

SUMMARY

This summary aims to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

BUSINESS OVERVIEW

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, with an operating history of over 20 years in Hong Kong. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors on both new and existing buildings, and works closely with customers and architects to offer tailor-made designs and products to suit the project requirements. The Group’s principal customers are main contractors and property developers.

The Group’s history dates back to 1990 when Million Hope Industries (HK), a principal operating subsidiary of the Company, was incorporated in Hong Kong by Independent Third Parties. Million Hope Industries (HK) was acquired by the Hanison Group in 2007 and became a wholly-owned subsidiary of Hanison, and has since been part of building materials division of the Hanison Group. Since then, the Group has been principally engaged in the business of design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, primarily for property development projects in Hong Kong and the PRC.

The Group owns and operates its own fabrication plant in Huizhou, the PRC, which serves as the production base for the products used in the Group’s Design, Supply and Installation Projects, including customer-specified products and “Schüco” products, in respect of which the Group is an authorised manufacturer. The products produced at the fabrication plant in Huizhou, the PRC, include curtain walls – stick system, aluminium windows, doors, balustrades, louvres, grilles, canopies, claddings and aluminium features. The Group also outsources the fabrication of curtain walls – unitised system products to external suppliers.

During the Track Record Period, the Group’s revenue was mainly derived from the Group’s projects in Hong Kong and the PRC, principally involving the design, supply and installation of curtain walls, aluminium windows and doors. During the Track Record Period, revenue from projects located in Hong Kong accounted for approximately 93.2%, 96.3% and 89.5% of the Group’s revenue for each of the three years ended 31 March 2018, respectively.

BUSINESS MODEL

One-stop design, supply and installation services for new buildings

The Group provides one-stop design, supply and installation services for facade and curtain wall systems for new buildings, with a focus on curtain walls, aluminium windows and doors. The services undertaken by the Group in a typical design, supply and installation project for new buildings mainly include development of design, shop drawings, structural calculation, method statements sourcing and procurement of materials, material fabrication and processing, arranging for installation works and post completion maintenance service for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for the overall project management. Please refer to the section headed “Business – Operating procedures – Principal steps in a Design, Supply and Installation Project” in this listing document for details of the major steps included in a typical Design, Supply and Installation Project.

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Generally, the Group may act as a nominated subcontractor and is engaged by the main contractor through the nomination of the ultimate owners of the projects (i.e. developers of the relevant construction site), or the Group may act as a domestic subcontractor and is directly engaged by the main contractors. During the Track Record Period, the Group acted as a nominated subcontractor in the majority of its projects. Please refer to the section headed “Business – Services of the Group” in this listing document for further details.

One-stop design, supply and installation services for renovation works of existing buildings

On a much smaller scale, the Group provides renovation works for facade and curtain walls in Hong Kong for existing buildings. Please refer to the section headed “Business – Operating procedures – Design, supply and installation projects for renovation works of existing buildings” in this listing document for further details.

Repair, maintenance and others

Also on a much smaller scale, the Group provides repair and maintenance services for curtain walls, aluminium windows and doors projects in Hong Kong. Others mainly represented mock-up. Please refer to the section headed “Business – Operating procedures – Repair, maintenance and others” in this listing document for further details.

DESIGN, SUPPLY AND INSTALLATION PROJECTS FOR NEW BUILDINGS OF THE GROUP

The following table sets forth a summary of the number of design, supply and installation projects for new buildings awarded to the Group and completed by the Group during the Track Record Period:

	Year ended 31 March			Total
	2016	2017	2018	
Number of design, supply and installation projects for new buildings awarded	8	7	6	21
Number of design, supply and installation projects for new buildings completed	13	10	12	35

The following table sets forth a summary of the Group’s design, supply and installation projects for new buildings as at the dates indicated:

	As at 31 March		
	2016	2017	2018
Number of design, supply and installation projects for new buildings on hand	41	38	32
Value of design, supply and installation projects for new buildings on hand (<i>HK\$ million</i>)	689.6	575.3	634.7

For details regarding the movement of the Group’s design, supply and installation projects for new buildings, please refer to the section headed “Business – Design, supply and installation projects for new buildings of the Group” in this listing document.

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CUSTOMERS

The Group’s customer types generally include main contractors and property developers. During the Track Record Period, the business relationship between the Group and its five largest customers ranged from approximately two years to 13 years. During the Track Record Period, all of the Group’s major customers were located in Hong Kong and most of the Group’s revenue was denominated in Hong Kong dollars.

For each of the three years ended 31 March 2018, the percentage of the Group’s total revenue attributable to the Group’s five largest customers, in aggregate, amounted to approximately 84.6%, 91.8% and 92.6%, respectively. For further details, please refer to the section headed “Business – Customers” in this listing document.

SUPPLIERS

The Group’s suppliers generally include suppliers for (i) building materials used in its Design, Supply and Installation Projects, such as aluminium and steel products, and glass; (ii) fabrication of curtain wall-unitised system products; and (iii) providers of other miscellaneous services such as transportation, rental of machinery, and laboratory testing services. During the Track Record Period, all of the Group’s major suppliers were either located in Hong Kong or the PRC.

For each of the three years ended 31 March 2018, the percentage of the Group’s purchases attributable to the Group’s largest supplier amounted to approximately 13.9%, 22.5% and 24.5%, respectively, while the percentage of the Group’s total purchases attributable to the Group’s five largest suppliers, in aggregate, amounted to approximately 52.5%, 53.0% and 52.5%, respectively. For further details, please refer to the section headed “Business – Suppliers” in this listing document.

SUBCONTRACTORS

The Group engages external subcontractors to perform site installation works for its Design, Supply and Installation Projects. During the Track Record Period, the Group’s major subcontractors were located in Hong Kong and the PRC.

For each of the three years ended 31 March 2018, the percentage of the Group’s total subcontracting fees paid to the Group’s largest subcontractor amounted to approximately 13.5%, 16.5% and 25.4%, respectively, while the percentage of the Group’s total fees paid attributable to the Group’s five largest subcontractors, in aggregate, amounted to approximately 49.9%, 56.1% and 78.8%, respectively.

For further details, please refer to the section headed “Business – Subcontractors” in this listing document.

MAJOR LICENCES AND REGISTRATIONS

As at the Latest Practicable Date, Million Hope Industries (HK), a principal operating subsidiary, is a Registered Minor Works Contractor with the Buildings Department and a Registered Subcontractor with the Construction Industry Council in Hong Kong, and in the PRC, Million Hope (Huizhou) possesses the Project Design Qualification Certificate (工程設計資質證書), the Construction Enterprise Qualification Certificate (建築業企業資質證書), and the PRC Customs Declaration Entity Registration Certificate (中華人民共和國海關報關單位註冊登記證書). For further details, please refer to the section headed “Business – Licences and permits” in this listing document.

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COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Ipsos Report, the facade and curtain wall works industry in Hong Kong is considered mature and consolidated with approximately 30 to 40 major companies performing facade and curtain wall works in the industry in 2017. There are approximately five market players considered to be the top tier market players based on their estimated revenue in 2017, accounting for 55.0% of the market share. The Group’s revenue accounted for 6.9% market share of the facade and curtain wall works industry in Hong Kong in 2017.

The Directors believe that there are several competitive strengths that set the Group apart from its competitors, which comprise: (i) well-established in the facade and curtain wall works industry in Hong Kong; (ii) self-owned fabrication plant; (iii) business cooperation with Schüco as its working partner in Hong Kong and southern China; (iv) professional operation by experienced management team, design team and project management team; (v) stable business relationships with the Group’s major suppliers and subcontractors; and (vi) one-stop design, supply and installation services provider for facade and curtain wall systems. For further details, please refer to the section headed “Business – Competitive strengths” in this listing document.

BUSINESS STRATEGIES

The Group plans to pursue the following key business strategies: (i) further increasing market awareness and recognition of the Group; (ii) further enhancing the Group’s production capacity and efficiency; (iii) expanding the Group’s capacity to undertake more projects; (iv) further strengthening the Group’s capital base; (v) establishing a new fabrication plant in the PRC; and (vi) further strengthening the Group’s manpower. For further details, please refer to the section headed “Business – Business strategies” in this listing document.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, the Group secured new businesses mainly through direct invitations for tender or quotation by customers. The Directors consider that due to the Group’s proven track record and stable relationship with existing customers, the Group was able to leverage on its existing customer base, and thus the Group liaised with existing and potential customers from time to time for relationship building and management.

The Group’s pricing is generally determined based on the estimated project costs plus a mark-up margin. For further details, please refer to the section headed “Business – Customers – Pricing strategy” in this listing document.

RISK FACTORS

There are certain risks involved in the Group’s operations and in connection with the Listing. Many of these risks are beyond the Group’s control. Amongst these risks, the Directors believe that some of the more material risk factors include the following:

- A significant portion of the Group’s revenue was generated from contracts awarded by a limited number of customers, and inability to retain business relationships with the existing customers or secure new business may materially and adversely affect the Group’s business and financial performance;
- The Group’s projects are non-recurring in nature and the Group generally has to go through a competitive tendering process to secure new projects. Failure to continuously secure new projects could materially and adversely affect the Group’s sustainability and financial performance;

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- Changes to the supply and cost of materials, subcontracting fees, and other cost overruns may materially and adversely affect the Group’s operations and profitability;
- The Group is exposed to the credit risk of its customers;
- Delay or defects of subcontractor’s works would materially and adversely affect the Group’s business operations;
- Failure to complete the projects on a timely basis could materially and adversely affect the Group’s reputation and financial performance;
- The Group is dependent on suppliers and subcontractors to implement its contracts;
- The Group may be subject to defects liability claims and warranty claims in relation to its projects.

The risks mentioned above are not the only significant risks that may affect the Group’s business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, Shareholders and potential investors are advised to read the entire section headed “Risk Factors” in this listing document carefully.

PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Limited, an independent valuer, as set out in Appendix III to this listing document, the market value of the properties owned by the Group as at 31 August 2018 was approximately HK\$192.6 million. Please refer to the section headed “Business — Properties – Owned properties” and Appendix III to this listing document for further details.

CONTROLLING SHAREHOLDER

Immediately following completion of the Spin-off, the Company will cease to be a subsidiary of Hanison, and CCM Trust will be the Controlling Shareholder. For further details, please refer to the section headed “Relationship with Controlling Shareholder” in this listing document.

BACKGROUND INFORMATION OF THE GROUP AND HANISON GROUP

Hanison was incorporated in the Cayman Islands on 20 September 2001 and has been listed on the Main Board of the Stock Exchange since 10 January 2002. As at the Latest Practicable Date, the Hanison Group is principally engaged in construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products.

The Company was incorporated in the Cayman Islands on 20 February 2018 and became the holding company of the Group on 28 March 2018. The Group is principally engaged in the design, supply and installation of facade and curtain walls systems, with a focus on curtain walls, aluminium windows and doors.

Hanison submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and, on 26 January 2018, the Stock Exchange confirmed that Hanison may proceed with the Spin-off.

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The Spin-off will be implemented by way of the Distribution. Upon Listing, the Company will cease to be a subsidiary of Hanison and the Group will be spun-off from the Hanison Group. Hanison Group will continue its principal businesses of construction, interior and renovation works, supply and installation of limited building materials (excluding aluminium windows, doors and curtain walls), property investment, property development, provision of property agency and management services and sale of health products, while the Group will focus on its design, supply and installation of curtain walls, aluminium windows and doors business.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Board and the Hanison Board believe that the Spin-off will be beneficial to the Remaining Group and the Group and their respective shareholders as a whole for the following reasons:

- (i) the business of the Group has been expanding in the past few years and the Board and the Hanison Board consider that it has reached a size and critical mass that justify it being separately listed;
- (ii) the Spin-off will enable the Company to distinguish itself from Hanison and strategise its own expansion and identity, thus allowing it to react more promptly to developments and opportunities;
- (iii) the Distribution places the entirety of the issued share capital of the Company into the hands of the Hanison Shareholders. Hanison Shareholders are being given, via the Distribution, an asset that should, on Listing, represent a liquid asset, that gives each Hanison Shareholder the choice to remain invested or readily realise or alter the mix of his/her investment (as between cash and the Company);
- (iv) by separating the business lines by listed group, each of the Company and Hanison can devise and execute their own, independent, financing strategies, whether via the equity or debt capital or by bank borrowings tailored to the respective time frames for the holding or development of their businesses and assets; and
- (v) the Spin-off will allow the management teams of both the Group and the Remaining Group to focus more effectively on their respective core businesses.

THE SPIN-OFF AND THE DISTRIBUTION

On [•] 2018, the Hanison Board declared a conditional special interim dividend to the Distribution Qualifying Shareholders. The Distribution will be satisfied by way of a distribution in specie to the Distribution Qualifying Shareholders of the entire issued share capital of the Company held by Hanison (representing the entire issued share capital of the Company), on the basis of two Shares for every five Hanison Shares held on the Record Date.

The Spin-off will be implemented in accordance with the Listing Rules. As Hanison's disposal of its shareholding interest in the Company is by way of the Distribution with no offering of new Shares or any other securities, there will be no dilution of the indirect attributable interest of the Distribution Qualifying Shareholders in the Company, and the Spin-off will not constitute a transaction under Chapter 14 and 14A of the Listing Rules. Accordingly, no shareholder approval is required in respect of the Distribution or the Spin-off under the Listing Rules.

The Spin-off is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange and such

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approval not having been revoked prior to completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place. For further details of the Spin-off, please refer to the section headed “Information about the Spin-off and the Distribution” in this listing document.

SUMMARY OF KEY FINANCIAL INFORMATION

The tables below set forth the key financial information of the Group derived from its consolidated financial statements set on in the Accountants’ Report in Appendix I to this listing document. The following information should be read in conjunction with the section headed “Financial Information” in this listing document and the consolidated financial statements and the related notes in the Accountants’ Report in Appendix I to this listing document.

Summary of consolidated statements of profit or loss and other comprehensive income information

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Revenue	367,768	501,938	421,146
Gross profit	57,123	91,672	117,180
Profit before taxation	35,139	67,050	64,950
Profit for the year	31,264	55,337	50,112
Total comprehensive income for the year	29,550	52,105	56,653

For analysis regarding the Group’s result of operations during the Track Record Period, please refer to the section headed “Financial Information — Principal Components of Results of Operations” in this listing document.

Summary of consolidated statements of financial position information

	THE GROUP		
	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	29,656	26,788	178,867
Current assets	137,803	383,997	204,251
Total assets	167,459	410,785	383,118
Current liabilities	(119,076)	(259,273)	(178,143)
Non-current liabilities	(25,064)	(76,088)	(76,283)
Total liabilities	(144,140)	(335,361)	(254,426)
Net current assets	18,727	124,724	26,108
Capital and reserves	23,319	75,424	128,692

For analysis regarding the Group’s financial position as at each of the year ended of the Track Record Period, please refer to the section headed “Financial Information — Analysis of Selected Consolidated Statements of Financial Position Items” in this listing document.

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Summary of consolidated statements of cash flows information

	For the year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	65,666	114,696	5,295
Net cash (used in) from investing activities	(3,945)	(233,527)	226,740
Net cash (used in) from financing activities	(48,368)	118,198	(238,643)
Net increase (decrease) in cash and cash equivalents	13,353	(633)	(6,608)
Cash and cash equivalents at the beginning of the year	34,543	47,814	47,055
Effect of foreign exchange rate changes	(82)	(126)	199
Cash and cash equivalents at the end of the year, representing bank balances and cash	47,814	47,055	40,646

For analysis regarding the Group’s cash flows during the Track Record Period, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash Flows” in this listing document.

Key Financial Ratios

	Year ended 31 March		
	2016	2017	2018
Return on total assets	18.7%	13.5%	13.1%
Return on equity	134.1%	73.4%	38.9%
Net profit margin	8.5%	11.0%	11.9%
Interest coverage	20.4 times	65.1 times	25.5 times

	As at 31 March		
	2016	2017	2018
Current ratio	1.2 times	1.5 times	1.1 times
Gearing ratio	143.6%	168.4%	60.2%
Net debt to equity ratio	N/A	106.0%	28.6%
	(no net debts)		

For analysis of the Group’s key financial ratios during the Track Record Period and their respective basis of calculation, please refer to the section headed “Financial Information — Key Financial Ratios” in this listing document.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following sets forth the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Listing on the audited consolidated net tangible assets of the Group as at 31 March 2018, as if the Listing had taken place on that day:

		Pro forma adjustment		
	Audited consolidated net tangible assets of the Group as at 31 March 2018	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on [REDACTED] Shares issued prior to the Listing	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

For further details (including details of the basis of preparation) of the Groups’ unaudited pro forma statement of adjusted consolidated net tangible assets, please refer to the unaudited pro forma financial information as set out in Appendix II to this listing document.

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group has identified certain incidents of non-compliance with relevant laws and regulations in Hong Kong and the PRC. These incidents include: (i) breach of certain health and safety related laws and regulations in Hong Kong; (ii) defective title in respect of a structure primarily used for packaging and storage at the Group’s fabrication plant in Huizhou, the PRC; and (iii) failure to make full contributions to social insurance and housing provident fund in the PRC in accordance with the relevant regulatory requirements. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on the Group’s financial condition and operations. Please refer to the sub-sections headed “Business – Compliance with laws and regulations – Historical non-compliances” of this listing document for further details of these non-compliance incidents.

RECENT DEVELOPMENTS

The business model of the Group has remained unchanged and the revenue and cost structure (save for the decrease of gross profit margin and increase in effective taxation rate as further explained below in this paragraph) has remained stable since 31 March 2018. There was a drop in the gross profit margin of the Group during the four months ended 31 July 2018 as compared to that for the year ended 31 March 2018 because of substantial work of a project with a high gross profit margin having been carried out during the year ended 31 March 2018 with minimal work for such project being carried out for the four months ended 31 July 2018. For the four months ended 31 July 2018, a substantial amount of listing expenses were recorded. As the listing expenses are not deductible for tax purpose, the effective tax rate of the Group increased for the four months ended 31 July 2018. As at the Latest Practicable Date, the Group had 31 Design, Supply and Installation Projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced, with an aggregate outstanding contract sum of approximately HK\$751.5 million.

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LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$[REDACTED]. During the Track Record Period, the Group incurred listing expenses of approximately HK\$[REDACTED] which was wholly recognised in the consolidated statements of profit or loss for the year ended 31 March 2018. It is expected that the remaining balance of expense in relation to the Listing will be recognised in the consolidated statements of profit or loss for the year ending 31 March 2019. The listing expenses are estimates only and subject to adjustment based on audit and the actual amount incurred or to be incurred. The listing expenses are non-recurring in nature. In view of this, Shareholders and prospective investors should note that the financial results and the net profit of the Group for the year ending 31 March 2019 may be adversely affected by such non-recurring expenses in relation to the Listing and may not be comparable to the financial performance of the Group in the past.

DIVIDENDS

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. The Group may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as the Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of the Directors and the approval of the Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Group currently does not have a fixed dividend policy. For further details, please refer to the section headed “Financial Information – Dividends” in this listing document.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed “Recent developments” and “Listing expenses” in this section, the Directors confirm that, up to the date of this listing document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared) and there is no event since 31 March 2018 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this listing document.