

Compliance with the Code of Best Practice of the Listing Rules

Throughout the period, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of Appendix 14 "Code of Best Practice" of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

Audit committee

The Audit Committee of the Company comprises Mr. Lai Wing Leung and Mr. Lam Kwok Cheong, both of whom are independent non-executive directors of the Company. The Audit Committee meets at least twice a year with the Company's management and auditors to review the accounting principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed accounts for the six months ended 30th September 2002.

Contingent liabilities

Since the year ended 31st March 2001, an investigation has been undertaken by the PRC customs authorities on a factory plant of a subsidiary in Dongguan in relation to a suspected under-declaration of customs duty by this factory. For the period ended 30th September 2002, no amount (31/3/2002: HK\$1,000,000) has been paid to the relevant authorities as a result of this investigation. The final result of this investigation is still unknown as at the date of approval of the accounts of the Company. The directors have not made any further provision in the consolidated accounts at this stage as in their opinion, there is unlikely to be any further liability arising from this investigation which would have a material effect on the Group's financial position or results of operations.