

Substantial Shareholders

At 30th September, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the above directors.

Name	Number of ordinary shares
Viet-Fortune Investment Co., Limited	105,792,570
Liao Hsiu Ko	46,197,784 ⁽¹⁾

Note:

- (1) Subsequent to the balance sheet date, Ms. Liao Hsiu Ko disposed of her entire shareholding of 46,197,784 shares in the Company.
- (2) Subsequent to the balance sheet date, TSSL acquired 53,009,652 shares in the Company, representing 15.6% of the existing issued share capital of the Company.

Conflict Of Interest And Connected Transactions

The investigation into a complaint against a former director of the Company, which alleges that the former director's personal business interest in Brilliant Footwear Company Limited ("Brilliant") conflicts with his interest in the Company is still in progress and an announcement will be made when there is any further development. In addition, certain subsidiaries of the Company had entered into transactions with Brilliant during the six months period ended 30th September, 2000. Details of these transactions, classified in general nature of the transactions were as follows:

	<i>HK\$'000</i>
Sale of raw materials	1,519
Subcontracting income for provision of poly clothing work	620
Sale of used plant, machinery and tools	489
Sale of moulds	1,118
Subcontracting income for provision of embroidery work	326
Subcontracting fee for assembling of sole unit	<u>(3,818)</u>

Audit Committee

Pursuant to the Listing Rules, an audit committee comprising two independent non-executive directors of the Company, namely, Mr. Ng Wai Hung and Mr. Wan Yim Keung, Daniel, was established on 25th November, 1999. Mr. Wan Yim Keung, Daniel resigned on 15th June, 2000 and was replaced by Mr. Lee Siu Leung on 22nd August, 2000.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the Interim Accounts.

Compliance With The Code Of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30th September, 2000 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except for the followings:

1. Independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-Laws;
2. Board meetings held on certain matters involving a potential conflict of interest for the former directors of the Company were not on every occasion, attended by full board members of the Company but by most of the executive directors and at least one non-executive director of the Company. In the opinion of the directors, this substantially meets the objective of the Code of Best Practice; and
3. Due to the substantial change in the shareholding structure and the composition of the board of directors of the Company in June and July 2000, the Company included only one independent non-executive director during the period from 19th June, 2000 to 21st August, 2000.

Purchase, Sale Or Redemption Of Shares

During the six months ended 30th September, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

On behalf of the Board

Yang Tien Shen

Chairman

28th December, 2000