



TELECOM- MUNICATIONS

Telecommunications business in Taiwan

KG Telecommunications Co., Ltd. ("KGT"), one of the largest cellular service providers in Taiwan, in which the Group has an equity interest of 9.87% and is treated as an associate, regained momentum in the second half of the year after reorganising its customer base and repositioning itself as being advanced in technology. Such restructuring caused a decline in the magnitude, but an improvement in the quality in terms of average rate per user, of profit contributed by KGT to the Group on a year-to-year basis. Customer incentives offered by KGT and the launching of igogo general packet radio services (GPRS) in August 2001 attract customers for its advanced data transmission capabilities. NTT DoCoMo, a strategic shareholder of KGT since February 2001, strengthens the technology base and management of KGT.



Other significant investments held

The Group held a minority equity interest in Gigamedia Limited ("Gigamedia"), a company incorporated in Singapore and whose shares are listed in NASDAQ. Gigamedia is the first and leading provider of broadband internet access services and Chinese content in Taiwan with a world-class platform capable of offering traditional dial-up services, and its acquisition is in anticipation of synergy with the services rendered by KGT. A provision of HK\$8.3 million was made by the Group for impairment in the value of these shares. A return of capital announced by Gigamedia has brought additional cash of approximately HK\$2.3 million to the Group subsequent to the year end.

The Group also invested in a 5.1% equity interest in KGEx.com Co., Ltd. ("KGEx"), a Taiwanese company engaged in the provision of data centre, internet

dial-up and broadband data value-added services in Taiwan, in which the KGT also has a 50% interest. KGEx incurred some losses for the year, and for prudence sake, a provision of HK\$2.8 million was made against this investment.

The Group has started to invest in certain Taiwanese cement trading businesses during the year. In the second half of 2001, approximately HK\$59 million was expended in the acquisition of a 19.8% equity interest in a Taiwan-incorporated cement distribution company. This company produced positive earnings for the year.

As at 31 December 2001, the Group was holding highly liquid short term investments with an aggregate market value of HK\$70.1 million, consisting of shares listed in Taiwan and Hong Kong and redeemable debentures. Gain on disposals of and unrealised holding gains on these investments for the year amounted to HK\$0.8 million and HK\$24.8 million, respectively.