

## ***EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES***

- The Group has exposure to foreign exchange fluctuation as a result of placing margin deposit in Japanese Yen with its two designated futures commission merchants in Japan on behalf of its clients in Hong Kong. According to the Group's hedging policy, the Group hedges at least 80% of its net foreign exposure with rolling forex (YEN/US\$) contracts traded on the Hong Kong Futures Exchange in order to reduce or limit its foreign exchange risk.
- As at 31st December 2001, the total margin deposit placed with the two designated futures commission merchants was 1.7 billion Japanese Yen, which was equivalent to approximately HK\$100.8 million. This amount was hedged with 240 rolling forex contracts, which representing 93% of the Group's net foreign exposure at 31st December 2001.