


## Chairman's Statement



I would like to report that the consolidated turnover of TCC International Holdings Limited and its subsidiaries for the year ended 31 December 2002 was HK\$277.2 million, reducing by 58.7% from the previous year, mainly due to the change of mode of the Group's Philippine operations. Profit from operating activities for the year amounted to HK\$45.3 million, as compared to HK\$80.0 million for the previous year. A provision for impairment of goodwill and exchange fluctuation reserve of HK\$635.0 million, already fully written off against reserves in prior years and hence having no impact on the Group's shareholders' equity, was made in the consolidated income statement against the Group's investment in KG

Telecommunications Co., Ltd., in compliance with current accounting standards in Hong Kong, bringing the net loss from ordinary activities attributable to shareholders of HK\$584.6 million, against the comparative net profit of HK\$96.6 million for the previous year. Excluding the effect of the provision for impairment, the net profit for the year would have been HK\$50.3 million.

An interim dividend of HK1.5 cents per share for the year was paid on 18 October 2002. The Board of Directors does not recommend the payment of a final dividend for the year.

**Koo Cheng Yun, Leslie**  
Chairman

### Review and prospects of the Group's existing businesses

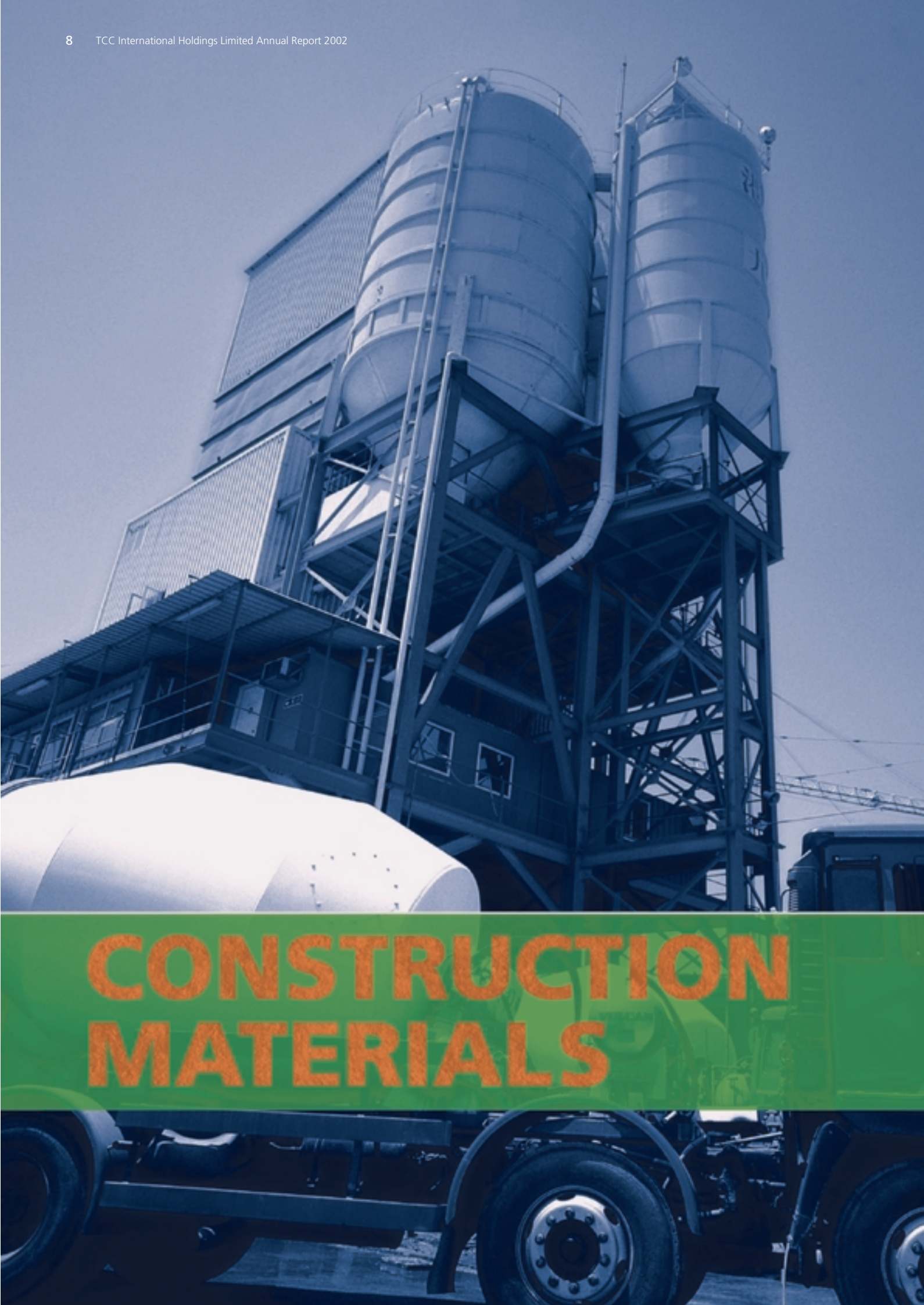
- The Group's cement distribution operation in Hong Kong and associates carrying on ready-mixed concrete businesses remained profitable for the year under review, though both experienced substantial reduction in selling prices. The slow-down of the construction activities in housing sectors and infrastructure projects is expected to continue, while reduction of import cost of cement from the beginning of 2003 will partially offset the effect of the further decreases in selling prices.
- Anhui King Bridge Cement Co. Ltd., the Group's 60%-owned subsidiary which operates a cement and slag powder grinding mill in Wuhu, started to produce positive earnings since October 2001 and achieved outstanding results in profit in 2002. Growth in sales and production volumes from the previous year exceeded 50% due to improvements in productivity and distribution channels.
- Two wholly-owned subsidiaries were established in May 2002 to set up a cement grinding mill in Fuzhou, Fujian Province which will have an annual production capacity of 1.5 million metric tonnes, together with a related berth which can handle vessels with tonnage up to a maximum of 25,000 metric tonnes. The construction of these facilities has already started and is expected to be completed by the first quarter of 2004.
- The significant fluctuation of exchange rate as well as more stringent barriers on cement imports triggered a change in the Group's operations in the Philippines from import and distribution of cement to rendering of cement handling services since the beginning of 2002, and it produced a steady stream of cash inflow and profit to the Group.

- As the Group is to direct its focus on construction materials businesses, the Group ceased to account for its 9.87% equity interest in KG Telecommunications Co., Ltd. ("KGT") as an associate with effect from September 2002 following the resignation of the director of KGT which the Group nominated. The provision for impairment of HK\$635.0 million mentioned above was related to the goodwill and exchange fluctuation reserve arising from the Group's investment in KGT.

Being the flagship investment vehicle of Taiwan Cement Corporation, the Group has continued to explore new investment opportunities and its emphasis is on construction materials businesses in Mainland China. On 11 March 2003, the Group entered into a joint venture agreement with Guangxi Liuzhou Steel (Group) Corporation, one of the major enterprises in Guangxi Province, for the establishment of a joint venture, in which the Group's subsidiary has a 60% interest, to construct a slag powder grinding mill with an annual production capacity of 800,000 metric tonnes. In addition, we are actively searching for suitable locations and reputable business partners for setting up cement and slag powder manufacturing plants in southern China, which is considered to have the highest growth potential. The Group plans to achieve an aggregate annual production capacity in cement and slag powder of 10 million metric tonnes within 5 years.

### Acknowledgement

On behalf of the Board of Directors, I 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 year.



# CONSTRUCTION MATERIALS