
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai will be interested in approximately 49% and 26% of the issued share capital of our Company respectively. As Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai are together entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, they are regarded as our Controlling Shareholders under the Listing Rules.

Neither Mr. Yeung Michael Wah Keung nor Mr. Yeung Wo Fai has any interest in a business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Our Directors consider that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates for the following reasons:

MANAGEMENT INDEPENDENCE

Our Board comprises five executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Moreover, our Board comprises eight Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. This is in line with or better than current governance best practice in Hong Kong.

In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

OPERATIONAL INDEPENDENCE

Our Group has established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. Our Group has independent access to source raw materials or supplies for production. Our Group has also established various internal control procedures to facilitate the effective operation of our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

FINANCIAL INDEPENDENCE

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, several bank borrowings of our Group amounting to HK\$118,419,000, HK\$170,192,000 and HK\$105,901,000 as of 30 June 2009, 2010 and 2011, respectively, were secured by unlimited guarantees granted by Mr. Yeung Michael Wah Keung and bank borrowings of our Group amounting to HK\$12,000,000 as of 30 June 2010 were secured by a limited guarantee granted by Mr. Yeung Wo Fai up to HK\$12,000,000. As of the Latest Practicable Date, consents for the release of personal guarantees given by Mr. Yeung Michael Wah Keung upon Listing have been obtained from the relevant banks and the limited guarantee given by Mr. Yeung Wo Fai has already been released by the relevant bank.

Amounts due from our Controlling Shareholders to our Group amounted to HK\$6,147,000, HK\$Nil and HK\$Nil as of 30 June 2009, 2010 and 2011, respectively, and amounts due to our Controlling Shareholders from our Group amounted to HK\$Nil, HK\$59,192,000 and HK\$Nil as of 30 June 2009, 2010 and 2011, respectively. As of the Latest Practicable Date, the balance of any outstanding amounts due from/to any of the Controlling Shareholders and/or their respective associates has been repaid and settled in full.

On the basis above, our Directors are of the view that the financial system of our Group is independent from our Controlling Shareholders and their respective associates.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (i) we will comply with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable. We have also appointed Guangdong Securities Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (ii) we have appointed three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors have the character, integrity, independence and experience to fulfill their roles effectively. Please see "Directors and Senior Management" in this prospectus for more details of our independent non-executive Directors; and
- (iii) except for certain circumstances as disclosed in the sub-paragraph headed "Summary of constitution of the Company and the Cayman Islands Companies Law — 2. Articles of Association — (b) Directors — (vi) Disclosure of interest in contracts with the Company or any of its subsidiaries" in Appendix V to this prospectus, according to the Articles, a Controlling Shareholder, also being the Director, shall not be entitled to attend any Board meetings in relation to any resolution in respect of any contract or arrangement or any other proposal in which the Controlling Shareholder or any of his associates has any material interest (unless expressly requested to attend by a majority of the independent non-executive Directors), and he shall not be entitled to vote for the resolution (nor shall he be counted in the quorum for the resolution).