



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars and Renminbi. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review. Japanese Yen fluctuated in a greater extent. The Japanese Yen borrowings are basically offset with the Japanese Yen finance lease receivables. The Group did not feel it appropriate to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. During the period under review, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Japanese Yen and, if appropriate, will take out necessary actions to minimize the risk of exchange rates fluctuations at reasonable costs.

CONTINGENT LIABILITIES

As at 30 June 2006, the Company has already settled two outstanding litigation cases and there is only one litigation case outstanding. This litigation case was commenced by a bank against a bankrupted third party and joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining the advice from a lawyer, the directors are of the opinion that this case is remote and no provision has been made in the accounts in respect of the alleged claims.

Save as disclosed above, the Group did not have any material contingent liabilities.

EMPLOYEE OF THE GROUP

The Group has adopted competitive remuneration package for its employees according to their performance. There are also contributions to provident fund schemes, medical subsidies, study and examination leaves offered to all full-time staff.

As at 30 June 2006, the total headcount of the Group was 96.