

CURRENCY EXCHANGE RISK

Principal operating activities of the Company and its subsidiaries were mainly conducted in the PRC and capital income and expenditures were mainly made in Renminbi or Hong Kong dollars. Cash balances of the Group were usually placed in the financial institutions as short-term deposits. The banking facilities of the Group were granted in Renminbi which could be repaid by income denominated in Renminbi. The only debt in foreign currency was the payment of dividends to the holders of H shares. Accordingly, the Group did not incur any risk in relation to foreign currencies.