
RELATIONSHIP WITH CONTROLLING SHAREHOLDER

INFORMATION ON THE CONTROLLING SHAREHOLDER

Prior to the Spin-off, the Company was an indirect wholly-owned subsidiary of Hanison, and the Group operated as part of the building materials division within the Hanison Group. As disclosed in the section headed “Information about the Spin-off and the Distribution” in this listing document, the Distribution will be satisfied by way of distribution in specie to the Distribution Qualifying Shareholders of the entire issued capital of the Company, in proportion to their respective shareholdings in Hanison, on the basis of two Shares for every five Hanison Shares held on the Record Date. As a result, immediately following the completion of the Distribution, the Company will cease to be a subsidiary of Hanison, and CCM Trust will become the Controlling Shareholder. The Group will operate independently from the Controlling Shareholder and its associates.

CCM Trust

CCM Trust is the corporate trustee of certain but not identical discretionary trusts of which members of the Cha Family are among the discretionary objects. As at the Latest Practicable Date, CCM Trust is the direct and indirect holder of [REDACTED] shares in Hanison, representing approximately [REDACTED]% of the issued shares of Hanison. Of these shares, [REDACTED] shares in Hanison (approximately [REDACTED]%) are held directly and [REDACTED] shares in Hanison (approximately [REDACTED]%) are held indirectly, via Mingly. Mingly is owned as to approximately [REDACTED]% by CCM Trust, with the remaining aggregate interests of approximately [REDACTED]% also being held by or on behalf of members of the Cha Family. Mingly was formerly listed on the Stock Exchange but was privatised in 2001. Immediately following completion of the Spin-off and assuming its shareholding in Hanison remains unchanged on the Record Date and that the number of Hanison Shares in issue remains consistent, CCM Trust will hold approximately [REDACTED]% of the Company, represented by a direct holding of approximately [REDACTED]% and an indirect holding, via Mingly, of approximately [REDACTED]%. As at the Latest Practicable Date, CCM Trust also directly and indirectly holds 560,153,905 shares in HKRI, representing approximately 41.48% of the issued share capital of HKRI. HKRI is listed on the Stock Exchange (Stock Code: 480) and has diversified interests in real estate development and investment, property management, luxury hotels and serviced apartments, healthcare services and other investments in Hong Kong, China and Asia. Each of Hanison and HKRI is a close associate of CCM Trust for the purpose of the Listing Rules.

Immediately following completion of the Spin-off, CCM Trust will control more than 30% of the issued share capital of the Company upon Listing, and it will be the Controlling Shareholder within the meaning of the Listing Rules. Additionally, members of the Cha Family, collectively, are interested in more than [REDACTED]% of the issued share capital of the Company upon Listing. The interests of Mr. Cha Mou Sing, Payson, the Chairman of the Company, are discussed in the section headed “General Information — C. Further Information about the Directors and Substantial Shareholders — 1. Disclosure of Directors’ Interests” in Appendix V to this listing document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER AND THE REMAINING GROUP

The Directors do not expect that there will be any significant transactions between the Group and the Controlling Shareholder or its close associates (including HKRI and Hanison) upon or shortly after completion of the Spin-off other than the transactions as disclosed in the section headed “Continuing Connected Transactions” in this listing document. Taking into account the factors discussed in the paragraphs below, the Directors are satisfied that the Group will be able to conduct its business operationally and financially independent of the Controlling Shareholder and the Remaining Group.

Clear delineation of business

HKRI is an investment holding company incorporated in the Cayman Islands, the issued shares of which are listed on the Stock Exchange. HKRI and its subsidiaries are principally engaged in property development, property investment, property management and related services, hospitality and healthcare services. There is no overlap between the products and services offered by HKRI and the Group.

Following the completion of the Spin-off, the Group will principally be engaging in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, whilst the Remaining Group will be carrying out the businesses of (i) construction; (ii) interior and renovation works; (iii) supply and installation of limited other building materials (being unrelated to the business of the Group, namely, the supply and installation of interior products such as ceiling and flooring products through the Trigon Companies); (iv) property investment; (v) property development; (vi) provision of property agency and management services; and (vii) sale of health products.

Following completion of the Spin-off, the remaining entities comprising the building materials division within the Remaining Group will be the Trigon Companies which specialise in the supply and installation of interior products such as different types of suspended ceiling systems, metal cladding systems, demountable partition systems, fire related protection systems, decorative moulding, raised flooring and wood flooring. There is no overlap between the products offered by the Trigon Companies and the Group.

Given the different product offerings and services provided by the Group and the Remaining Group, the Directors are of the view that there is clear delineation between the businesses of the Remaining Group and the Group, and as a result, none of the business of the Remaining Group would compete or is expected to compete, directly or indirectly, with the businesses of the Group.

Save as disclosed herein, neither the Controlling Shareholder nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Management independence

Upon completion of the Spin-off, the Group and the Remaining Group will have boards of directors that function independently of each other. The table below sets forth the directorship of the Group and the Remaining Group upon Listing:

Name	Position in the Company	Position in Hanison
Mr. Cha Mou Sing, Payson	Non-executive Director and Chairman	Non-executive director (Chairman)
Mr. Cha Mou Daid, Johnson	None	Non-executive director
Mr. Wong Sue Toa, Stewart	Non-executive Director and Deputy Chairman	Executive director (Managing Director)
Mr. Tai Sai Ho	Non-executive Director	Executive director (General Manager)
Mr. Lo Kai Cheong	None	Executive director
Mr. Chuk Kin Lun	Executive Director (Joint Managing Director)	None
Mr. Lee Cheuk Hung	Executive Director (Joint Managing Director)	None
Mr. Chan Pak Joe	None	Independent non-executive director
Dr. Lau Tze Yiu, Peter	None	Independent non-executive director
Dr. Sun Tai Lun	None	Independent non-executive director
Mr. Yip Kai Yung	Independent non-executive director	None
Professor Ho Richard Yan Ki	Independent non-executive director	None
Mr. Poon Kan Young	Independent non-executive director	None

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Other than Mr. Cha Mou Sing, Payson, who is also an executive director and chairman of HKRI, there are no overlapping directorships between the boards of HKRI and the Company. Following completion of the Spin-off, Mr. Cha Mou Sing, Payson, will not have any executive role in the Group.

Further, the Directors consider that the Group will be able to operate independently of the Remaining Group following completion of the Spin-off because:

- (i) although Mr. Cha Mou Sing, Payson, the non-executive chairman of Hanison, Mr. Wong Sue Toa, Stewart and Mr. Tai Sai Ho, both being executive directors of Hanison, will also hold directorships in the Company, they will not be involved in the day-to-day operations of the Group, and will not have any executive roles in the Group;
- (ii) the management and day-to-day operations of the Group are managed by Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, being the executive Directors and Joint Managing Directors of the Company. Both of them will not have any roles in the Remaining Group following completion of the Spin-off;
- (iii) all three independent non-executive Directors do not, and will not, have any ongoing role with the Remaining Group and accordingly, the independent non-executive Directors can exercise independent judgment free from any conflict of interest;
- (iv) all the members of the senior management of the Group are full-time employees of the Group and have assumed senior management responsibilities for the Group’s business. Their management and supervisory functions have and will ensure that the Group’s management and daily operations are independent of the Remaining Group;
- (v) each of the Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interest of the Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (vi) continuing connected transactions between the Group (on the one hand) and the Remaining Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing continuing connected transactions. For details of these continuing connected transactions, see “Continuing Connected Transactions”; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

- (vii) the Company has adopted a number of corporate governance measures in order to manage any potential conflict of interests which may arise between the Group (on the one hand) and the Remaining Group (on the other hand) as a result of overlapping directors as well as to safeguard the interests of the independent Shareholders, the details of which are set out in “Corporate Governance Measures” below.

Operational independence

The core businesses of the Group and the Remaining Group are, by the nature of their products and services, separate and distinct businesses which have been, and are, independently operated. Except for certain common directors who have no executive roles in the Group and will not be involved in the day-to-day operations of the Group, Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, the executive Directors and Joint Managing Directors, have been mainly responsible for the day-to-day operation and management of the Group with the support of a senior management team that is separate from the Remaining Group during the Track Record Period, and the projects of the Remaining Group and the Group are sourced independently from each other. The Group has its own design team and project management team which operate independently from the Remaining Group, and operates its own plant for the fabrication of its products. The Group holds all the material licences necessary to carry on its businesses and has sufficient operational capacity in terms of capital and employees to operate independently from the Remaining Group.

Financial independence

During the Track Record Period, the Group had access to banking facilities granted by various banks and a surety bond facility granted by an insurance company in an aggregate amount of HK\$1,990 million as at 31 March 2018. These banking facilities and the surety facility are shared with other subsidiaries of the Remaining Group. As at the Latest Practicable Date, the Group is arranging its own banking facilities for an aggregate amount of HK\$220 million with three banks in Hong Kong, which, based on term sheets received, are expected to be facilitated before and available upon the Listing. During the Track Record Period, there were no cross-guarantees between the Group and the Remaining Group save as regards the facility for the provision of performance bonds and the like, made available to members of the Remaining Group and Million Hope Industries (HK) by an insurance company. The facility, to a limit of HK\$500 million, has been guaranteed by Million Hope Industries (HK) as one of six joint and several guarantors (the others being members of the Remaining Group). In fact, the facility has never been utilised by the Group and, as at the Latest Practicable Date, has been drawn upon by the Remaining Group to provide bonds in the aggregate amount of approximately HK\$57.3 million. Million Hope Industries (HK) has approached the insurance company for its consent to remove it as party to the facility and release it from all liability under the guarantee. The Company recognises that this step must be achieved prior to the Listing. With its complete separation from the Remaining Group, the Group will not have access to the Remaining Group’s facilities after completion of the Spin-off, and the Group will make its financial decisions independently based on its own financing needs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group.

Based on the above, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

Administrative independence

During the Track Record Period, certain administrative functions of the Group and the Remaining Group, including accounting and finance, legal, human resource, and information technology functions, were shared between the Group and the Remaining Group. As at the Latest Practicable Date, all essential administration functions of the Group (including accounting and finance, legal, human resource and information technology functions) are being carried out independently by the Group without the support of the Remaining Group.

During the Track Record Period, the Group and the Remaining Group shared certain office premises which are owned by the Remaining Group. The Remaining Group charged rent for the use of such premises by the Group. As part of the Reorganisation, the Remaining Group has injected a property into the Group for use as its own office premises. As at the Latest Practicable Date, the Group owns the offices used as its office space.

Accordingly, the Directors are of the view that the Group will be administratively independent of the Remaining Group upon completion of the Spin-off.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

NON-COMPETITION UNDERTAKINGS

In order to avoid the prospect of future competition between the Group and the Controlling Shareholder, the Controlling Shareholder (the “**Covenantor**”) entered into a deed of non-competition in favour of the Company on [•] (the “**Deed of Non-competition**”).

Pursuant to the Deed of Non-competition, the Covenantor has irrevocably and unconditionally undertaken to the Company that, during the period that the Deed of Non-competition remains effective, that it shall not, and shall procure its close associates not to:

- (i) directly or indirectly whether as principal or agent or through any person, firm or company carry on, participate or be interested or engaged in any business in any form or manner that is, directly or indirectly, in competition with the business of designing, supplying and installing aluminium windows, doors and curtain walls in the PRC or Hong Kong;
- (ii) directly or indirectly interfere with or entice away from any member of the Group, and person, firm or company who, to the Covenantor’s knowledge is or has been or will after the date of the deed be, a customer, supplier or management, technical staff or employee (of management grade or above) of any member of the Group, in any case for a purpose relating to the business of designing, supplying and installing aluminium windows, doors and curtain walls;
- (iii) engage in any transaction, trade or business activity with any person, organisation or company where it would utilise any name or trademark of the Group; or
- (iv) disclose any confidential information relating to the Group with the purpose of enabling any third party to compete with the Group’s business.

Such activities are defined as “**Restricted Activities**”, and the prohibition would extend to HKRI and its subsidiaries and Hanison and its subsidiaries being, as they are, close associates of CCM Trust.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

The undertakings contained in the Deed of Non-competition are subject to certain exceptions:

- (a) the Covenantor and/or its close associates are entitled to invest, participate and be engaged in any Restricted Activity (as described at (i) above) which has first been offered or made available to the Company; provided always that:
 - (i) information about the principal terms thereof has been disclosed to the Company and the Company has, after review and based on the opinion of the independent non-executive directors, confirmed that it does not wish to be involved or engaged or to participate in the relevant Restricted Activity; and
 - (ii) the principal terms on which the Covenantor (and/or its close associates) invest, participate or engage in the Restricted Activity are substantially the same as or not more favourable than those disclosed to the Company; and

provided further that should the terms offered to the Covenantor change to a material degree, the revised terms shall be re-offered to the Company as a new opportunity; and

- (b) exempted from the undertakings are the holding of, or interests in shares or securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares or securities, they are listed on a stock exchange and either:
 - (i) the relevant Restricted Activity and assets relating thereto account for less than 10% of the relevant company's consolidated turnover and consolidated assets, respectively; or
 - (ii) the total number of the shares or securities held by the Covenantor and/or its close associates (as the case maybe) or in which they are together interested does not amount to more than 10% of the issued shares of the company in question.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

The Covenantor has, in the context of enabling the Company to monitor observance of the terms of the Deed of Non-competition, irrevocably undertaken that it:

- (a) will provide all information reasonably necessary for the review by the independent non-executive Directors to monitor adherence to and enforcement of the undertakings.
- (b) will if required or requested by the Company, make annual declarations on adherence to and enforcement of the undertakings;
- (c) will address any enquires of relevant regulatory bodies concerning the Deed of Non-competition; and
- (d) will provide all relevant information and reasonable assistance to the Company to disclose the decisions on matters reviewed by the independent non-executive Directors (including any decision to pursue or decline any business opportunity referred to the Company).

The undertakings contained in the Deed of Non-competition are conditional upon, among other things, the Stock Exchange's approval for the listing of and permission to deal in the Shares on the Stock Exchange. If any such condition is not fulfilled, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

As the Covenantor has given non-competition undertakings in favour of the Company, and other than members of the Group, the Covenantor having no other interests in other businesses that compete or are likely to compete with the business of the Group, the Directors believe that the Group is capable of carrying on its business independently of the Covenantor following the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

[REDACTED]

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

CORPORATE GOVERNANCE MEASURES

Notwithstanding the limited extent of potential competition (if any) that may arise between the Group and the Remaining Group or the Controlling Shareholder, the Directors recognise the importance of good corporate governance for the protection of the interests of the Shareholders. The Company will adopt the following measures to manage the potential conflicts of interest between the Group and the Remaining Group or the Controlling Shareholder and to safeguard the interests of the Shareholders:

- (a) in the event that any Director has an interest in the relevant matter and there is a conflict of interest in the operations of the Group and the Remaining Group and its associates, and in respect of any proposed contracts or arrangements between the Group and the Remaining Group and any of its associates, Directors who are considered to be interested in a particular matter or the subject matter shall disclose his/her interests to the Board;
- (b) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholder;
- (c) the appointment of VMS Securities Limited as the compliance adviser to advise the Company on the compliance matters in respect of the Listing Rules;
- (d) the Directors, may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of the Company;
- (e) the Controlling Shareholder undertakes to provide all information reasonably necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (f) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Controlling Shareholder in the annual reports of the Company; and
- (g) the Controlling Shareholder will make annual declarations on compliance with the Deed of Non-competition if required or requested by the Company.

Further, the Company is expected to comply with the Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the Shareholders. The Company will state in its interim and annual reports whether it has complied with the Appendix 14 of the Listing Rules, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in the Company's annual report.