

INDUSTRY OVERVIEW

The Company has extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. The Company believes that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. The Company has no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by the Company, the Sponsor, any of its or their respective affiliates, directors or advisers or any other persons or parties involved in the Spin-off other than Ipsos with respect to the information contained in the Ipsos Report, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

The Company has commissioned Ipsos to conduct an analysis of, and to report on the facade and curtain wall works industry in Hong Kong at a fee of HK\$418,000 and the Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research Methodology

The information in the Ipsos Report are derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Assumptions and Parameters used in the Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- It is assumed that the global economy remains in steady growth across the period from 2018 to 2022;
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the facade and curtain wall works in Hong Kong and China from 2018 to 2022.

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The following parameters are used in the market sizing and forecasting model in the Ipsos Report:

- GDP and GDP growth rate in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022.
- Gross output value of construction works performed at construction sites in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022.
- Historical price trend of aluminium from 2013 to 2017 in Hong Kong and China.
- Historical price trend of steel from 2013 to 2017 in Hong Kong and China.
- Historical price trend of glass from 2013 to 2017 in Hong Kong and China.
- Historical average daily wage of direct labour related to facade and curtain wall works industry in Hong Kong from 2013 to 2017.
- Historical average wage of employed persons in the construction industry in China from 2013 to 2016.

The Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

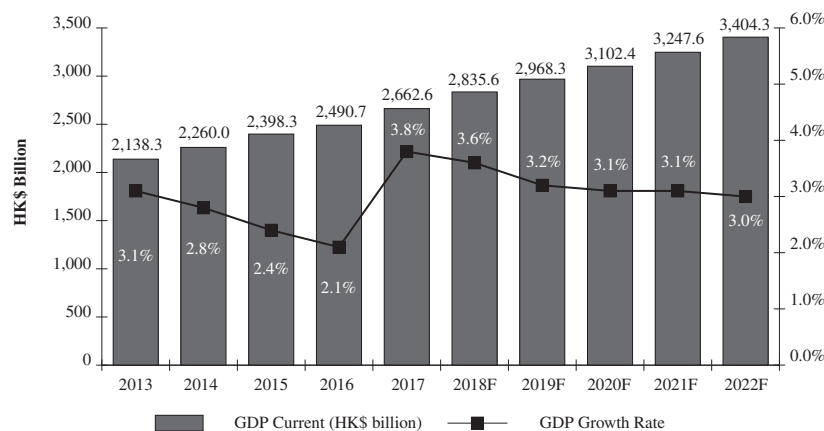
Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

The GDP¹ value of Hong Kong increased from approximately HK\$2,138.3 billion to approximately HK\$2,662.6 billion from 2013 to 2017, at a CAGR of approximately 5.6%. The increase was mainly attributable to the Hong Kong Government’s intensive infrastructure investments, as well as the prudent development of finance, tourism and real estate sectors.

From 2018 to 2022, it is projected that the GDP value in Hong Kong will grow from approximately HK\$2,835.6 billion to approximately HK\$3,404.3 billion, at a CAGR of approximately 4.7%, taking into account the potential growth in capital investment from China as well as the infrastructure development resulting from the completion of Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

GDP Growth in Hong Kong from 2013 to 2022F²



Notes:

- 1 GDP refers to Gross Domestic Products, current prices; GDP growth rate is calculated in constant prices.
- 2 F denotes forecast.

Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

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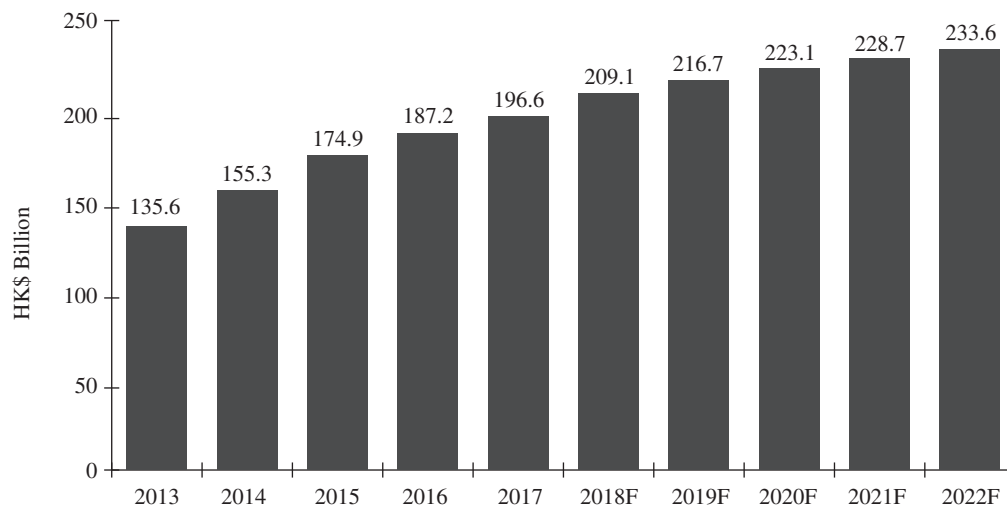
CONSTRUCTION INDUSTRY IN HONG KONG

The total gross output value of construction works performed at construction sites in Hong Kong increased from HK\$135.6 billion in 2013 to HK\$196.6 billion in 2017, at a CAGR of approximately 9.7%. The growth was due to the rising demand of commercial and residential buildings, renovation and revitalization of industrial buildings and large-scale public infrastructure projects.

It is expected that the gross output value of work performed at construction sites in Hong Kong will rise from HK\$209.1 billion in 2018 to HK\$233.6 billion in 2022 at a CAGR of approximately 2.8%. The growth is expected to be continuously driven by the Hong Kong Government’s initiatives to increase the public housing supply, land supply for private housing and commercial buildings as well as the commencing and upcoming infrastructure projects.

The exhibit below sets forth the gross output value of construction works performed at construction sites in Hong Kong.

Gross Output Value of Construction Works Performed at Construction Sites in Hong Kong from 2013 to 2022F



Sources: Census and Statistics Department, HKSAR Construction Industry Council, HKSAR; Ipsos research and analysis

THE FACADE AND CURTAIN WALL WORKS INDUSTRY

Facade is generally referring to the exterior surface of the building. The external surface of a building can be made up of different materials, such as glass, granite and other cladding materials, or a combination of different materials. Depending on the requirements and complexity, the scope of a typical facade and curtain wall work project may include but not limited to the design, supply and installation of curtain wall, window wall, aluminium window, sliding door, cladding, skylight, balustrade, grille, canopy, and louvre.

THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

In a typical new building project, facade and curtain walls works are considered part of the building construction works. To carry out the building construction works, the developer

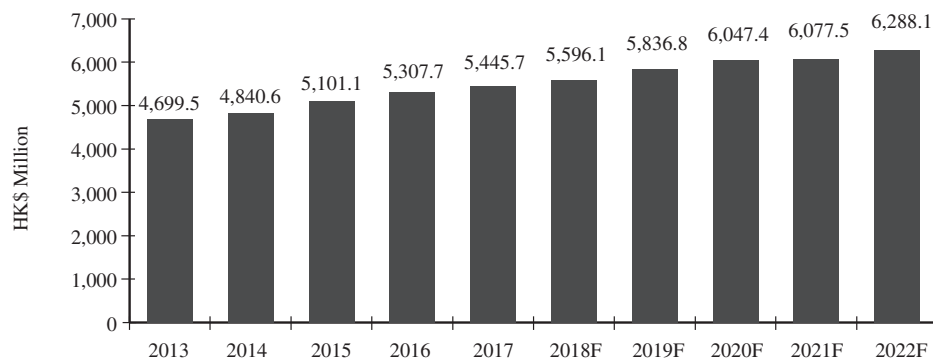
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or the government will choose a main contractor to be responsible for the project management and the on-site construction. After a main contractor is selected, it will further tender different subcontractors in accordance with their expertise, such as foundation, site formation and building construction works including facade and curtain wall works. In this case, facade and curtain wall works contractors are engaged by the main contractor in the construction project and are considered as domestic subcontractor. However, there are cases in which facade and curtain wall works contractors are nominated by the ultimate developers of a construction project and become nominated subcontractor. Both of the domestic subcontractors and nominated subcontractors will sign contracts with the main contractor.

For maintenance projects, developers or shop retailers follow the same process flow as in a new building project. They will firstly engage main contractors by tendering, and the selected main contractor may further choose facade and curtain wall works subcontractors for the facade and curtain wall renovation works.

The exhibit below sets forth the gross output value of the facade and curtain wall works industry in Hong Kong.

**Gross Output Value of the Facade and Curtain Wall Works Industry
in Hong Kong from 2013 to 2022F**



Source: Ipsos research and analysis

The gross output value of the facade and curtain wall works industry increased from HK\$4,699.5 million in 2013 to HK\$5,445.7 million in 2017, at a CAGR of approximately 3.8%. The growth is attributed to the rising demand from infrastructure projects. The increasing number of infrastructure projects which require facade and curtain wall works have generated demand for the industry, for example, the facade and curtain wall works in Kai Tak Cruise Terminal as part of its exterior envelope under the “Energising Kowloon East” program, and the construction of museums and theatres which require facade and curtain wall works under the development plan of Kowloon West Cultural district. Furthermore, the government increases land supply by converting governmental property into land for private residential and commercial uses.

The gross output value of the industry is expected to continue with the upward trend from HK\$5,596.1 million in 2018 to HK\$6,288.1 million in 2022, at a CAGR of approximately 3.0%. Such growth could be driven by the increase of land supply for public and private residential buildings under the development plan for North East New Territories New Development Areas and the conversion of government properties into commercial use. The

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continuous development of the New Territories is likely to bring business opportunities to the facade and curtain wall works industry in Hong Kong.

Key Costs in Facade and Curtain Wall Works Industry in Hong Kong

	2013	2014	2015	2016	2017	CAGR 13-17
Aluminium ^{Note 1}						
(HK\$ per tonne)	16,273.6	16,461.7	14,479.5	13,755.1	13,985.1	-3.7%
Steel ^{Note 2}						
(HK\$ per tonne)	10,277.7	10,592.9	10,360.9	10,162.4	12,192.1	4.4%
Glass ^{Note 3}						
(HK\$ per meter square)	151.0	153.4	157.0	157.0	157.0	1.0%
Average Wage of Direct Labours						
(HK\$ per day per worker)	1,140.7	1,298.5	1,356.5	1,429.6	1,442.6	6.0%

Notes:

1. Aluminium above refers to the aluminium alloy imported to Hong Kong.
2. Prices of steel above involved calculations of the average wholesale prices of (i) steel plates; (ii) steel angles, and (iii) steel flats.
3. Glass above refers to sheet glass, 5mm thick.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Aluminium

The price of aluminium slightly decreased from HK\$16,273.6 per tonne in 2013 to HK\$13,985.1 per tonne in 2017, decreasing at a negative CAGR of approximately 3.7%. The decrease in Hong Kong aluminium price was primarily due to a drop in demand. Aluminium imported in Hong Kong decreased from 14,612.3 tonnes in 2013 to 6,662.8 tonnes imported in 2017, representing at a negative CAGR of approximately 17.8%. Despite the unstable demand of aluminium in other sectors, demand for aluminium in fabrication of aluminium windows, curtain walls, roofing and external claddings remain solid during 2013 and 2017.

Steel

The price of steel fluctuated with an overall increase from HK\$10,277.7 per tonne in 2013 to HK\$12,192.1 per tonne in 2017, rising at a CAGR of approximately 4.4%. The decreased price during 2014 and 2016 was mainly caused by the increase in production volume of steel in China. According to National Bureau of Statistics of the PRC, the production volume of steel in China increased from 1,125.1 million tonnes in 2014 to 1,134.6 million tonnes in 2016, rising at a CAGR of approximately 0.4%. The over-production of steel led to an excess supply domestically and resulted in the decrease in price. The price of steel rebounded to HK\$12,192.1 per tonne in 2017 from HK\$10,162.4 per tonne in 2016, representing an approximately 20.0% increase. The increase is mainly attributed to the issuance of China industrial overcapacity cutback policies in capping the excessive production.

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Glass

The price of glass slightly increased from HK\$151.0 per m² in 2013 to HK\$157.0 per m² in 2017, with a CAGR of approximately 1.0%. The price is largely affected by the production volume and price movement of glass in China since Hong Kong mainly imports glass from China. According to National Bureau of Statistics, the production volume of flat glass decreased from 792.9 million weight cases in 2013 to 786.5 million weight cases in 2015. The supply of glass from China decreased from 2.8 million m² in 2013 to 1.5 million m² in 2015 in Hong Kong.

Average Daily Wage of Direct Labour

The average daily wage of direct labour related to facade and curtain wall works in Hong Kong increased from HK\$1,140.7 in 2013 to HK\$1,442.6 in 2017, rising at a CAGR of approximately 6.0%. The increase in average daily wage was mainly caused by the insufficient labour supply to the facade and curtain wall works industry in Hong Kong.

COMPETITIVE LANDSCAPE OF THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

The facade and curtain wall works industry 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. The top five players dominated the facade and curtain wall works industry, accounting for 55.0% of the market share. The remaining market players accounted for 45.0% of the market share. The Group’s revenue is approximately HK\$377.1 million for the year ended March 2018, accounting for 6.9% market share of the facade and curtain wall works industry in Hong Kong in 2017.

Rank	Company	Headquarter Location	Estimated Revenue in 2017 (HK\$ Million)	Share of Total Industry Revenue (%)
1	A	Hong Kong	985.3	18.1%
2	B	Italy	579.1	10.6%
3	C	China	552.0	10.1%
4	D	Malaysia	458.8	8.4%
5	E	Hong Kong	420.7	7.7%
	Others		2,449.7	45.0%
	Total		5,445.7	100%

Source: Ipsos research and analysis

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MARKET DRIVERS AND OPPORTUNITIES IN HONG KONG

The demand for facade and curtain wall works is driven by construction of residential, office and commercial buildings. The production of residential buildings has been a major driver of facade and curtain wall works and the number grew from 8,254 new units in 2013 to 17,791 new units in 2017. Another driver for the facade and curtain wall works industry is office building where the government puts effort in developing areas like Kowloon East as new business areas. Between 2013 and 2017, 391,900 m² of new commercial floor space was constructed.

Major opportunities in the facade and curtain wall works industry are driven by the Hong Kong Government’s investments on infrastructure. For instance, the Kai Tak area development including construction works of cruise terminal, hotels, housing, as well as other commercial and entertainment may require substantial facade and curtain wall works. Additionally, the Government has taken effort in promoting energy efficient buildings. Since that curtain wall systems, especially with the adoption of low-emissivity glass, can reduce heat loss and air leakage to achieve energy efficiency, demand for facade and curtain wall works may increase.

THREATS AND CHALLENGES IN HONG KONG

The facade and curtain wall works contractors have been facing increasing construction costs. The increase in construction costs is attributed to the increasing wage trend of construction workers due to the labour shortage. The average daily wage of direct labours in facade and curtain wall works industry in Hong Kong increased from approximately HK\$1,140.7 in 2013 to approximately HK\$1,442.6 in 2017, at a CAGR of approximately 6.0%.

Another threat is the aging workforce. As at March 2018, 43.1% of the registered 466,737 construction workers with the Construction Industry Council were over the age of 50. Moreover, young people are less willing to enter the construction industry which has worsened the labour shortage issue.

ENTRY BARRIERS IN HONG KONG

Capital requirement for subcontractors within the facade and curtain wall works industry remains significant as it is a general phenomenon to incur significant upfront costs for new projects such as material costs, subcontracting and other charges and/or insurance expenses in advance of receiving progress payments from their customers, on top of the fact that the subcontractors also need to continuously finance their existing projects.

Proven track record is another entry barrier for new entrants in the industry. When selecting a facade and curtain wall works contractor, developers or main contractors will consider track record and reputation of the facade and curtain wall works contractors in terms of quality of works, design capability, and project management. New entrants to the industry may find difficulties obtaining projects because they have limited past project experience to showcase their capabilities.

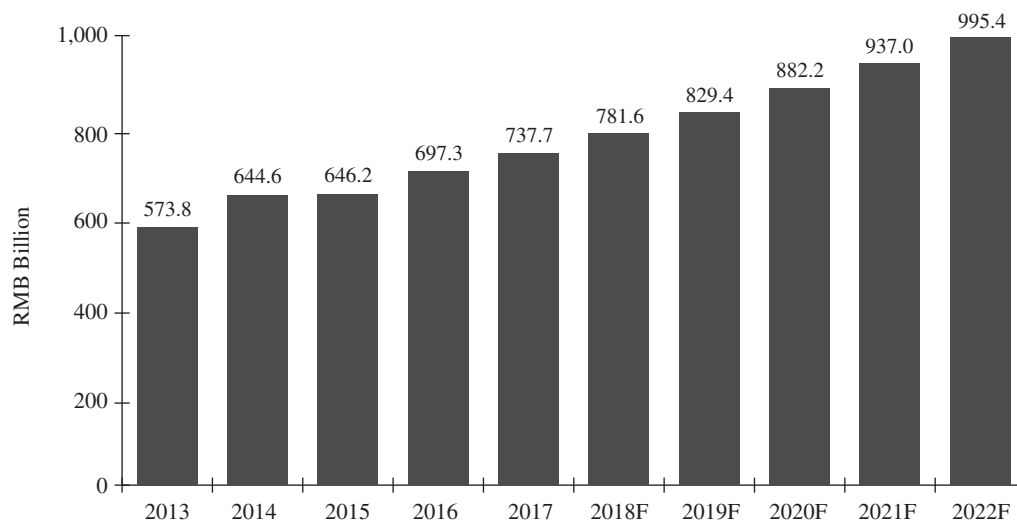
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THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN CHINA

Facade and curtain wall systems are widely adopted in new building construction works for public infrastructures, commercial buildings, hotels, shopping malls and high-rise residential buildings in China. Real estate developers, the Government of China and their appointed main contractors will be the major customers in the facade and curtain wall works segment.

The exhibit below sets forth the gross output value of the facade and curtain wall works industry in China.

Gross Output Value of the Facade and Curtain Wall Works Industry in China from 2013 to 2022F



Source: Ipsos research and analysis

The gross output value of the facade and curtain wall works industry increased from RMB573.8 billion in 2013 to RMB737.7 billion in 2017, rising at a CAGR of approximately 6.5%. According to the National Bureau of Statistics, total floor space completed including commercial and residential buildings witnessed an overall growth at a CAGR of approximately 1.9% from 2013 to 2017. Increasing number of commercial as well as residential buildings built which require facade and curtain wall works have generated demand for the industry.

The gross output value of the industry is expected to continue its rising trend from RMB781.6 billion in 2018 to RMB995.4 billion in 2022, at a CAGR of approximately 6.2%. The expected growth of the revenue from 2018 to 2022 can be contributed to the Government of China’s initiative in promoting green buildings. The 13th Five Year Plan for the construction industry has set forth several energy efficiency standards. In particular, green buildings are expected to account for 50% of the newly built buildings by 2020. The application of curtain wall systems in buildings is expected to grow in accordance with the PRC Governments’ goal of promoting green buildings, since that the use of curtain wall systems, especially with the adoption of low-emissivity glass, can reduce heat loss and air leakage to achieve energy efficiency.

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Key costs in Facade and Curtain Wall Works Industry in China

	2013	2014	2015	2016	2017	CAGR 13-17
Aluminium ¹ (RMB per tonne)	14,136.3	13,483.4	12,043.0	12,637.1	14,489.5	0.6%
Steel ² (US\$ per tonne)	616.5	571.5	407.2	418.2	535.9	-3.4%
Glass ³ (RMB per tonne)	1,501.2	1,266.8	1,164.0	1,319.0	1,598.4	1.6%
Average wage of employed persons in the construction industry ⁴ (RMB per person)	39,434.4	42,870.0	45,771.6	48,660.4	N/A	(CAGR 2013-2016) 7.3%

Notes:

- 1 Aluminium above refers to the aluminium ingot.
- 2 Prices of steel above involved calculations of the average prices of reinforcement bar; steel profile, steel wire rods, structural steel, steel plates, hot rolled steel, cold rolled steel and galvanized steel.
- 3 Glass above refers to sheet glass, 4.8-5mm.
- 4 2017 data will be available in 2019

Sources: Chinese Iron and Steel Association, PRC; National Bureau of Statistics, PRC; Ipsos research and analysis

Aluminium

The decrease in aluminium price from RMB14,136.3 per tonne in 2013 to RMB12,043.0 per tonne in 2015 can be explained by the increase in production volume of aluminium due to the urbanisation and industrialisation in China. Positive business outlook has drawn a large amount of capital investment on industrial segments, which boost the production volume of aluminium. The average price of aluminium increased from RMB12,043.0 per tonne in 2015 to RMB14,489.5 per tonne in 2017. The increase can be attributed to the increasing demand for aluminium from emerging industries such as aerospace and integrated circuit industries during the period.

Steel

The price of steel decreased from US\$616.5 per tonne in 2013 to US\$407.2 per tonne in 2015. The drop in steel price was attributed to the decreasing demand in the market caused by the moderate economic slowdown in China. The average price of steel increased from US\$407.2 per tonne in 2015 to US\$535.9 per tonne in 2017 due to the decrease in production volume of steel in China led by the PRC Government's initiative in eliminating outdated production capacity.

Glass

The price of glass decreased from RMB1,501.2 per tonne in 2013 to RMB1,164.0 per tonne in 2015. The decrease in price can be explained by the increase in production volume of flat glass. The average price of glass increased from RMB1,164.0 per tonne in 2015 to RMB1,598.4 per tonne in 2017 due to the increasing demand from construction, car manufacturing and home appliance industries.

Average Wage of Employed Persons

The average wage of employed persons in the construction industry in China witnessed a steady growth from RMB39,434.4 per person in 2013 to RMB48,660.4 per person in 2016, at a CAGR of approximately 7.3%. The increasing wage trend of employed persons in the construction industry was a result of the increasing demand for more construction workers and limited supply of construction workers in China.

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COMPETITIVE LANDSCAPE OF THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN CHINA

The facade and curtain wall works industry is considered fragmented with no dominant player holding a significant market share. In 2017, the gross output value of the facade and curtain wall works industry in China was RMB737.7 billion. The Group is one of the players in the facade and curtain wall works industry in China. The Group’s revenue from China is approximately HK\$44.1 million (ie. exchange rate as of 31 March 2018 HK\$: 0.79932 RMB) for the year end March 2018, accounted for 0.01% market share of the facade and curtain wall works industry in 2017.

MARKET DRIVERS AND OPPORTUNITIES IN CHINA

The expansion of property market in China continues to drive the growth of the facade and curtain wall industry in China. Urbanisation of first and second tier cities have created a strong demand in constructions of new residential, commercial buildings and public infrastructures where they are the major sources with the employment of facade and curtain wall systems. According to National Bureau of Statistics, newly completed residential and commercial buildings in China increased from 3,892.4 million m² in 2013 to 4,190.7 million m² in 2017, growing at a CAGR of approximately 1.9%. Increase completion of residential and commercial buildings support the growth of facade and curtain wall industry in China.

In the future, such urbanisation progress is expected to continuously drive the demand for commercial buildings, residential buildings, infrastructures such as museums, libraries, stadium and hospitals. Hence, the ongoing urbanisation is expected to drive demand for building construction works, which in turn is expected to bring opportunities to the facade and curtain wall works industry since some newly constructed buildings will require facade and curtain wall installation.

THREATS AND CHALLENGES IN CHINA

The facade and curtain wall works industry is facing labour shortage in China. The industry is encountering the existing skilled labour approaching the age of retirement, while it is difficult to attract new and young entrants into the industry.

ENTRY BARRIERS IN CHINA

Contractors in China are required to obtain certain certificate of qualification for professional contracting and design of curtain wall project before undertaking any design, build or consulting works on facade and curtain wall projects. Bound by the designated grade stated on the certificate, the scale and scope of facade and curtain wall projects a contractor can take will be restricted. New entrants need to accumulate enough experience, job references and upgraded grades in licenses before they are qualified to tender for large contract value or high level of complexity projects, which form a major entry barrier in the construction industry in China.