Notes to Financial Statements

31 December 2002

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the Group consisted of the import and distribution of cement in Hong Kong and the manufacturing and distribution of cement and slag powder in other areas of the People's Republic of China ("Mainland China"). Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong and Mainland China, and the provision of cellular telecommunication services in Taiwan.

During the year, the principal activity of the Group's subsidiary operating in the Philippines has been changed from engaging in the import and distribution of cement to the provision of cement handling services in the Philippines. In September 2002, the Group's investment in the provision of cellular telecommunication services in Taiwan was reclassified from an associate to investment securities when the Group ceased to have any board representation in the associate.

In the opinion of the directors, Taiwan Cement Corporation ("TCC"), a company incorporated and whose shares are listed in Taiwan, is the Company's ultimate holding company.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised 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 principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 32 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of subsidiaries and associates operating in Mainland China and overseas are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

Notes to Financial Statements *(continued)*

31 December 2002

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that consolidated cash flow statement now presents cash flows under the three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 25 to the financial statements. These share option scheme disclosures are similar to those required by the Listing Rules previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002, together with the Group's share of the results for the year and post-acquisition reserves of its associates as set out below. The results of subsidiaries and associates acquired or disposed of during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on the acquisition of a subsidiary, Koning Concrete Limited, was recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. Goodwill arising on acquisition of another subsidiary, OneMore Inc. ("OneMore"), was eliminated against consolidated reserves at the time of acquisition.

In addition, in prior years, goodwill arising from the acquisition of associates, except for KG Telecommunications Company Limited ("KG Telecom"), was recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. The unamortised portion of such goodwill was included as part of the Group's interests in associates, rather than as a separately identified asset on the consolidated balance sheet. Goodwill arising on the acquisition of KG Telecom was eliminated against reserves in the year of acquisition.

The Group has taken the advantage of transitional provision (1a) of SSAP 30 "Business combinations" which permitted goodwill arising from the acquisition of OneMore and KG Telecom, prior to 1 January 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the accounting policy set out above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that fixed asset.

In prior years, the principal annual rates used for buildings and plant and machinery were 4% and 10% - 20%, respectively. During the year, the Group revised the principal annual rates to $3\frac{1}{3}$% - 4% and $6\frac{2}{3}$% - 20%, respectively, which, in the opinion of the directors, are more appropriate in reflecting the actual usage of the assets. This constitutes a change in accounting estimates. The change has been made on a prospective basis and has the effect of increasing the profit from operating activities of the Group for the year ended 31 December 2002 by HK$3,703,000.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life with a residual value of 1%. The estimated useful lives for this purpose are as follows:

Leasehold land	Over the period of land rights
Buildings	$3\frac{1}{3}$% - 4%
Plant and machinery	$6\frac{2}{3}$% - 20%
Furniture, fixtures and office equipment	20% - $33\frac{1}{3}$%
Motor vehicles	20%
Lighters	10%

Construction in progress represents the cost of new factory buildings under construction and the cost of plant and machinery acquired pending installation, and is stated at cost less any impairment losses. No depreciation is provided on construction in progress until it is completed and put into use. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Changes in values of fixed assets resulting from revaluations are dealt with, on an individual asset basis, as movements in the property revaluation reserve. Deficits arising from revaluation, to the extent they cannot be offset against a revaluation surplus in respect of the same asset, are charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal or retirement of revalued assets, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits as a movement in reserves.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investments in securities

(i) Long term investments in listed and unlisted equities, which are held for an identified long term purpose, are included in the balance sheet as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

The carrying amounts of long term investments are reviewed as at the balance sheet date in order to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to the fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities *(continued)*

(ii) Other investments in listed and unlisted equities, either intended to be held on a short term or long term basis, are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair value on an individual investment basis.

(iii) Provisions against the carrying amount of long term investments are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of all investments are accounted for in the profit and loss account as they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to completion and disposal.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable on operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, under the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements *(continued)*
31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which such services are rendered;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of share premium within the capital and reserves section in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Group's net investments in the enterprises.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 27 to the financial statements.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong.

Contributions are made based on rates applicable to the respective employees' monthly salaries and are charged to the profit and loss account as they become payable in accordance with government regulations.

Notes to Financial Statements *(continued)*

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits scheme (continued)

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Employees of a subsidiary in Mainland China are members of the Central Pension Scheme operated by the Chinese government. The subsidiary is required to contribute a certain percentage of its covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is the associated required contributions under the Central Pension Scheme, which are charged to the profit and loss account as they become payable in accordance with the rules of the Central Pension Scheme.

Long service payments under Employment Ordinance

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Share options scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Notes to Financial Statements *(continued)*
31 December 2002

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the import, distribution and handling of cement segment mainly relates to housing development and infrastructure construction activities in Hong Kong and the Philippines and the provision of cement handling services in the Philippines;

(b) the manufacturing and distribution of cement and slag powder segment mainly relates to construction activities in Mainland China;

(c) the production and distribution of ready-mixed concrete segment mainly relates to housing developments and infrastructure construction activities in Hong Kong and Mainland China;

(d) the provision of cellular telecommunications services segment serves customers in Taiwan; and

(e) the investment holding segment invests in listed and unlisted equity securities ranging from traditional businesses, such as banks and companies engaged in the manufacturing and distribution of construction materials, to high-technology businesses, such as those providing broadband Internet access and content services.

In September 2002, the Group's investment in the provision of cellular telecommunication services in Taiwan was reclassified from an associate to investment securities when the Group ceased to have any board representation in the associate.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes to Financial Statements *(continued)*

31 December 2002

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Import, distribution and handling of cement		Manufacturing and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Provision of cellular telecommunication services		Investment holding		Others		Consolidated	
	2002	2001	**2002**	2001	**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*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales and services to external customers	**204,665**	622,879	**71,052**	48,476	**—**	—	**—**	—	**—**	—	**1,519**	—	**277,236**	671,355
Other revenue	**4,233**	9,215	**163**	37	**—**	—	**—**	—	**19,690**	24,755	**21**	5	**24,107**	34,012
Total	**208,898**	632,094	**71,215**	48,513	**—**	—	**—**	—	**19,690**	24,755	**1,540**	5	**301,343**	705,367
Segment results	**45,621**	98,041	**3,101**	(5,428)	**—**	—	**—**	—	**(687)**	(7,918)	**(6,430)**	(13,244)	**41,605**	71,451
Interest income, dividend income and unallocated gains													**3,717**	8,546
Profit from operating activities													**45,322**	79,997
Finance costs													**(15,509)**	(26,221)
Share of profits less losses of associates	**—**	—	**—**	—	**33,932**	52,463	**4,769**	13,967	**—**	—	**415**	—	**39,116**	66,430
Impairment of goodwill and exchange fluctutation reserve of an associate	**—**	—	**—**	—	**—**	—	**(634,952)**	—	**—**	—	**—**	—	**(634,952)**	—
Profit/(loss) before tax													**(566,023)**	120,206
Tax	**(4,109)**	(8,220)	**—**	—	**(6,987)**	(9,238)	**(1,192)**	(6,018)	**(216)**	—	**—**	—	**(12,504)**	(23,476)
Profit/(loss) before minority interests													**(578,527)**	96,730
Minority interests													**(6,109)**	(169)
Net profit/(loss) from ordinary activities attributable to shareholders													**(584,636)**	96,561

Notes to Financial Statements *(continued)*

31 December 2002

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Import, distribution and handling of cement		Manufacturing and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Provision of cellular telecommunication services		Investment holding		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**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*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**615,885**	600,024	**160,684**	151,345	**—**	—	**—**	—	**1,134,187**	409,138	**1,201**	3,782	**(646,157)**	(584,705)	**1,265,800**	579,584
Goodwill	**—**	—	**—**	—	**3,925**	6,076	**—**	—	**—**	—	**—**	—	**—**	—	**3,925**	6,076
Interests in associates	**—**	—	**—**	—	**145,394**	131,943	**—**	651,661	**—**	—	**—**	—	**—**	—	**145,394**	783,604
Total assets	**615,885**	600,024	**160,684**	151,345	**149,319**	138,019	**—**	651,661	**1,134,187**	409,138	**1,201**	3,782	**(646,157)**	(584,705)	**1,415,119**	1,369,264
Segment liabilities	**153,770**	160,082	**105,355**	87,844	**—**	—	**—**	—	**456,698**	422,127	**2,003**	2,891	**(647,354)**	(584,676)	**70,472**	88,268
Bank loans	**140,000**	107,896	**26,169**	35,515	**—**	—	**—**	247,000	**315,500**	82,500	**—**	—	**—**	—	**481,669**	472,911
Total liabilities	**293,770**	267,978	**131,524**	123,359	**—**	—	**—**	247,000	**772,198**	504,627	**2,003**	2,891	**(647,354)**	(584,676)	**552,141**	561,179
Other segment information:																
Capital expenditure	**5,143**	1,090	**5,821**	8,971	**—**	—	**—**	—	**—**	—	**159**	87	**—**	—	**11,123**	10,148
Depreciation	**8,800**	11,694	**7,160**	6,603	**—**	—	**—**	—	**—**	—	**1,588**	2,204	**—**	—	**17,548**	20,501
Amortisation	**—**	—	**—**	—	**5,438**	5,366	**—**	—	**—**	—	**—**	—	**—**	—	**5,438**	5,366
Impairment losses	**—**	—	**—**	—	**—**	—	**634,952**	—	**7,734**	—	**—**	—	**—**	—	**642,686**	—

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Philippines		Taiwan		Eliminations		Consolidated	
	2002	2001	**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*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales and services to external customers	**180,279**	241,738	**71,052**	48,476	**24,386**	381,141	**1,519**	—	**—**	—	**277,236**	671,355
Other revenue	**22,740**	33,327	**163**	37	**1,183**	643	**21**	5	**—**	—	**24,107**	34,012
Total	**203,019**	275,065	**71,215**	48,513	**25,569**	381,784	**1,540**	5	**—**	—	**301,343**	705,367
Other segment information:												
Segment assets	**485,701**	518,988	**160,684**	158,115	**151,704**	169,371	**812,006**	782,297	**(194,976)**	(259,507)	**1,415,119**	1,369,264
Capital expenditure	**89**	5	**5,821**	8,970	**5,054**	1,086	**159**	87	**—**	—	**11,123**	10,148

Notes to Financial Statements *(continued)*

31 December 2002

5. TURNOVER, OTHER REVENUE AND GAINS/ (LOSSES)

Turnover represents:

(i) invoiced amount of sales of cement, net of trade discounts and returns; and

(ii) income from the rendering of services.

An analysis of turnover, other revenue and gains/ (losses) is as follows:

	2002 *HK$'000*	2001 *HK$'000*
Turnover:		
Sales of cement	253,836	671,355
Rendering of services	23,400	—
	277,236	671,355
Other revenue:		
Handling charges	4,328	7,671
Dividend income from		
- listed investments	2,117	2,410
- an unlisted investment	1,250	1,250
Interest income	290	4,078
Others	1,141	1,586
	9,126	16,995
Gains/ (Losses):		
Gain on disposal of short term investments	60	808
Unrealised gain on short term investments	17,532	24,755
Exchange gain, net	1,106	—
Loss on disposal of fixed assets	—	(10)
	18,698	25,553
	27,824	42,548

Notes to Financial Statements *(continued)*

31 December 2002

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**158,808**	433,793
Cost of service rendered	**8,474**	—
Depreciation	**17,548**	20,501
Auditors' remuneration	**625**	625
Loss on disposal of fixed assets, net	**18**	10
Minimum lease payments under operating leases on land and buildings	**5,488**	9,009
Amortisation of goodwill*:		
On acquisition of a subsidiary	**2,151**	2,151
On acquisition of an associate	**3,287**	3,215
Impairment of goodwill *(note 14)**	**1,533**	—
Provision for inventory obsolescence*	**422**	—
Exchange losses, net*	**—**	4,021
Provision for bad and doubtful debts*	**625**	4,443
Write-off of a loan to an associate*	**—**	2,248
Loss on deemed disposal of an associate*	**—**	2,723
Impairment of investment securities*	**6,201**	11,119
Staff costs (excluding directors' remuneration, see note 8):		
Wages and salaries	**13,163**	15,564
Retirement scheme contributions	**439**	578
Less: Forfeited contributions	**—**	—
Net retirement scheme contributions	**439**	578

* *Included in "Other operating expenses" on the face of the profit and loss account.*

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and other facilities wholly repayable within five years	**15,509**	26,221

Notes to Financial Statements *(continued)*

31 December 2002

8. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**540**	600
Non-executive directors	**540**	600
Independent non-executive directors	**360**	400
	1,440	1,600
Other emoluments (executive directors):		
Basic salaries, housing benefits, other allowances and benefits in kind	**2,224**	2,107
Bonuses	**724**	948
Retirement scheme contributions	**43**	43
	2,991	3,098
	4,431	4,698

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
	2002	2001
Nil - HK$1,000,000	**6**	6
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**1**	1
	8	8

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

In addition to the above emoluments, certain directors were granted share options in the prior years under the Company's share option scheme, further details of which are set out in note 25 to the financial statements. No value in respect of the share options granted was charged to the profit and loss account at the time when the options were granted.

Notes to Financial Statements *(continued)*

31 December 2002

8. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

Of the five highest paid employees, two (2001: two) were directors of the Company and their remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining three (2001: three) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,551**	1,666
Bonus	**213**	563
Retirement scheme contributions	**47**	65
	1,811	2,294

The remuneration of all non-director, highest paid employees fell within the band of Nil - HK$1,000,000. Certain employees were also granted share options in the prior years under the Company's share option scheme, further details of which are set out in note 25 to the financial statements. No value in respect of the share options granted was charged to the profit and loss account at the time when the options were granted.

9. 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 year.

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 legislation, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in Mainland China benefits from income tax exemption and reduction.

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**4,170**	8,228
Under/(over) provision in prior year	**990**	(8)
Deferred tax *(note 23)*	**(835)**	—
	4,325	8,220
Share of tax attributable to associates:		
Hong Kong	**6,329**	9,238
Elsewhere	**1,850**	6,018
	8,179	15,256
Tax charge for the year	**12,504**	23,476

Notes to Financial Statements *(continued)*

31 December 2002

10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company was HK$278,446,000 (2001: profits of HK$941,000).

11. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Interim paid	**11,731**	15,869
Overprovision*	**(22)**	(94)
Final proposed	**—**	15,739
	11,709	31,514

* *Represented 2002 interim dividend at HK1.5 cents per share on 1,444,000 shares repurchased between 25 September 2002 and 15 October 2002, both days inclusive. The comparative figure represented 2000 final dividend at HK4 cents per share on 2,346,000 shares repurchased between 3 April 2001 and 15 May 2001, both days inclusive.*

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$584,636,000 (2001: net profit of HK$96,561,000) and the weighted average of 783,965,660 shares (2001: 794,384,860 shares) in issue during the year.

Diluted loss per share has not been presented for the year ended 31 December 2002 as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of the prior year's diluted earnings per share was based on the net profit from ordinary activities attributable to shareholders for that year of HK$96,561,000 and the weighted average of 794,384,860 shares in issue during that year, as used in the basic earnings per share calculation plus 3,092,988 dilutive ordinary shares assumed to have been issued for no consideration on the deemed exercise of share options throughout that year.

Notes to Financial Statements *(continued)*

31 December 2002

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Office building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Lighters HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	141,511	9,000	146,560	9,597	3,118	9,470	—	319,256
Additions	—	—	211	298	524	—	10,090	11,123
Disposals	—	—	(649)	(473)	—	(1,739)	—	(2,861)
Surplus arising on revaluation	—	(1,000)	—	—	—	—	—	(1,000)
At 31 December 2002	**141,511**	**8,000**	**146,122**	**9,422**	**3,642**	**7,731**	**10,090**	**326,518**
Accumulated depreciation and impairment:								
At beginning of year	17,105	—	38,412	5,472	1,883	9,375	—	72,247
Provided during the year	4,944	1,588	9,500	1,030	486	—	—	17,548
Disposals	—	—	(139)	(472)	—	(1,722)	—	(2,333)
Written back on revaluation	—	(1,588)	—	—	—	—	—	(1,588)
At 31 December 2002	**22,049**	**—**	**47,773**	**6,030**	**2,369**	**7,653**	**—**	**85,874**
Net book value:								
At 31 December 2002	**119,462**	**8,000**	**98,349**	**3,392**	**1,273**	**78**	**10,090**	**240,644**
At 31 December 2001	124,406	9,000	108,148	4,125	1,235	95	—	247,009
Analysis of cost or valuation:								
At cost	141,511	—	146,122	9,422	3,642	7,731	10,090	318,518
At valuation	—	8,000	—	—	—	—	—	8,000
	141,511	8,000	146,122	9,422	3,642	7,731	10,090	326,518

Notes to Financial Statements *(continued)*

31 December 2002

13. FIXED ASSETS *(continued)*

Group *(continued)*

An analysis of cost or valuation of the land and buildings at 31 December 2002 is as follows:

	At valuation *HK$'000*	At cost *HK$'000*	Total *HK$'000*
Commercial building situated in Hong Kong under a medium term lease	8,000	—	8,000
Industrial building situated in Hong Kong under a long term lease	—	40,358	40,358
Industrial building held under land use rights of medium term in Mainland China	—	60,813	60,813
Industrial building situated in the Philippines on freehold land	—	40,340	40,340
	8,000	141,511	149,511

The commercial building was revalued on 31 December 2002 at HK$8,000,000 (2001: HK$9,000,000) by Jones Lang LaSalle Limited, an independent firm of qualified professional valuers, at an open market value on an existing use basis. The resulting surplus arising from the revaluation at 31 December 2002 of HK$588,000 (2001: deficit of HK$1,115,000), was dealt with in the property revaluation reserve (see note 26). Had there not been any revaluation of the Group's commercial building, the carrying amount of cost less accumulated depreciation and any impairment losses at 31 December 2002 would have been approximately HK$1,200,000 (2001: HK$1,500,000).

At 31 December 2002, certain of the Group's plant and machinery with a net book value of approximately HK$47,289,000 (2001: HK$50,588,000) was pledged to secure general banking facilities granted to the Group (see note 21).

Notes to Financial Statements *(continued)*

31 December 2002

14. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Cost:		
At beginning of year	**21,512**	21,512
Acquisition of additional interests in a subsidiary	**1,533**	—
At 31 December	**23,045**	21,512
Accumulated amortisation and impairment:		
At beginning of year	**15,436**	13,285
Amortisation provided during the year	**2,151**	2,151
Impairment provided during the year	**1,533**	—
At 31 December	**19,120**	15,436
Net book value:		
At 31 December	**3,925**	6,076

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

Notes to Financial Statements *(continued)*

31 December 2002

14. GOODWILL *(continued)*

Movements of goodwill remaining in consolidated reserves were as follows:

	Goodwill eliminated against reserves		
	On acquisition of an associate *HK$'000*	On acquisition of a subsidiary *HK$'000*	Total *HK$'000*
Cost:			
At beginning of year	997,298	23,188	1,020,486
Transferred to investment securities	(997,298)	—	(997,298)
At 31 December 2002	**—**	**23,188**	**23,188**
Accumulated impairment:			
At beginning of year	394,841	23,188	418,029
Impairment provided during the year	602,457	—	602,457
Transferred to investment securities	(997,298)	—	(997,298)
At 31 December 2002	**—**	**23,188**	**23,188**
Net book value:			
At 31 December 2002	**—**	**—**	**—**
At 31 December 2001	602,457	—	602,457

15. RENTAL DEPOSITS

Group

Included in rental deposits was HK$800,000 (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 (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 (see note 31).

Notes to Financial Statements *(continued)*

31 December 2002

16. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	**264,590**	264,590
Due from subsidiaries	**2,030,380**	2,004,630
Provision for an amount due from a subsidiary	**(803,829)**	(420,829)
	1,491,141	1,848,391
Due to subsidiaries	**(510,211)**	(561,809)

Except for amounts due from subsidiaries amounting to HK$1,999,393,000 (2001: HK$1,974,923,000) of which a substantial portion is not to be repayable in the foreseeable future, all the other balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment (see note 26).

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary capital/registered share capital	Percentage of equity attributable to the Company 2002	Percentage of equity attributable to the Company 2001	Principal activities
Anhui King Bridge Cement Company Limited*	Mainland China	Registered capital US$15,000,000	**60**	60	Manufacturing and distribution of cement and slag powder
Chiefolk Company Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Investment holding
Hong Kong Cement Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Import and distribution of cement
Koning Concrete Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
TCC Cement Corporation	The Philippines	Ordinary Peso 91,020,500	**100**	100	Provision of cement handling services

Notes to Financial Statements *(continued)*

31 December 2002

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary capital/registered share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
TCC Hong Kong Cement (BVI) Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1,000	**100**	100	Investment holding
TCC Hong Kong Cement Development Limited	The British Virgin Islands/ Hong Kong	Ordinary US$10 Deferred ** US$90	**100**	100	Property holding
Dragon Pride International Limited	The British Virgin Islands/ The Philippines	Ordinary US$100	**100**	100	Provision of cement handling services
Ulexite Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$100	**100**	100	Investment holding
HKC Investment Corporation	Taiwan	Ordinary NT$3,145,000,000	**100**	100	Investment holding
OneMore Inc.	Taiwan	Ordinary NT$50,000,000	**70.6**	51	Provision of advanced interactive multimedia solutions

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for TCC Hong Kong Cement (BVI) Holdings Limited and Ulexite Investments Limited, all the above subsidiaries are indirectly held by the Company.

* *An equity joint venture registered in Mainland China and not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

** *The deferred shares of TCC Hong Kong Cement Development Limited are non-voting, carry no rights to dividends and are only entitled to a return of capital when the surplus exceeds US$1,000,000,000,000,000,000.*

Notes to Financial Statements *(continued)*

31 December 2002

17. INTERESTS IN ASSOCIATES

	Group 2002 HK$'000	2001 HK$'000
Share of net assets other than goodwill	**101,174**	746,623
Goodwill arising on acquisition of an associate	**9,244**	12,531
	110,418	759,154
Loan to an associate, net of provision	**34,976**	24,450
	145,394	783,604

Movements in goodwill arising from the acquisition of associates, which has been capitalised as an asset in the consolidated balance sheet and included in interests in associates, are as follows:

	Group 2002 HK$'000	2001 HK$'000
Cost:		
At beginning of year	**32,870**	31,135
Additions	**—**	1,735
At 31 December	**32,870**	32,870
Accumulated amortisation and impairment:		
At beginning of year	**20,339**	17,124
Provided during the year	**3,287**	3,215
At 31 December	**23,626**	20,339
Net book value:		
At 31 December	**9,244**	12,531

The amount due from and the loan to an associate are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements *(continued)*

31 December 2002

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity indirectly attributable to the Company	Principal activities
Hong Kong Concrete Company Limited ("Hong Kong Concrete")	Corporate	Hong Kong	31.5	Production and distribution of ready-mixed concrete
Quon Hing Concrete Company Limited ("Quon Hing Concrete")*	Corporate	Hong Kong	35	Production and distribution of ready-mixed concrete

* *The Group, through a 70% owned subsidiary, holds a 50% interest in Quon Hing Concrete.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The condensed summary post-acquisition results of operations and the financial position of each of the significant associates accounted for by the Group using the equity method for the years ended 31 December 2002 and 2001 were as follows:

	2002 *HK$'000*	2001 *HK$'000*
Hong Kong Concrete		
Current assets	**109,406**	109,457
Non-current assets	**72,403**	77,070
Current liabilities	**92,650**	88,704
Non-current liabilities	**2,150**	13,344
Commitments	**3,150**	11,437
Turnover	**333,043**	326,836
Net profit for the year attributable to shareholders	**19,622**	37,097

Notes to Financial Statements *(continued)*

31 December 2002

17. INTERESTS IN ASSOCIATES *(continued)*

	2002 *HK$'000*	2001 *HK$'000*
Quon Hing Concrete		
Current assets	**173,402**	129,286
Non-current assets	**86,041**	80,181
Current liabilities	**108,566**	85,262
Non-current liabilities	**2,270**	2,270
Contingent liabilities	**—**	3,806
Turnover	**428,996**	435,896
Net profit for the year attributable to shareholders	**43,978**	61,727

	2002* *HK$'000*	2001 *HK$'000*
KG Telecom		
Current assets	**N/A**	2,227,341
Non-current assets	**N/A**	10,539,375
Current liabilities	**N/A**	2,683,026
Non-current liabilities	**N/A**	3,344,528
Commitments	**N/A**	3,815,071
Turnover	**N/A**	3,832,614
Net profit for the year attributable to shareholders	**N/A**	155,472

* *Reclassified from interests in associates to investment securities (note 18) when the Group ceased to have any board representation in KG Telecommunications Co., Ltd. ("KG Telecom") in September 2002.*

Notes to Financial Statements *(continued)*

31 December 2002

18. INVESTMENTS

Investment securities	Group 2002 HK$'000	Group 2001 HK$'000	Company 2002 HK$'000	Company 2001 HK$'000
Listed equity investments, at cost:				
Listed outside Hong Kong	**29,674**	32,009	**29,674**	32,009
Provision for impairment	**(28,271)**	(26,170)	**(28,271)**	(26,170)
	1,403	5,839	**1,403**	5,839
Unlisted equity investments, at cost:				
Hong Kong	**6,088**	6,088	**—**	—
Elsewhere	**812,823***	119,823	**—**	—
Provision for impairment	**(6,900)**	(2,800)	**—**	—
	812,011	123,111	**—**	—
	813,414	128,950	**1,403**	5,839
Market value of listed equity investments				
- At balance sheet date	**794**	3,118	**794**	3,118
- At date of report	**1,063**	934	**1,063**	934

* *Included the carrying value of the Group's 9.87% equity investment in KG Telecom of HK$693,000,000.*

Short term investments	Group 2002 HK$'000	Group 2001 HK$'000	Company 2002 HK$'000	Company 2001 HK$'000
Listed equity investments, at fair value:				
- Listed in Hong Kong	**4,830**	574	**4,830**	574
- Listed outside Hong Kong	**82,562**	65,753	**82,562**	65,753
	87,392	66,327	**87,392**	66,327
Unlisted equity investments, at fair value	**2,387**	3,791	**—**	—
	89,779	70,118	**87,392**	66,327
Market value of listed equity investments				
- At balance sheet date	**87,392**	66,327	**87,392**	66,327
- At date of report	**87,207**	62,506	**87,207**	62,506

Notes to Financial Statements *(continued)*

31 December 2002

19. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**3,164**	3,468
Work in progress	**—**	1,284
Finished goods	**4,451**	12,939
Consumable stores	**718**	945
Packing materials	**338**	204
	8,671	18,840

There were no inventories carried at net realisable value at the balance sheet date (2001: Nil).

20. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 60 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and their collection is followed up by accounting personnel. The following is an aged analysis of the trade receivables as at the balance sheet date (based on the invoice date and net of the provision for bad and doubtful debts).

	Group	
	2002	2001
	HK$'000	*HK$'000*
Less than 90 days	**40,275**	35,387
91 - 180 days	**376**	1,833
181 - 360 days	**418**	547
	41,069	37,767

The trade receivables of the Group include a trade balance due from an associate of HK$17,672,000 (2001: HK$6,981,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms (see note 31).

Notes to Financial Statements *(continued)*

31 December 2002

21. BANK LOANS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans:				
Secured	**413,169**	410,411	**247,000**	227,000
Unsecured	**68,500**	62,500	**46,000**	40,000
	481,669	472,911	**293,000**	267,000
Amounts repayable:				
Within one year	**175,019**	136,098	**61,000**	40,000
In the second year	**171,650**	89,813	**137,000**	20,000
In the third to fifth years, inclusive	**135,000**	247,000	**95,000**	207,000
	481,669	472,911	**293,000**	267,000
Portion classified as current liabilities	**(175,019)**	(136,098)	**(61,000)**	(40,000)
Long term portion	**306,650**	336,813	**232,000**	227,000

The Company's bank loan amounting to HK$247,000,000 (2001: HK$207,000,000) was secured by a corporate guarantee from certain subsidiaries.

Apart from the above, certain of the Group's other bank loans amounting to HK$140,000,000 (2001: HK$167,896,000) were secured by a corporate guarantee from the Company. A further bank loan of the Group amounting to HK$26,169,000 (2001: HK$35,515,000) was secured by a pledge of certain of the Group's fixed assets (see note 13). In the prior year, a bank loan of HK$40,000,000 was also secured by a pledge of the shares of an associate.

Pursuant to a loan agreement dated 27 September 2001 between the Company and a bank relating to a one-year loan facility of HK$40,000,000, a termination event would arise if Taiwan Cement Corporation, the Company's ultimate holding company, ceases to own beneficially, directly or indirectly, at least 51% of the shares in the Company's capital.

Pursuant to loan agreements dated 25 April 2002 between the Company and certain banks relating to a three-year term loan facility and a three-year syndicated loan facility of HK$25,000,000 and HK$250,000,000, respectively, a termination event would arise if (i) Taiwan Cement Corporation, the Company's ultimate holding company, ceases to own legally and beneficially, at least 35% of the shares in the Company's capital or (ii) the Group fails to meet the financial covenants stipulated in the loan facilities. The Company is also required to undertake a subordination of all loans granted to members of the Group and inter-company loans within the Group to the banks.

Notes to Financial Statements *(continued)*

31 December 2002

21. BANK LOANS *(continued)*

Bank loans amounting to HK$80,000,000 in aggregate initially due to mature in 2003 were rolled over pursuant to bank facility letters obtained subsequent to the balance sheet date. Pursuant to the roll-overs, the loans will be repayable beyond 31 December 2003 and have, therefore, been classified as non-current liabilities as at the balance sheet date.

22. TRADE PAYABLES

The following is an aged analysis of trade payables as at the balance sheet date (based on the invoice date).

	Group	
	2002	2001
	HK$'000	*HK$'000*
Less than 90 days	**31,940**	44,754
91 - 180 days	**5,218**	55
181 - 360 days	**206**	201
	37,364	45,010

The trade payables of the Group include a trade balance due to the ultimate holding company of HK$26,838,000 (2001: HK$29,372,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms (see note 31).

23. DEFERRED TAX

Deferred tax has been provided for, using the liability method, at the rate of 16% (2001: 16%) on the significant timing differences between the taxable profits and profits reported in the financial statements.

The movement in the Group's deferred tax liabilities is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**1,482**	1,482
Amount crystallised during the year *(note 9)*	**(835)**	—
At 31 December	**647**	1,482

The principal components of the Group's provision for deferred tax liabilities are primarily related to accelerated depreciation allowance.

The revaluation of the Group's fixed assets does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to Financial Statements *(continued)*

31 December 2002

24. SHARE CAPITAL

Shares

	Group 2002 HK$'000	Group 2001 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
777,780,000 (2001: 788,906,000) ordinary shares of HK$0.10 each	**77,778**	78,891

During the year, the Company repurchased a total number of 11,126,000 of its own ordinary shares, at prices ranging from HK$0.69 to HK$1.05 per share through The Stock Exchange of Hong Kong Limited pursuant to the Company's share repurchase mandate granted on 4 June 2002. Details of the repurchases are as follows:

Month	Number of shares repurchased	Highest price HK$	Lowest price HK$	Total consideration HK$'000
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
July 2002	2,036,000	0.95	0.82	1,849
August 2002	924,000	0.90	0.81	778
September 2002	930,000	0.79	0.75	714
October 2002	1,214,000	0.78	0.69	882
November 2002	1,608,000	0.80	0.72	1,241
December 2002	532,000	0.81	0.77	421
	11,126,000			9,646

The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. An amount equivalent to the nominal value of the shares repurchased was transferred from the retained profits of the Company to the capital redemption reserve. The premium payable on the repurchases was charged against the Company's share premium account in accordance with the provisions of the Companies Law (2000 revision) of the Cayman Islands.

Notes to Financial Statements *(continued)*

31 December 2002

25. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors, including independent non-executive directors, and employees of the Company and any of its subsidiaries and associates. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Subsequent to the adoption of the Scheme on 5 October 1997, the Stock Exchange has introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1 September 2001, since then no share options have been granted under the Scheme. However, any option to be granted in the future under the Scheme shall be subject to the new changes which include, inter alia, the following:

(a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and

(c) the exercise price of share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

The Company does not intend to amend the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes. However, the Company shall ensure that future grants of share options shall comply with such requirements.

Under the existing Scheme, the maximum number of share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date of grant. As at 31 December 2002, the number of shares issuable under share options granted under the Scheme was 20,000,000, which represented 2.6% of the Company's shares in issue as at that date. The maximum number of share options issuable to each eligible participant in the Scheme is an amount equivalent to 25% of the total number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted in writing within 30 days from the date of offer and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options commences on the date after six months from the date of grant and ends on the fifth anniversary of the date of grant, subject to certain cessation provisions.

Notes to Financial Statements *(continued)*

31 December 2002

25. SHARE OPTION SCHEME *(continued)*

The exercise price for shares under the share option scheme shall be the higher of (i) 80% of the average of the closing prices of the Company's shares on the Stock Exchange as dated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date of offer; and (ii) the nominal value of the Company's shares.

The outstanding share options granted under the Scheme are summarised below:

Name or category of participant	At 1 January 2002	Lapsed during the year	At 31 December 2002	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options outstanding at 31 December 2002
KOO Cheng Yun, Leslie	13,000,000	(6,000,000)	7,000,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
WU Yih Chin	6,300,000	(1,800,000)	4,500,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
TSAO Jas Yee, James	1,000,000	—	1,000,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
CHIANG Cheng Hsiung	7,000,000	(4,000,000)	3,000,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
CHEN Chi Hsiung	4,500,000	(2,000,000)	2,500,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
	31,800,000	(13,800,000)	18,000,000			
Other employees	2,000,000	—	2,000,000	11 April 2000	1.6504	11 October 2000 to 10 April 2005
Total	33,800,000	(13,800,000)	20,000,000			

At 31 December 2002, the Company had 20,000,000 share options outstanding under the Scheme, with an exercise period from 11 October 2000 to 10 April 2005, both dates inclusive, at an exercise prices of HK$1.6504. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 20,000,000 additional shares of HK$0.10 each and proceeds (before expenses) of approximately HK$33,008,000. No options were exercised or granted during the year.

Notes to Financial Statements *(continued)*

31 December 2002

25. SHARE OPTION SCHEME *(continued)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

No theoretical value for the share options is disclosed as no share options were granted during the year.

26. RESERVES

Group

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill *HK$'000* (Restated)	Property revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2001	1,188,222	208,263	—	980	(611,613)	14,337	(53,748)	(120,072)	626,369
Capital reserve arising from									
deemed disposal of an associate	—	—	313	—	—	—	—	(313)	—
Repurchase of shares	(12,847)	—	—	1,099	—	—	—	(1,099)	(12,847)
Deficit on revaluation	—	—	—	—	—	(1,115)	—	—	(1,115)
Exchange realignment on translation									
of the financial statements of:									
- overseas subsidiaries*	—	—	—	—	—	—	(5,525)	—	(5,525)
- overseas associates	—	—	—	—	—	—	(32,394)	—	(32,394)
- released on deemed disposal	—	—	—	—	9,156	—	922	—	10,078
Profit for the year	—	—	—	—	—	—	—	96,561	96,561
Transferred to capital reserves	—	—	1,763	—	—	—	—	(1,763)	—
Overprovision for prior year's									
dividend - *Note 11*	—	—	—	—	—	—	—	94	94
2001 interim dividend - *Note 11*	(15,869)	—	—	—	—	—	—	—	(15,869)
2001 final dividend proposed									
- *Note 11*	(15,739)	—	—	—	—	—	—	—	(15,739)
At 31 December 2001	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	649,613

Notes to Financial Statements *(continued)*

31 December 2002

26. RESERVES *(continued)*

Group *(continued)*

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Goodwill HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At beginning of year	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	649,613
Repurchase of shares	(8,533)	—	—	1,113	—	—	—	(1,113)	(8,533)
Surplus on revaluation	—	—	—	—	—	588	—	—	588
Exchange realignment on translation of the financial statements of overseas subsidiaries*	—	—	—	—	—	—	(1,337)	—	(1,337)
Exchange fluctuation reserve released on reclassification of an associate to investment securities	—	—	—	—	—	—	37,762	—	37,762
Loss for the year	—	—	—	—	—	—	—	(584,636)	(584,636)
Provision for impairment of goodwill and exchange fluctuation reserve of an associate	—	—	—	—	602,457	—	32,495	—	634,952
2002 interim dividend - *Note 11*	(11,731)	—	—	—	—	—	—	—	(11,731)
Overprovision for 2002 interim dividend - *Note 11*	22	—	—	—	—	—	—	—	22
At 31 December 2002	**1,123,525**	**208,263**	**2,076**	**3,192**	**—**	**13,810**	**(21,825)**	**(612,341)**	**716,700**

* *Included in the exchange realignment on translation of the financial statements of overseas subsidiaries is a loss of HK$1,880,000 (2001: HK$1,880,000) representing the exchange differences arising on translation of an amount due from a subsidiary of which a substantial portion is not repayable in the foreseeable future and, in the opinion of the directors, is part of the Company's net investment in the enterprise and is therefore accounted for as a movement in the exchange fluctuation reserve during the year (see note 16).*

Notes to Financial Statements *(continued)*

31 December 2002

26. RESERVES *(continued)*

Group *(continued)*

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Goodwill HK$'000 (Restated)	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Reserves retained by:									
Company and subsidiaries	1,123,525	208,263	313	3,192	—	13,810	(21,825)	(734,456)	592,822
Associates	—	—	1,763	—	—	—	—	122,115	123,878
31 December 2002	1,123,525	208,263	2,076	3,192	—	13,810	(21,825)	(612,341)	716,700
Company and subsidiaries	1,143,767	208,263	313	2,079	(602,457)	13,222	(22,982)	(136,325)	605,880
Associates	—	—	1,763	—	—	—	(67,763)	109,733	43,733
31 December 2001	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	649,613

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001	1,188,222	264,585	980	(395,046)	1,058,741
Repurchase of shares	(12,847)	—	1,099	(1,099)	(12,847)
Profit for the year	—	—	—	941	941
Overprovision for prior year's dividend	—	—	—	94	94
2001 interim dividend - *Note 11*	(15,869)	—	—	—	(15,869)
2001 final dividend proposed - *Note 11*	(15,739)	—	—	—	(15,739)
At 31 December 2001 and at 1 January 2002	1,143,767	264,585	2,079	(395,110)	1,015,321
Repurchase of shares	(8,533)	—	1,113	(1,113)	(8,533)
Loss for the year	—	—	—	(278,446)	(278,446)
2002 interim dividend - *Note 11*	(11,731)	—	—	—	(11,731)
Overprovision for 2002 interim dividend - *Note 11*	22	—	—	—	22
At 31 December 2002	1,123,525	264,585	3,192	(674,669)	716,633

Notes to Financial Statements *(continued)*

31 December 2002

26. RESERVES *(continued)*

Company *(continued)*

The contributed surplus of the Group represents the difference between the fair value of the combined net asset values of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the "Relevant Business"), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation and the assets, liabilities and undertakings which relate to the Relevant Business, when they were acquired by the Company pursuant to the Group reorganisation on the date of reorganisation, and the nominal value of the Company's shares issued.

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium and contributed surplus accounts are distributable to the shareholders of the Company under certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes are now included in cash flows from operating activities, interest received is now included in cash flows from investing activities, and interest paid and dividends paid are now included in cash flows from financing activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

Notes to Financial Statements *(continued)*

31 December 2002

28. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees in respect of banking facilities granted to:				
Wholly-owned subsidiaries	**—**	—	**145,000**	187,900
Non wholly-owned subsidiary	**—**	—	**—**	53,280
	—	—	**145,000**	241,180

Details of the corporate guarantees given by the Company to banks in securing banking facilities granted to the subsidiaries, and the amounts utilised are as follows:

	Guarantees given by the Company		Utilised as at the balance sheet date	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Cement Company Limited	**145,000**	145,000	**140,000**	125,000
Dragon Pride International Limited	**—**	15,000	**—**	15,000
TCC Cement Corporation	**—**	27,900	**—**	7,896
	145,000	187,900	**140,000**	147,896

Notes to Financial Statements *(continued)*

31 December 2002

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group and the Company leases two industrial buildings under operating lease arrangements from a fellow subsidiary and a related company. Leases for properties are negotiated for terms of 30 years. Details of the terms of these leases are set out in note 31(A)(ii) and (iii).

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**14,357**	8,338	**4,800**	4,800
In the second to fifth years, inclusive	**32,160**	32,461	**19,200**	19,200
After five years	**142,120**	150,093	**94,600**	99,333
	188,637	190,892	**118,600**	123,333

30. CAPITAL COMMITMENTS

In addition to the operating lease arrangements detailed in note 29 above, the Group had the following commitments at the balance sheet date as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Capital commitments in respect of:		
- purchase of fixed assets	**43,465**	—
- acquisition of land use rights for the construction of cement terminals	**7,025**	—

During the year ended 31 December 2002, two wholly-foreign-owned subsidiaries were incorporated in Mainland China. The Group's contribution payable for the registered capital of these subsidiaries amounted to HK$99,450,000 as at the balance sheet date.

The Company had no significant commitments at the balance sheet date (2001: Nil).

Notes to Financial Statements *(continued)*

31 December 2002

31. RELATED PARTY TRANSACTIONS

In addition to the transactions set out elsewhere in these financial statements, during the year, the Group entered into the following material related party transactions.

A. Transactions of a recurring nature

Transactions (i) to (iii) also constituted connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

		Group	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Purchases of cement from the ultimate holding company	*(i)*	**84,990**	315,051
Rental expenses paid to a fellow subsidiary	*(ii)*	**4,800**	5,133
Rental expenses paid to a related company*	*(iii)*	**3,240**	2,955
Sales of cement to an associate	*(iv)*	**83,116**	86,136

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

Notes:

(i) The directors consider that the 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.

The prices charged by the ultimate holding company in respect of shipments to Hong Kong fell within 2.5% of the benchmark prices, being the weighted average price per tonne of cement calculated by reference to prices of imports from Taiwan or Japan into Hong Kong provided by the Census & Statistics Department of the Hong Kong Government Special Administrative Region, with reference to the respective countries of origin of the cement supplied by the ultimate holding company.

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.

The balance due to the ultimate holding company in respect of cement supplies as at 31 December 2002 amounted to HK$26,838,000 (2001: HK$29,372,000) (see note 22).

Notes to Financial Statements *(continued)*

31 December 2002

31. RELATED PARTY TRANSACTIONS *(continued)*

A. Transactions of a recurring nature *(continued)*

Notes: (continued)

(ii) The rental expenses related to leasehold land in Hong Kong on which an industrial building of the Group is located (see note 13). The monthly rentals of HK$440,000 for the period from 1 January 2001 to 10 September 2001 and HK$400,000 thereafter were based on a market rental valuation provided by an independent professional valuer in 2001. 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 (2001: HK$800,000) was paid to the fellow subsidiary (see note 15).

(iii) The rental expenses related to a freehold land in the Philippines on which an industrial building of the Group is located (see note 13). The monthly rentals of Pesos 1,500,000 for the period from 1 January 2001 to 31 August 2001 and Pesos 1,800,000 thereafter were based on a market rental valuation provided by an independent professional valuer in 2001. 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) was paid to this related company (see note 15).

(iv) The 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 31 December 2002 was HK$17,672,000 (2001: HK$6,981,000) (see note 19).

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 corporate guarantees to banks in favour of certain of its subsidiaries in securing banking facilities available to these companies.

The corporate guarantee granted to non wholly-owned subsidiaries is in proportion to the Group's shareholding interest therein. Further details are set out in note 28 to the financial statements.

Notes to Financial Statements *(continued)*

31 December 2002

32. POST BALANCE SHEET EVENTS

In addition to events disclosed in note 21 to the financial statements, subsequent to the balance sheet date on 11 March 2003, the Group, through a 70% owned subsidiary, entered into a joint venture agreement with a third party to set up an equity joint venture in the Guangxi Province of Mainland China. The joint venture will be engaged in the production of slag powder and the total investment amounted to US$15,000,000. The capital contribution of that subsidiary payable to the joint venture amounted to US$4,800,000, representing 60% equity interest in the joint venture.

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2003.