

EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

The Group's borrowings and cash and cash equivalents were primarily denominated in Hong Kong dollars, Renminbi and US dollars. The Group does not hedge against foreign exchange risk, as the managements do not expect any exchange rate fluctuation to have significant impact on the Group.

The interest rates profile of the Group's borrowings comprise a mixture of fixed and floating rates. The Group does not hedge against interest rates risk as the managements do not expect the impact of any fluctuation in interest rates to be material to the Group.

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities at 30 June 2003 and 31 December 2002.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the period under review, the Group completed its acquisition for an equity interests of 51% in Chinese 2000 for a total consideration of HK\$38,250,000 which was satisfied by the issue and allotment of 170 million ordinary shares of HK\$0.05 each of the Company.

Subsequent to 30 June 2003, the Group entered into agreements for the disposal of its entire interest in Chinese 2000. Details of the disposal were announced by the Company on 31 July 2003. This transaction was completed on 22 September 2003.