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 2003, 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	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
Turnover	2	**125,169**	145,204
Cost of sales		**(92,178)**	(105,577)
Gross profit		**32,991**	39,627
Other revenue and gains		**8,699**	8,591
Selling and distribution expenses		**(5,592)**	(5,658)
General and administrative expenses		**(8,488)**	(8,939)
Other operating expenses		**(2,719)**	(2,719)
Profit from operating activities	2,3	**24,891**	30,902
Finance costs		**(6,377)**	(8,111)
Share of profits less losses of associates		**5,233**	26,138
Profit before tax		**23,747**	48,929
Tax	4		
Group		**(2,740)**	(3,111)
Associates		**(467)**	(6,112)
		(3,207)	(9,223)
Profit before minority interests		**20,540**	39,706
Minority interests		**(473)**	(2,635)
Net profit from ordinary activities attributable to shareholders		**20,067**	37,071
Dividend	5	**—**	11,731
Earnings per share	6		
— Basic		**2.6 cents**	4.7 cents
— Diluted		**N/A**	4.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2003 HK$'000 (Unaudited)**	31 December 2002 HK$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		**272,695**	240,644
Goodwill		**2,849**	3,925
Rental deposits	7	**1,948**	1,948
Interests in associates		**119,422**	145,394
Investment securities		**813,414**	813,414
		1,210,328	1,205,325
CURRENT ASSETS			
Inventories		**16,248**	8,671
Prepayments, deposits and other receivables		**18,531**	17,963
Trade receivables	8	**42,071**	41,069
Short term investments		**95,070**	89,779
Time deposits		**15,026**	17,000
Cash and bank balances		**26,801**	35,312
		213,747	209,794
CURRENT LIABILITIES			
Bank loans	9	**285,652**	175,019
Trade payables	10	**34,910**	37,364
Other payables and accrued liabilities		**26,206**	23,736
Unclaimed dividend		**728**	731
Tax payable		**10,705**	7,994
		358,201	244,844
NET CURRENT LIABILITIES		**(144,454)**	(35,050)

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	**30 June 2003** **HK$'000** **(Unaudited)**	31 December 2002 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,065,874**	1,170,275
NON-CURRENT LIABILITIES			
Deferred tax		**647**	647
Long term bank loans	9	**189,150**	306,650
		189,797	307,297
MINORITY INTERESTS		**64,472**	68,500
		811,605	794,478
CAPITAL AND RESERVES			
Share capital		**77,410**	77,778
Reserves		**734,195**	716,700
		811,605	794,478

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium account	Contributed surplus	Capital reserve	Capital redemption reserve	Goodwill	Property revaluation reserve	Exchange fluctuation reserve	Retained profits/ accumulated 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 2002	78,891	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	15,739	744,243
Exchange realignment on translation of the financial statements of:											
- overseas subsidiaries	–	–	–	–	–	–	–	1,846	–	–	1,846
- overseas associates	–	–	–	–	–	–	–	37,762	–	–	37,762
Net gains and losses not recognised in the profit and loss account	–	–	–	–	–	–	–	39,608	–	–	39,608
Net profit for the period	–	–	–	–	–	–	–	–	37,071	–	37,071
Repurchases of shares	(388)	(3,373)	–	–	388	–	–	–	(388)	–	(3,761)
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
At 1 January 2003	77,778	1,123,525	208,263	2,076	3,192	–	13,810	(21,825)	(612,341)	–	794,478
Exchange realignment on translation of the financial statements of overseas subsidiaries	–	–	–	–	–	–	–	(244)	–	–	(244)
Net gains and losses not recognised in the profit and loss account	–	–	–	–	–	–	–	(244)	–	–	(244)
Net profit for the period	–	–	–	–	–	–	–	–	20,067	–	20,067
Repurchases of shares	(368)	(2,328)	–	–	368	–	–	–	(368)	–	(2,696)
At 30 June 2003	77,410	1,121,197	208,263	2,076	3,560	–	13,810	(22,069)	(592,642)	–	811,605

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash inflow from operating activities	**21,180**	1,980
Net cash inflow/(outflow) from investing activities	**(15,725)**	9,170
Net cash outflow from financing activities	**(15,940)**	(53,335)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,485)**	(42,185)
Cash and cash equivalents at beginning of the period	**52,312**	64,102
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**41,827**	21,917
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**26,801**	19,310
Time deposits with original maturity of less than three months when placed	**15,026**	2,607
	41,827	21,917

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 2002, except the following revised SSAP which has been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 12 (Revised): "Income taxes"

A summary of its major effects is as follows:

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact on these condensed consolidated financial statements.

2. Segment information

Business segments

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

	Import, distribution and handling of cement Six months ended 30 June		Manufacturing and distribution of cement and slag powder Six months ended 30 June		Production and distribution of ready-mixed concrete Six months ended 30 June		Provision of cellular telecommunication services Six months ended 30 June		Investment holding Six months ended 30 June		Others Six months ended 30 June		Consolidated Six months ended 30 June	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**95,288**	110,422	**29,881**	33,891	**–**	–	**–**	–	**–**	–	**–**	891	**125,169**	145,204
Other revenue	**2,897**	2,445	**30**	63	**–**	–	**–**	–	**4,252**	5,231	**–**	1	**7,179**	7,740
Total revenue	**98,185**	112,867	**29,911**	33,954	**–**	–	**–**	–	**4,252**	5,231	**–**	892	**132,348**	152,944
Segment results	**24,762**	29,484	**(1,928)**	2,781	**–**	–	**–**	–	**537**	434	**–**	(2,648)	**23,371**	30,051
Interest income, dividend income and unallocated gains													**1,520**	851
Profit from operating activities													**24,891**	30,902
Finance costs													**(6,377)**	(8,111)
Share of profits less losses of associates	**–**	–	**–**	–	**5,233**	19,100	**–**	7,038	**–**	–	**–**	–	**5,233**	26,138
Profit before tax													**23,747**	48,929
Tax	**(2,740)**	(3,111)	**–**	–	**(467)**	(3,374)	**–**	(2,738)	**–**	–	**–**	–	**(3,207)**	(9,223)
Minority interests													**(473)**	(2,635)
Net profit from ordinary activities attributable to shareholders													**20,067**	37,071

2. Segment information (Continued)

Geographical segments

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

	Hong Kong Six months ended 30 June		Mainland China Six months ended 30 June		Philippines Six months ended 30 June		Taiwan Six months ended 30 June		Consolidated Six months ended 30 June	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**83,588**	97,748	**29,881**	33,891	**11,700**	12,674	**–**	891	**125,169**	145,204
Other revenue	**6,827**	7,519	**30**	63	**322**	157	**–**	1	**7,179**	7,740
Total revenue	**90,415**	105,267	**29,911**	33,954	**12,022**	12,831	**–**	892	**132,348**	152,944
Segment results	**17,817**	20,710	**(1,928)**	2,781	**7,482**	9,208	**–**	(2,648)	**23,371**	30,051

3. Profit from operating activities

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

	Six months ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Depreciation	**8,749**	8,758
Amortisation of goodwill on acquisition of a subsidiary and associates	**2,719**	2,719
Gain on disposal of short term investments	**(30)**	(23)
Unrealised gain on short term investments	**(4,253)**	(3,608)
Dividend income from a listed investment	**(110)**	(16)
Dividend income from an unlisted investment	**(1,250)**	(625)

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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	
	2003	2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interim dividend of HK$ nil per share (2002: HK1.5 cents per share)	—	11,731

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$20,067,000 (2002: HK$37,071,000) and the weighted average of 776,869,085 (2002: 787,045,697) shares in issue during the period.

Diluted earnings per share has not been presented for the current period as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period.

The calculation of the prior period's diluted earnings per share was based on the net profit from ordinary activities attributable to shareholders for that period of HK$37,071,000 and the weighted average of 787,045,697 shares in issue during that period, as used in the basic earnings per share calculation, plus 6,316 dilutive ordinary shares assumed to have been issued for no consideration on the deemed exercise of share options throughout that period.

7. Rental deposits

Included in rental deposits were HK$800,000 (31 December 2002: 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 2002: 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 13).

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 2003 *HK$'000* ***(Unaudited)***	31 December 2002 *HK$'000* *(Audited)*
Less than 90 days	**35,283**	40,275
91-180 days	**6,495**	376
Over 180 days	**293**	418
Total	**42,071**	41,069

As at 30 June 2003, trade receivables of the Group included a trade balance due from an associate of HK$22,619,000 (31 December 2002: HK$17,672,000) which is unsecured, interest-free and repayable in accordance with normal trading terms (see note 13).

9. Bank loans

	30 June 2003	31 December 2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Short term bank loans	**230,652**	175,019
Long term bank loans repayable:		
Within one year	**55,000**	—
Within two to five years	**189,150**	306,650
	474,802	481,669
Portion classified as current liabilities	**(285,652)**	(175,019)
Long term portion	**189,150**	306,650

Bank loans amounting to HK$22,430,000 (31 December 2002: HK$26,169,000) were secured by a pledge of certain of the Group's fixed assets with a net book value of approximately HK$45,639,000 (31 December 2002: HK$47,289,000).

A bank loan of HK$15,504,000 (31 December 2002: HK$22,500,000) was unsecured. 7,000,000 shares of KOOS Venture Capital Co., Ltd. and 9,600,000 shares of KG Telecommunications Co., Ltd were under the bank's custody in respect of this loan.

10. Trade payables

	30 June 2003	31 December 2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Less than 90 days	**34,066**	31,940
91-180 days	**20**	5,218
Over 180 days	**824**	206
Total	**34,910**	37,364

At 30 June 2003, trade payables of the Group included a trade balance due to the ultimate holding company of the Group of HK$29,983,000 (31 December 2002: HK$26,838,000) 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 (see note 13).

11. Contingent liabilities

The Group did not have any significant contingent liabilities as at the balance sheet date (31 December 2002: Nil).

12. Capital commitments

	30 June 2003	31 December 2002
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Purchase of fixed assets	**47,319**	43,465
Acquisition of land use rights for the construction of cement terminals	**7,025**	7,025
	54,344	50,490

The Group's contribution payable for the registered capital of two wholly-foreign-owned subsidiaries incorporated in Mainland China amounted to HK$77,220,000 as at 30 June 2003 (31 December 2002: HK$99,450,000).

13. Related party transactions

A. Transactions of a recurring nature

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

		Six months ended 30 June	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
Purchases of cement from the ultimate holding company	(i)	**51,286**	44,892
Rental expenses paid to a fellow subsidiary	(ii)	**2,400**	2,400
Rental expenses paid to a related company*	(iii)	**1,620**	1,620
Sales of cement to an associate	(iv)	**34,275**	42,860

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

13. Related party transactions (Continued)

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

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 2003, the prices charged by the ultimate holding company in respect of shipments to Hong Kong did not exceed 2.5% over 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 2003, 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 2003 amounted to HK$29,983,000 (31 December 2002: HK$26,838,000) (see note 10).

(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 2002: HK$400,000) 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 (31 December 2002: HK$800,000) was paid to the fellow subsidiary (see note 7).

13. **Related party transactions** (Continued)

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

Notes: (Continued)

(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 2002: Pesos 1,800,000) 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) (31 December 2002: 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 2003 was HK$22,619,000 (31 December 2002: HK$17,672,000) (see note 8).

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. **Comparative amounts**

Other revenue and gains of HK$11,700,000 and general and administrative expenses of HK$4,159,000 for the prior period have been reclassified as turnover and cost of sales, respectively. In the opinion of the directors, reclassification of these comparative amounts reflects the Group's operations in a more appropriate manner.

15. **Approval of the interim financial statements**

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 15 September 2003.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2003 to retain surplus funds of the Group for future development.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations review

Overall results

For the six months ended 30 June 2003, the unaudited consolidated turnover was HK$125.2 million, reducing by 13.8% from the corresponding period in 2002 mainly due to the further reduction of selling prices of Group's cement operations in Hong Kong. Though facing difficult operating conditions, the Group was able to achieve a profit of HK$24.9 million from operating activities, reducing only by 19.5% from the corresponding period in 2002. The Group's net profit attributable to shareholders during the period was HK$20.1 million, representing a fall of 45.9% from the prior period.

Hong Kong

The Group's construction materials businesses in Hong Kong continued to operate in a highly challenging environment during the period under review. Although market cement consumption decreased, the Group's cement distribution business in Hong Kong was able to keep the decline in sales volume narrower than that of market consumption, while it experienced considerable pressure in reducing selling prices, only mitigated by a reduction of import cost of cement since the beginning of the period. The sluggishness of construction activities in the private and public sectors which persisted in the period had caused a contraction in the demand for concrete and a considerable reduction of its selling prices, and consequently the Group's ready-mixed concrete businesses carried on by the Group's associates contributed a significantly lower profit to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operations review (Continued)

Mainland China

Anhui King Bridge Cement Co., Ltd. ("AKB"), the Group's 60%-owned subsidiary which operates a cement and slag powder grinding plant in Wuhu, continued to contribute positive earnings to the Group. During the period, selling prices of slag powder showed a rising trend while purchase cost of slag also increased.

Construction of the Group's cement grinding plant and related berth facilities in Fuzhou, Fujian Province are in progress and are expected to be completed by the second quarter of 2004. The cement grinding plant will have an annual production capacity of 1.5 million tonnes, and the related berth can handle vessels with tonnage up to a maximum of 25,000 tonnes. The Directors are confident that this operation will become a major source of profit in the coming years.

In March 2003, the Group entered into an agreement with Guangxi Liuzhou Steel (Group) Corporation, one of the major enterprises in Guangxi Province, to establish slag powder grinding plant with an annual production capacity of 800,000 metric tonnes. The construction of the plant is expected to be completed by the end of 2004.

The Philippines

The Group possesses cement distribution facilities in Manila and renders cement handling services. During the period under review, the Philippine operation continued to produce a steady stream of income to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Other significant investments held

The Group's minority interest in NASDAQ-listed Gigamedia Limited was disposed of shortly after the end of the current period at a profit and generated cash inflow of approximately HK$2.4 million.

The Group has a 5.1% 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 2003, the Group was holding highly liquid short term investments with an aggregate market value of HK$95.1 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$30,000 and HK$4.3 million, respectively.

Prospects

The slow-down of construction activities in Hong Kong is expected to continue towards the second half of the year, but there are signs of stabilisation of selling prices of construction materials. The Directors believe that the Group's construction materials businesses in Hong Kong will remain profitable.

The Group is accelerating its pace of investment expansion in Mainland China. It has business presence in Wuhu and, through its associates, in Guangzhou, Shunde, Beijing and Shenyang, as well as projects in progress in Fuzhou and Liuzhou. The Directors are actively searching for suitable locations and reputable business partners for setting up cement, slag powder and concrete manufacturing plants in southern China such as the provinces of Guangdong, Guangxi and Fujian, where there is a high growth potential.

The Group is about to acquire an existing cement manufacturing plant in Yingde, Guangdong Province, which has convenient access to the Pearl River Delta by river transport, highways and railway. This plant is located in the vicinity of extensive limestone sources as well as available land for setting up additional cement production lines and, accordingly, the Group intends to convert this area into a large-scale cement manufacturing base. The acquisition is an important step in implementing the Group's plan to achieve an aggregate annual production capacity in cement and slag powder of 10 million metric tonnes by 2008.

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 2003 amounted to HK$41.8 million, of which 98.8% are denominated in either HK$, US$ or RMB and the rest are denominated in NT$ and Philippine pesos.

Highly liquid short term investments with a market value of HK$95.1 million as at 30 June 2003 were also held by the Group.

The maturity profile of the Group's bank loans as at 30 June 2003 together with the comparative figures as at 31 December 2002 is analysed below:

	30 June 2003 *HK$'000*	31 December 2002 *HK$'000*
Short term bank loans	**230,652**	175,019
Long term bank loans repayable:		
Within one year	**55,000**	—
Within two to five years	**189,150**	306,650
Total bank loans	**474,802**	481,669

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, financial resources and capital structure (Continued)

Out of the bank loans as at 30 June 2003, HK$433.0 million are denominated in HK$, HK$3.9 million in US$, HK$15.5 million in NT$ and HK$22.4 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$22.4 million which were secured by a pledge of certain of the Group's fixed assets with a net book value of HK$45.6 million, none of the bank loans as at 30 June 2003 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 2003 was 33.3%. 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 2003.

Employees

As at 30 June 2003, the Group had 116 full-time employees. Total wages and salaries of the Group for the six months then ended amounted to HK$5.2 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. During the period, no share options were granted to any director or employee of the Group. As at 30 June 2003, 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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

At 30 June 2003, the interests and short positions of the directors, supervisors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies 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	1,720,000
HUI-BON-HOA Khien Piau, Pierre	Personal	5,680,000

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

Interests in associated corporations

(i) *Taiwan Cement Corporation **

Name of director	Number of shares Personal interests	Family interests	Corporate interests	Total
KOO Cheng Yun, Leslie	21,560,586	83 *(Note 1)*	24,143,380 *(Note 2)*	45,704,049
WU Yih Chin	213,919	—	—	213,919
CHIANG Cheng Hsiung	491,887	30,592 *(Note 1)*	—	522,479
CHEN Chi Hsiung	323,987	17,215	—	341,202
LIAO Poon Huai, Donald	487,576	626,399 *(Note 1)*	—	1,113,975

(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	991
CHIANG Cheng Hsiung	Personal	21,991

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

Interests in associated corporations (Continued)

(iv) *Archtek Telecom Corporation ***

Name of director	Nature of interest	Number of shares
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 ***

	Number of shares			
Name of director	Personal interests	Family interests	Corporate interests	Total
CHIANG Cheng Hsiung	45,360	102,722 *(Note 1)*	—	148,082
CHEN Chi Hsiung	16,114	16,114 *(Note 1)*	—	32,228

* *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 24,143,380 shares of Taiwan Cement Corporation.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

All the interests above represent long positions in the shares of the Company and its associated corporations.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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 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 rules.

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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (Continued)

Details of options granted to the directors, supervisors and chief executives of the Company and their associates under the Scheme and outstanding as at 30 June 2003 are as follows:

KOO Cheng Yun, Leslie	**7,000,000**
WU Yih Chin	**4,500,000**
TSAO Jas Yee, James	**1,000,000**
CHIANG Cheng Hsiung	**3,000,000**
CHEN Chi Hsiung	**2,500,000**
	18,000,000

No share options were granted to or exercised by the directors or lapsed for the six months ended 30 June 2003.

The share options were granted on 11 April 2000 and 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.

Apart from the foregoing, at no time during the period was the Company, its holding companies, or any of its subsidiaries and fellow 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.

Save as disclosed above, none of the directors, supervisors and chief executives of the Company or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following interests or short positions of 5% or more in the shares or underlying shares of the Company were recorded in the register kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage of issued shares
TCC International Limited	523,168,000	67.58
Taiwan Cement Corporation*	523,168,000	67.58

* *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.*

The interests described above represent long positions in the shares of the Company.

Save as disclosed above, the Company was not aware of any other person (other than the directors, supervisors or chief executives of the Company) who has an interest or short position in the shares or underlying shares of the Company as at 30 June 2003 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the SFO or was required to be recorded under Section 336 of the SFO.

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 2003 pursuant to the Company's share repurchase mandate are as follows:

	Number of shares	Highest price	Lowest price	Total consideration
		HK$	*HK$*	*HK$'000*
January 2003	690,000	0.82	0.77	553
February 2003	434,000	0.81	0.78	345
March 2003	430,000	0.78	0.73	328
April 2003	880,000	0.68	0.66	590
May 2003	1,250,000	0.75	0.66	880
	3,684,000			2,696

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 2003.

PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the following disclosures are included in respect of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to a loan agreement dated 20 January 2003 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.

PRACTICE NOTE 19 OF THE LISTING RULES (Continued)

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.

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 during the period covered by this interim report. 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 2003.

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

15 September 2003