

The Directors of TCC International Holdings Limited (the “Company”) are pleased to present the condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for six months ended 30 June 2002, unaudited but reviewed by the audit committee of the Company, together with appropriate comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	133,504	381,241
Cost of sales		(101,418)	(307,791)
Gross profit		32,086	73,450
Other revenue and gains		20,291	11,200
Selling and distribution expenses		(5,658)	(4,141)
General and administrative expenses		(13,098)	(19,701)
Other operating expenses		(2,719)	(2,632)
Profit from operating activities	2,3	30,902	58,176
Finance costs		(8,111)	(13,777)
Share of profits less losses of associates		26,138	30,815
Profit before tax		48,929	75,214
Tax	4		
Group		(3,111)	(4,868)
Associates		(6,112)	(5,775)
		(9,223)	(10,643)
Profit before minority interests		39,706	64,571
Minority interests		(2,635)	(377)
Net profit from ordinary activities attributable to shareholders		37,071	64,194
Dividend	5	11,731	15,775
Earnings per share	6		
— Basic		4.7 cents	8.1 cents
— Diluted		4.7 cents	8.0 cents



CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2002	2001
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Fixed assets		240,876	247,009
Goodwill		6,533	6,076
Rental deposits	7	1,948	1,948
Interests in associates		831,900	783,604
Investment securities		130,930	128,950
		<hr/> 1,212,187	<hr/> 1,167,587
CURRENT ASSETS			
Inventories		11,599	18,840
Prepayments, deposits and other receivables		19,045	10,850
Trade receivables	8	38,356	37,767
Short term investments		73,256	70,118
Time deposits		2,607	32,711
Cash and bank balances		19,310	31,391
		<hr/> 164,173	<hr/> 201,677
CURRENT LIABILITIES			
Bank loans	9	144,950	136,098
Trade payables	10	27,622	45,010
Other payables and accrued liabilities		16,877	30,723
Unclaimed dividend		745	710
Tax payable		11,249	10,343
		<hr/> 201,443	<hr/> 222,884
NET CURRENT LIABILITIES		<hr/> (37,270)	<hr/> (21,207)

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		30 June	31 December
		2002	2001
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		<u>1,174,917</u>	<u>1,146,380</u>
NON-CURRENT LIABILITIES			
		1,482	1,482
	9	<u>305,692</u>	<u>336,813</u>
		<u>307,174</u>	<u>338,295</u>
MINORITY INTERESTS			
		<u>66,321</u>	<u>63,842</u>
		<u>801,422</u>	<u>744,243</u>
CAPITAL AND RESERVES			
		78,503	78,891
		711,188	649,613
		<u>11,731</u>	<u>15,739</u>
		<u>801,422</u>	<u>744,243</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed surplus	Capital reserve	Capital redemption reserve	Goodwill	Property revaluation reserve	Exchange fluctuation reserve	Retained profits/ losses	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	79,990	1,188,222	208,263	—	980	(611,613)	14,337	(53,748)	(120,072)	31,910	738,269
Repurchases of shares	(643)	(8,507)	—	—	643	—	—	—	(643)	—	(9,150)
Exchange realignment on retranslation of:											
- overseas subsidiaries	—	—	—	—	—	—	—	(6,454)	—	—	(6,454)
- overseas associates	—	—	—	—	—	—	—	(19,923)	—	—	(19,923)
Net profit for the period	—	—	—	—	—	—	—	—	64,194	—	64,194
2000 final dividend	—	—	—	—	—	—	—	—	—	(31,816)	(31,816)
Overprovision of prior year's dividend	—	—	—	—	—	—	—	—	94	(94)	—
2001 interim dividend proposed	—	(15,869)	—	—	—	—	—	—	—	15,869	—
At 30 June 2001	79,347	1,163,846	208,263	—	1,623	(611,613)	14,337	(80,125)	(56,427)	15,869	735,120
At 1 January 2002	78,891	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	15,739	744,243
Repurchases of shares	(388)	(3,373)	—	—	388	—	—	—	(388)	—	(3,761)
Exchange realignment on retranslation of:											
- overseas subsidiaries	—	—	—	—	—	—	—	1,846	—	—	1,846
- overseas associates	—	—	—	—	—	—	—	37,762	—	—	37,762
Net profit for the period	—	—	—	—	—	—	—	—	37,071	—	37,071
2001 final dividend	—	—	—	—	—	—	—	—	—	(15,739)	(15,739)
2002 interim dividend proposed	—	(11,731)	—	—	—	—	—	—	—	11,731	—
At 30 June 2002	78,503	1,128,663	208,263	2,076	2,467	(602,457)	13,222	(51,137)	10,091	11,731	801,422

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	4,185	157,817
Profits tax paid	(2,205)	(3,384)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,980	154,433
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	—	(3,000)
Purchases of fixed assets	(2,644)	(3,292)
Purchases of short term investments	—	(8,109)
Purchase of investment securities	—	(16,100)
Deposits paid for investments	—	(171,293)
Proceeds from disposal of fixed assets	85	—
Proceeds from disposal of short term investments	715	4,058
Repayment of capital from an investment security	2,335	—
Advances to associates	(2,800)	(1,385)
Repayment of advances to associates	—	600
Interest received	188	2,202
Dividend received from associates	10,650	19,000
Dividend received from investments	641	625
	<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities	9,170	(176,694)
	<hr/>	<hr/>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	(3,761)	(9,150)
Increase in pledged time deposits	—	(121,475)
New bank loans	46,000	185,950
Repayment of bank loans	(69,569)	(17,145)
Interest paid	(8,111)	(13,777)
Dividends paid	(15,704)	(32,345)
Dividend paid to minority interests	(2,190)	(7,350)
Net cash outflow from financing activities	<u>(53,335)</u>	<u>(15,292)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(42,185)	(37,553)
Cash and cash equivalents at beginning of period	<u>64,102</u>	<u>83,027</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>21,917</u></u>	<u><u>45,474</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements:

- SSAP 1 (Revised): “Presentation of Financial Statements”
- SSAP 11 (Revised): “Foreign Currency Translation”
- SSAP 15 (Revised): “Cash Flow Statements”
- SSAP 33: “Discontinuing Operations”
- SSAP 34: “Employee Benefits”

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.



1. Accounting policies (Continued)

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on these condensed consolidated financial statements.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

2. Segment information

Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Import distribution and handling of cement		Manufacturing and distribution of cement		Production and distribution of ready-mixed concrete		Provision of cellular telecommunication services		Investment holding		Others		Consolidated	
	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	98,722	361,510	33,891	19,428	—	—	—	—	—	—	891	303	133,504	381,241
Other revenue	14,145	5,046	63	8	—	—	—	—	5,231	2,536	1	92	19,440	7,682
Total revenue	112,867	366,556	33,954	19,436	—	—	—	—	5,231	2,536	892	395	152,944	388,923
Segment results	29,484	65,618	2,781	(3,127)	—	—	—	—	434	(2,104)	(2,648)	(5,729)	30,051	54,658
Interest and dividend income and unallocated gains													851	3,518
Profit from operating activities													30,902	58,176
Finance costs													(8,111)	(13,777)
Share of profits less losses of associates					19,100	29,772	7,038	1,043					26,138	30,815
Profit before tax					(3,111)	(4,868)	—	—	(3,374)	(4,718)	(2,738)	(1,057)	48,929	75,214
Tax													(9,223)	(10,643)
Minority interests													(2,635)	(377)
Net profit from ordinary activities attributable to shareholders													37,071	64,194



2. Segment information (Continued)

Geographical segments

The following table presents revenue and results regarding the Group's geographical segments.

	Hong Kong		Mainland China		Philippines		Taiwan		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	97,748	132,424	33,891	19,428	974	229,086	891	303	133,504	381,241
Other revenue	7,519	7,106	63	8	11,857	476	1	92	19,440	7,682
Total revenue	<u>105,267</u>	<u>139,530</u>	<u>33,954</u>	<u>19,436</u>	<u>12,831</u>	<u>229,562</u>	<u>892</u>	<u>395</u>	<u>152,944</u>	<u>388,923</u>
Segment results	<u>20,710</u>	<u>31,170</u>	<u>2,781</u>	<u>(3,127)</u>	<u>9,208</u>	<u>32,413</u>	<u>(2,648)</u>	<u>(5,798)</u>	<u>30,051</u>	<u>54,658</u>

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	8,758	9,735
Amortisation of goodwill on acquisition of a subsidiary and associates	2,719	2,632
Provision against bad and doubtful debts	—	900
Gain on disposal of short term investments	(23)	(702)
Unrealised gain on short term investments	(3,608)	(2,536)
Dividend income from a listed investment	(16)	—
Dividend income from an unlisted investment	(625)	(625)
	<u>(625)</u>	<u>(625)</u>

4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing law, practices and interpretations in respect thereof.

5. Dividend

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Prior year final dividend of HK4 cents per share on 2,346,000 shares repurchased subsequent to 2 April 2001	—	(94)
Interim dividend of HK1.5 cents per share (2001: HK2 cents per share)	<u>11,731</u>	<u>15,869</u>
	<u>11,731</u>	<u>15,775</u>

6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$37,071,000 (six months ended 30 June 2001: HK\$64,194,000) and the weighted average of 787,045,697 (six months ended 30 June 2001: 796,649,967) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$37,071,000 (six months ended 30 June 2001: HK\$64,194,000) and the weighted average of 787,045,697 (six months ended 30 June 2001: 796,649,967) shares in issue during the period plus 6,316 (six months ended 30 June 2001: 3,995,787) dilutive ordinary shares deemed to have been issued at the beginning of the period or at the date of grant, whichever is later, in respect of share options.



7. Rental deposits

Included in rental deposits were HK\$800,000 (31 December 2001: HK\$800,000) paid to a fellow subsidiary by the Group relating to the leasing of a site on Tsing Yi Island, Hong Kong, and HK\$1,148,000 (31 December 2001: HK\$1,148,000) paid to a related company by the Group in respect of the leasing of a site in Manila, the Philippines.

8. Trade receivables

Credit is offered to customers following the financial assessment by the management and their established payment record. The Group usually allows an average credit period of 60-90 days to its customers and seeks to maintain strict control over its outstanding trade receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by relevant personnel.

The following is an aging analysis of trade receivables (net of provisions for bad and doubtful debts), based on the invoice date:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Less than 90 days	35,583	35,387
91-180 days	1,014	1,833
Over 180 days	1,759	547
Total	<u>38,356</u>	<u>37,767</u>

As at 30 June 2002, trade receivables of the Group included a trade balance due from an associate of HK\$9,775,000 (31 December 2001: HK\$6,981,000) which is unsecured, interest-free and repayable in accordance with normal trading terms.

9. Bank loans

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Short term bank loans	144,950	132,150
Long term bank loans repayable:		
Within one year	—	3,948
Within two to five years	305,692	336,813
	<hr/>	<hr/>
	450,642	472,911
Portion classified as current liabilities	(144,950)	(136,098)
	<hr/>	<hr/>
Long term portion	305,692	336,813
	<hr/> <hr/>	<hr/> <hr/>

Bank loans amounting to HK\$30,842,000 (31 December 2001: HK\$35,515,000) were secured by a pledge of certain of the Group's fixed assets with a net book value of approximately HK\$48,938,000 (31 December 2001: HK\$50,588,000).

A bank loan of HK\$23,800,000 (31 December 2001: HK\$22,500,000) was unsecured. 7,000,000 shares of KOOS Venture Capital Co., Ltd. and 5,000,000 shares of KGT were under the bank's custody in respect of this loan.



10. Trade payables

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Less than 90 days	27,070	44,754
91-180 days	253	55
Over 180 days	299	201
	<hr/>	<hr/>
Total	<u>27,622</u>	<u>45,010</u>

Trade payables of the Group include a trade balance due to the ultimate holding company of the Group of HK\$18,723,000 (31 December 2001: HK\$29,372,000) which is unsecured, interest-free and repayable in accordance with normal trading terms. The above aging analysis of trade payables was based on the respective due dates of the receipts of goods and services.

11. Contingent liabilities

The Group did not have any significant contingent liabilities as at the balance sheet date (31 December 2001: Nil).

12. Capital commitments

The Group did not have any significant capital commitments as at the balance sheet date (31 December 2001: Nil).

13. Related party transactions

A. Transactions of a recurring nature

Transactions (i) to (iii) also constituted connected transactions as defined under the Listing Rules:

	Notes	Six months ended 30 June	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Purchases of cement from the ultimate holding company	(i)	44,892	228,322
Rental expenses paid to a fellow subsidiary	(ii)	2,400	2,640
Rental expenses paid to a related company*	(iii)	1,620	1,440
Sales of cement to an associate	(iv)	42,860	46,450

* The related company is an associate of the ultimate holding company.

Notes:

- (i) The directors consider that purchases of cement from the ultimate holding company were made according to prices and conditions similar to those available to other cement importers in Hong Kong in respect of supplies from the same country of origin.

During the six months ended 30 June 2002, the prices charged by the ultimate holding company in respect of shipments to Hong Kong did not exceed the benchmark price for imports from Taiwan. There were no purchases from the ultimate holding company which were imported from Japan.

During the six months ended 30 June 2002, there were no purchases from the ultimate holding company in respect of shipments to the Philippines.

The basis of these pricing policies was set out in greater detail in circulars to the shareholders of the Company dated 25 August 1998 and 9 July 2001 (with retrospective effect from 1 January 2001).

The balance due to the ultimate holding company in respect of cement supplies as at 30 June 2002 amounted to HK\$18,723,000 (31 December 2001: HK\$29,372,000) (see note 10).



13. Related party transactions (Continued)

A. Transactions of a recurring nature (Continued)

Notes: (Continued)

- (ii) The rental expenses related to a leasehold land in Hong Kong on which an industrial building of the Group is located. The monthly rentals of HK\$400,000 (six months ended 30 June 2001: HK\$440,000) were based on a market rental valuation provided by an independent professional valuer in 2001 (six months ended 30 June 2001: in 1999). A separate market rental valuation is subject to review every two years pursuant to the leasing agreement entered into between the Group and the fellow subsidiary in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2003.

A rental deposit of HK\$800,000 (31 December 2001: HK\$800,000) was paid to the fellow subsidiary (see note 7).

- (iii) The rental expenses related to a freehold land in the Philippines on which an industrial building of the Group is located. The monthly rentals of Pesos 1,800,000 (six months ended 30 June 2001: Pesos 1,500,000) were based on a market rental valuation provided by an independent professional valuer in 2001 (six months ended 30 June 2001: in 1999). A separate market rental valuation is subject to review every two years pursuant to the leasing agreement entered into between the Group and the related company in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2003.

A rental deposit of Pesos 7,650,000 (equivalent to HK\$1,148,000) (31 December 2001: Pesos 7,650,000, equivalent to HK\$1,148,000) was paid to this related company (see note 7).

- (iv) Sales of cement to an associate were made according to prices and conditions offered to other major customers of the Group. The balance due from the associate at 30 June 2002 was HK\$9,775,000 (31 December 2001: HK\$6,981,000) (see note 8).

13. Related party transactions (Continued)

A. Transactions of a recurring nature (Continued)

Notes: (Continued)

In respect of (i) the purchases of cement from the ultimate holding company; (ii) rental expenses paid to a fellow subsidiary; and (iii) rental expenses paid to a related company stated above, the Group entered into agreements with the respective parties for a period of 10 years, 30 years and 25 years (renewable for another 25 years), respectively, commencing from the year ended 31 December 1997.

B. Transactions among Group Companies

The Company also granted a corporate guarantee to banks in favour of certain of its subsidiaries in securing banking facilities available to these subsidiaries.

14. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 24 September 2002.



MANAGEMENT DISCUSSION AND ANALYSIS

Operations review

Overall results

For the six months ended 30 June 2002, the unaudited consolidated turnover was HK\$133.5 million, reducing by 65.0% from the corresponding period in 2001 mainly due to the change of mode of the Group's Philippine operations. The Group's net profit attributable to shareholders during the period was HK\$37.1 million, representing a fall of 42.2% from the prior period.

Construction materials businesses

Hong Kong

The sluggishness of construction activities in the private and public sectors had caused a contraction in the demand for construction materials and a considerable reduction in their selling prices. As a result, the Group's construction materials businesses in Hong Kong, including the Group's wholly-owned cement distribution business and ready-mixed concrete business carried on by the Group's associates, encountered an erosion of profit during the period under review. The Group has taken measures to reduce costs so as to alleviate the decline in profit since the beginning of 2002, including strict control of operating costs and reduction of import cost of cement.

Operations review (Continued)

Mainland China

Anhui King Bridge Cement Co., Ltd. (“AKB”), the Group’s 60%-owned subsidiary which operates a cement manufacturing plant in Wuhu, started to produce positive earnings since October 2001 and such a trend continued in the first half of 2002. Further improvements in its productivity and supply and distribution channels have brought such satisfactory results.

In May 2002, two wholly-owned subsidiaries, namely TCC Fuzhou Cement Co., Ltd. (“TCCFC”) and TCC Fuzhou Yangyu Port Co., Ltd. (“TCCFYP”), were established. TCCFC is in the process of setting up a cement grinding mill in Fuzhou, Fujian Province with an annual production capacity of 1.5 million tonnes, while the construction of a related berth which can handle vessels with tonnage up to a maximum of 25,000 tonnes is being carried out by TCCFYP. The construction of these facilities is expected to be completed by the end of next year.

The Philippines

The significant fluctuations in exchange rate as well as more stringent barriers on cement imports in protection of local cement manufacturers triggered a change in the Group’s operations in the Philippines from import and distribution of cement to rendering of cement handling services since the beginning of 2002. During the period under review, the Philippine operation produced a steady stream of income to the Group.

Telecommunications business

The performance of KG Telecommunications Co., Ltd. (“KGT”) improved from the corresponding period in 2001 as its subscriber base continued to grow. With the support of the telecommunications giant NTT DoCoMo, KGT launched its “i-mode” services, based on its existing GPRS platform, in Taiwan in June 2002 and such services received positive customer response.



Operations review (Continued)

Other significant investments held

The Group holds a minority interest in NASDAQ-listed Gigamedia Limited (“Gigamedia”). For the first half of 2002, Gigamedia saw an increase in revenue and a significant reduction of operating cash burn. In a cash-rich position, Gigamedia announced a repayment of capital to its shareholders, and the Group received HK\$2.3 million therefor during the period.

The Group has a 5.1% equity interest, and KGT also has a 50% equity interest, in KGEx.com Co., Ltd., which is engaged in the provision of data centre and related services in Taiwan. During the period, it incurred some losses which were not significant with regard to its capital base. The Group’s 19.8% equity interest in a Taiwan-incorporated cement distribution company produced marginal results.

As at 30 June 2002, the Group was holding highly liquid short term investments with an aggregate market value of HK\$73.3 million, consisting of shares listed on stock exchanges in Taiwan and Hong Kong and redeemable debentures. Gain on disposals of and unrealised holding gains on these investments for the period amounted to approximately HK\$23,000 and HK\$3.6 million, respectively.

Prospects

The slow-down of construction activities in Hong Kong is expected to continue towards the second half of the year. The Directors believe that the current challenging operating conditions of the Group’s construction materials businesses in Hong Kong will persist. Against this background, the Group is implementing measures to reduce operating costs and streamline operations in order to mitigate any further erosion in profit from these businesses.

Prospects (Continued)

Mainland China has become one of the Group's emphases on future development. The Directors believe that continued economic growth, government policy on elimination of inefficient plants producing low-quality cement and the expected increase of infrastructure construction activities will provide investment opportunities in construction materials businesses. To take advantage of such a favourable environment, the Group established its Fuzhou subsidiaries in May 2002 and the construction of the cement grinding mill and related berth facilities in relation thereto is under way and is expected to be completed by the end of next year. The Group's associates have established new ready-mixed concrete businesses in Beijing, in addition to their existing business presence in Guangzhou, Shunde and Shenyang. The Directors are exploring other investment opportunities in construction materials businesses in Mainland China.

KGT's i-mode services have received satisfactory feedback from consumers. In this preliminary stage of launching of such services, substantial promotion costs and distributor incentives are expected to be incurred. Accordingly, the Directors do not expect any significant contribution from KGT to the Group's profit in the second half of the year.



Liquidity, financial resources and capital structure

The Group adopts prudent treasury policies in managing its cash resources and bank borrowings.

Total cash and bank balances of the Group as at 30 June 2002 amount to HK\$21.9 million, of which 82.5% are denominated in either HK\$, US\$ or RMB and the rest are denominated in NT\$ and Philippine pesos.

Highly liquid short term investments with a market value of HK\$73.3 million as at 30 June 2002 were also held by the Group.

The maturity profile of the Group's bank loans as at 30 June 2002 together with the comparative figures as at 31 December 2001 is analysed below:

	30 June 2002	31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term bank loans	144,950	132,150
Long term bank loans repayable:		
Within one year	—	3,948
Within two to five years	305,692	336,813
Total bank loans	<u>450,642</u>	<u>472,911</u>

Out of the bank loans as at 30 June 2002, HK\$396.0 million are denominated in HK\$, HK\$23.8 million in NT\$ and HK\$30.8 million in RMB. Apart from the loans denominated in RMB which are at fixed interest rates, all loans are of floating rate structures.

Apart from bank loans of HK\$30.8 million which were secured by a pledge of certain of the Group's fixed assets with a net book value of HK\$48.9 million, none of the bank loans as at 30 June 2002 were secured by any charge against assets of the Group.

Gearing ratio, calculated based on total bank borrowings and total assets, as at 30 June 2002 was 32.7%. Although the Group is at a net current liabilities position, our financing activities are well received by our bankers in view of the growth potential of the Group's new investments.

Future investment plans

While striving to maintain our current operations, we have our eyes on mainland China for our future growth. We have adopted an aggressive but steady approach in developing our construction materials businesses in Mainland China, and we are currently exploring investment opportunities in such businesses in Mainland China.

All financing methods, including equity, debt and other means, will be considered so long as such methods are beneficial to shareholders as a whole.

Foreign currency exposures

The Group utilised various methods to mitigate foreign currency exposures arising from the currency mismatch of transactions undertaken by the Group. To protect the benefits of shareholders, cost-efficient hedging methods will be considered in future foreign currency transactions.

No foreign exchange contracts were outstanding as at 30 June 2002.

Employees

As at 30 June 2002, the Group had 150 full-time employees. Total wages and salaries of the Group for the six months then ended amounted to HK\$6.4 million. Discretionary bonuses, decided by top management, are payable to employees in Hong Kong and senior management of overseas subsidiaries based on performance. In addition, the Company's directors may, at their discretion, invite employees, including directors, of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company at discounted prices. During the period, no share options were granted to any director or employee of the Group. As at 30 June 2002, the number of outstanding options granted to non-director employees was 2,000,000. These options, granted on 11 April 2000, are exercisable within the period from 11 October 2000 to 10 April 2005, both days inclusive, at an exercise price of HK\$1.6504 per share. No share options were exercised by these employees during the period, and no share options granted to these employees lapsed or were cancelled during the period.



CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 October 2002 to 15 October 2002, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 9 October 2002.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the Directors in the share capital of the Company and associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Interests in the Company

Name of director	Nature of interest	Number of shares
WU Yih Chin	Personal	1,700,000
TSAO Jas Yee, James	Personal	1,500,000
HUI-BON-HOA Khien Piau, Pierre	Personal	5,680,000

DIRECTORS' INTERESTS IN SHARES (Continued)**Interests in the associated corporations**(i) *Taiwan Cement Corporation* *

Name of director	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
KOO Cheng Yun, Leslie	24,475,142	2,935 <i>(Note 1)</i>	22,980,565 <i>(Note 2)</i>	47,458,642
WU Yih Chin	117,952	—	—	117,952
CHIANG Cheng Hsiung	482,243	29,993 <i>(Note 1)</i>	—	512,236
CHEN Chi Hsiung	323,987	17,215	—	341,202
LIAO Poon Huai, Donald	464,094	596,231 <i>(Note 1)</i>	—	1,060,325

(ii) *Hong Kong Cement Manufacturing Company Limited* **

Name of director	Nature of interest	Number of shares
HUI-BON-HOA Khien Piau, Pierre	Personal	710

(iii) *Prosperity Dielectrics Company Limited* **

Name of director	Nature of interest	Number of shares
KOO Cheng Yun, Leslie	Personal	19,224
CHIANG Cheng Hsiung	Personal	21,146



DIRECTORS' INTERESTS IN SHARES (Continued)

Interests in the associated corporations (Continued)

(iv) Archtek Telecom Corporation **

Name of director	Nature of interest	Number of shares
CHIANG Cheng Hsiung	Personal	18
CHEN Chi Hsiung	Personal	18

(v) Taiwan Cement Engineering Corporation **

Name of director	Nature of interest	Number of shares
CHIANG Cheng Hsiung	Personal	25,517

(vi) Ta-Ho Maritime Corporation **

Name of director	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
CHIANG Cheng Hsiung	41,615	79,470 (Note 1)	—	121,085
CHEN Chi Hsiung	14,784	14,784 (Note 1)	—	29,568

* The ultimate holding company of the Company

** Subsidiaries of the ultimate holding company of the Company

Notes:

1. The shares are held by respective directors' spouse as registered and beneficial shareholder.
2. Koo Cheng Yun, Leslie, together with his spouse, hold 44% of the issued capital of a company which holds 22,980,565 shares of Taiwan Cement Corporation.

DIRECTORS' INTERESTS IN SHARES (Continued)**Interests in the associated corporations** (Continued)

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme under which the directors may grant options to employees of the Group, including directors, to subscribe up to 10 per cent. of the nominal amount of the issued share capital of the Company. No share options were granted to or exercised by the directors for the six months ended 30 June 2002.

Details of options granted to the directors under this scheme and outstanding as at 30 June 2002 are as follows:

	Outstanding options granted on		Total
	31 October 1997	11 April 2000	outstanding at 30 June 2002
KOO Cheng Yun, Leslie	6,000,000	7,000,000	13,000,000
WU Yih Chin	1,800,000	4,500,000	6,300,000
TSAO Jas Yee, James	—	1,000,000	1,000,000
CHIANG Cheng Hsiung	4,000,000	3,000,000	7,000,000
CHEN Chi Hsiung	2,000,000	2,500,000	4,500,000
	<u>13,800,000</u>	<u>18,000,000</u>	<u>31,800,000</u>

All of the above share options were granted pursuant to the Company's share option scheme. Share options granted on 11 April 2000 are exercisable within the period from 11 October 2000 to 10 April 2005, both days inclusive, at an exercise price of HK\$1.6504 per share. Share options granted on 31 October 1997 are exercisable within the period from 1 May 1998 to 30 October 2002, both days inclusive, at an exercise price of HK\$1.0192 per share.



DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
TCC International Limited	500,238,000	63.72
Taiwan Cement Corporation*	500,238,000	63.72

* *Taiwan Cement Corporation is interested in the shares of the Company by virtue of its beneficial ownership of entire issued share capital of TCC International Limited.*

Save as disclosed above, the Directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 30 June 2002 that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Details of repurchases of the Company's own shares, all made through the Stock Exchange of Hong Kong Limited, by the Company during the six months ended 30 June 2002 pursuant to the Company's share repurchase mandate are as follows:

	Number of shares	Highest price <i>HK\$</i>	Lowest price <i>HK\$</i>	Total consideration <i>HK\$'000</i>
January 2002	1,520,000	1.05	0.97	1,543
February 2002	450,000	1.04	1.00	462
June 2002	1,912,000	0.94	0.88	1,756
	<u>3,882,000</u>			<u>3,761</u>

Apart from those disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2002.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the period. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provisions of the Company's articles of association.



AUDIT COMMITTEE

The Company has established an audit committee consisting of three non-executive directors, of which two are independent non-executive directors, in accordance with paragraph 14 of the Code of Best Practice.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed its internal controls and financial reporting matters, including a review of the unaudited interim financial statements of the Group for the six months ended 30 June 2002.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere gratitude to our shareholders for their support and to our staff for their commitment and hard work during the period.

On behalf of the Board
Koo Cheng Yun, Leslie
Chairman

Hong Kong, 24 September 2002