latest licensing regime, facility management services providers are required to maintain certain number of employees with property management practitioners licenses.**

Professional Memberships in Facility Management Market in Hong Kong

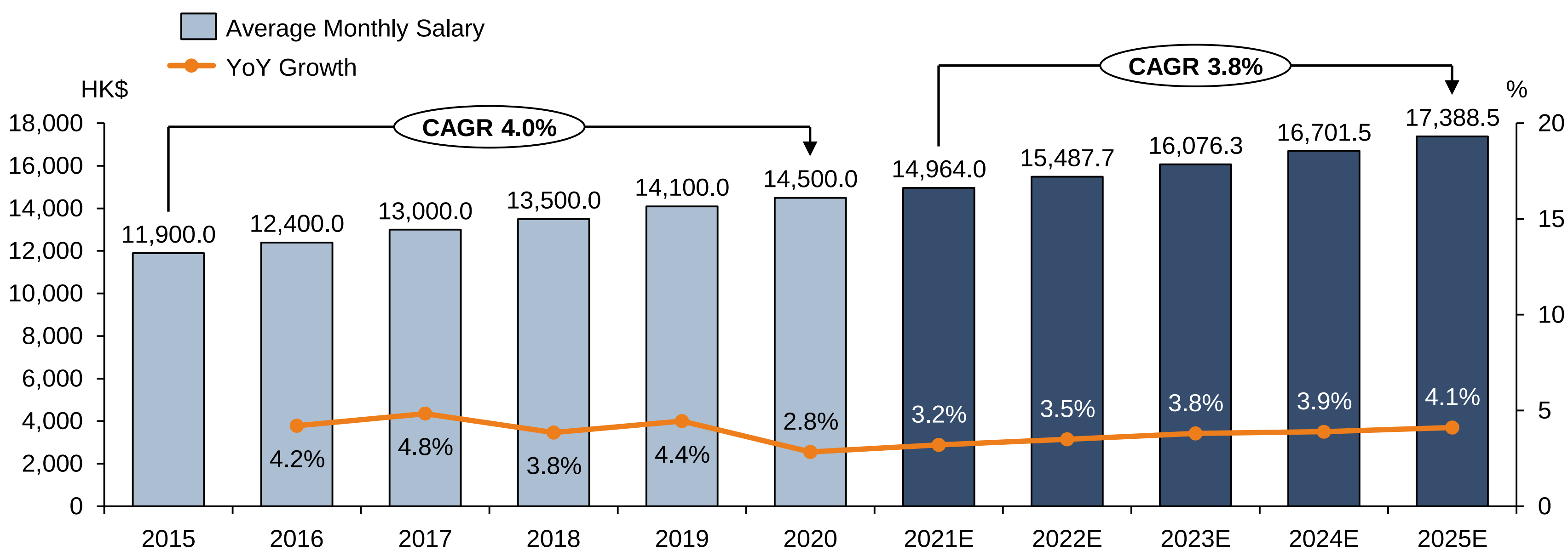
Registered Professional Housing Manager (RPHM)	➢ The Housing Managers Registration Ordinance was enacted in 1999 to provide the registration and disciplinary control of professional housing managers. ➢ According to the register of Housing Managers Registration Board, there were 1,567 RPHMs as of January 2021.
Membership in The Hong Kong Institute of Housing (HKIH)	➢ HKIH is the body corporate under The Hong Kong Institute of Housing Ordinance, which has engaged in a variety of activities related to property management including training courses (e.g. Continuing Professional Development) for housing professionals. ➢ HKIH has more than 3,000 members as of January 2021.
Membership in Chartered Institute of Housing Asian Pacific Branch (CIHAPB)	➢ Chartered Institute of Housing is a professional housing management body headquartered in United Kingdom and Hong Kong Branch was established in 1966. ➢ CIHAPB offers training to housing management professionals as well as promote the professional ethics and housing management development in Asia Pacific.

Source: Housing Managers Registration Board, The Hong Kong Institute of Housing, Chartered Institute of Housing Asian Pacific Branch, Frost & Sullivan

Market Overview of Facility Management Services in Hong Kong

Average Monthly Salary of Facility Management Personnel

Average Monthly Salary of Facility Management Personnel(Hong Kong), 2015 – 2025E



- The average monthly salary of facility management personnel has increased moderately from HK$11,900 to HK$14,500 during 2015 to 2020, representing a CAGR of approximately 4.0%. It is largely attributable to the promulgation of the statutory minimum wage regulation, which came into effect in 2011 as regulated by the Minimum Wage Ordinance. With the licensing regime of facility management being implemented in 2020, the overall qualifications and skills of the labour force is expected to be elevated, the average monthly salary is expected grow continuously and attain HK$17,388.5 in 2025, representing a CAGR of approximately 3.8%.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Content

Competitive Landscape of Security Services Market in Hong Kong

Competition Overview

- 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. The Group is the fifth largest security services providers accounting for approximately 1.2% of total revenue in 2020.

Source: Frost & Sullivan

Competitive Landscape of Security Services Market in Hong Kong

Ranking

Ranking and Market Shares of the Security Services Market in Hong Kong			
Rank	**Company**	**Estimated Revenue in 2020 (HK$ Million)**	**Approximate Market Share (%)**
1	G4S (Hong Kong-Holding) Limited	893.2	3.2%
2	ISS Group	752.1	2.7%
3	General Security (H.K.) Limited	705.9	2.5%
4	Certis Centurion Facility Company Limited	481.7	1.7%
5	The Group	336.9	1.2%
	Sub-total	3,169.8	11.3%
	Others	24,830.2	88.7%
	Total revenue	28,000.00	100.00%

- The security services market is relatively competitive and fragmented with the top five players contributing to 11.3% of the entire market in terms of revenue. The Group is the fifth largest security services providers in Hong Kong in 2020 according for 1.2% of total revenue.

Source: Frost & Sullivan

Updated

Competitive Landscape of Security Services Market in Hong Kong

Ranking (For IO)

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	The Group	336.9	1.2%
	Sub-total	3,169.8	11.3%
	Others	24,830.2	88.7%
	Total revenue	28,000.00	100.00%

Note :

Company A is the subsidiary of a listed company and provides Type 1, 2, 3 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 1 and Type 3 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 1, 2, 3 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 1 and Type 3 security services, including security guarding, property management, safety consultation and technical installation services for primarily the private sector, in Hong Kong.

Source: Frost & Sullivan

Competitive Landscape of Security Services Market in Hong Kong

Ranking in Public Sector

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	The Group	336.9	27.4%
2	Sky Wise Services Management Limited	332.2	27.1%
3	Professional Security Services Limited	175.5	14.3%
4	China Overseas Property Services Limited	138.6	11.3%
5	Guard Able Limited	75.6	6.2%
	Sub-total	1,058.8	86.2%
	Others	169.1	13.8%
	Total revenue	1,227.9	100.0%

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

Note : Public sector projects refer to projects commissioned by the government authorities and stated-owned enterprises.

Source: Frost & Sullivan

Updated

Competitive Landscape of Security Services Market in Hong Kong

Ranking in Public Sector (Cont'd)

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	The 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%

Note :

Company E is a private company based in Hong Kong and provides Type 1 and Type 3 security services, including security guarding and security systems related services.

Company F is a private company and provides Type 1 and Type 3 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 1 and Type 3 security service, including security guarding and security system related services.

Company H is the subsidiary of a listed company and provides Type 1 security services, engaged in facility management, cleaning, engineering and maintenance, security services and landscape maintenance.

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Source: Frost & Sullivan

Competitive Landscape of Security Services Market in Hong Kong

Entry Barriers (1/2)

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 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, these new market players may encounter difficulties to undertake sizeable projects, adversely impacting the overall operation and profitability.

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. Established companies are proficient and acquainted with planning and coordinating with clients in the manoeuvering of crowd management, emergency route planning in specific venue and situation. 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.

Source: Frost & Sullivan

Competitive Landscape of Security Services Market in Hong Kong

Entry Barriers (2/2)

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, II and III. 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.

Source: Frost & Sullivan

Content

Competitive Landscape of Facility Management Services Market in Hong Kong

Competition Overview

- 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, further the and 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.

Source: Frost & Sullivan

Competitive Landscape of Facility Management Services Market in Hong Kong

Ranking

Ranking and Market Shares of the Facility Management Market in Hong Kong			
Rank	**Company**	**Estimated Revenue in 2020 (HK$ Million)**	**Approximate Market Share (%)**
1	Integrated Service Solutions Limited	3,010.5	4.8%
2	Johnson Cleaning Services Co. Limited	2,505.0	4.0%
3	Sun Hung Kai Properties Ltd	2,344.3	3.7%
4	FSE Lifestyle Services Limited	1,631.4	2.6%
5	CK Asset Holding Limited	1,003.2	1.6%
	Sub-total	10,494.4	16.6%
	Others	52,705.6	83.4%
	Total revenue	63,200.0	100.00%

- The facility management services market is relatively competitive and fragmented with the top five players contributing to 16.6% of the entire market in terms of revenue. The 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%.

Source: Frost & Sullivan

Competitive Landscape of Facility Management Services Market in Hong Kong

Ranking (For IO Section)

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	100.00%

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 restate 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.

Source: Frost & Sullivan

Competitive Landscape of Facility Management Services Market in Hong Kong

Entry Barriers (1/2)

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.

Source: Frost & Sullivan

Competitive Landscape of Facility Management Services Market in Hong Kong

Entry Barriers (2/2)

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.

Source: Frost & Sullivan

Content

Added

Competitive Landscape

Competitive Strengths of our Group

Established relationship with downstream clients

The 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 and facility management industry. Such profound relationships with downstream stakeholders have enabled the Group to effectively communicate and minimise potential errors during project execution, which in turn strengthen the Group's credibility in the market. Continual recurrence of similar projects contributed to the Group's extensive know-how, experience and capability to handle dynamic challenges and circumstances in the market, which is conducive for the Group to retain existing customers, and garner further opportunities through its market reputation and referral from existing customers, thereby solidifying the market position of the Group.

Wide range of service offerings through a qualified workforce

With extensive capacity, capability and scalability, the 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, the 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.

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, the Group has developed into one of the fully fledged market leaders in the security service and facility management industry. With extensive knowledge and experience, the 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.

Source: Frost & Sullivan

Appendix

The provision of Station Control Services and COVID-19 Detection Support Services enhances the flexibility and capability of security services providers in responding to the changes in the market and ability to maintain their leading position in security services in Hong Kong public sector.

Source: Frost & Sullivan