

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group is continuing to pursue legal action in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped to North American Foreign Trading Corporation ("NAFT") in 1996. The arbitration proceedings initiated by NAFT against the Company claiming for alleged damages in New York, U.S.A. is still at an interlocutory stage. The Company has, upon legal advice, vigorously contested the alleged claims and has counterclaimed for the said sum of HK\$18 million as well as other damages in the said proceedings. Although, at this time, it is not possible to predict the outcome with reasonable certainty.

The Company also commenced legal proceedings against CNE Industrial Co. Ltd. ("CNE") in Hong Kong in 1999. On 9 December 2000, the Company obtained a Judgement in the legal action against CNE for the sum of HK\$500,000 with interest and costs, and CNE's counterclaims against the Company has been dismissed. Meanwhile, the Company has served on CNE a statutory demand to recover the said sum.