

EXCHANGE RATE EXPOSURE

The Company pays dividend or other cash distribution in Hong Kong dollars to the holders of the H Shares listed in Hong Kong in accordance with the relevant provisions regarding foreign exchange administration. Although the exchange rate of RMB is relatively stable, fluctuation in exchange rate will still affect the interest of the Company's H shareholders.

At present, there is no exchange risk to a material extent that is subsisting. As at 30th June 2002, the Group's deposits denominated in Hong Kong dollars amounted to HK\$116,322,000 which was sufficient to set off the exchange risk arising from the payment of dividend in foreign currency each year. In addition, the Company maintained tight fund management strategies. Analysis on the international capital market and the efficiency for the application of foreign exchange were compiled from time to time so as to minimize the risk arising therefrom.

