

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 2003 was HK\$253.2 million, reducing by 8.7% from the previous year, mainly due to the decline in sales revenue from the Group's cement distribution in Hong Kong. The Group achieved an encouraging operating profit HK\$81.8 million for the year, representing a 80.5% increment as compared to HK\$45.3 million for the previous year. Net profit from ordinary activities attributable to shareholders for the year was HK\$60.0 million while a loss of HK\$584.6 million was recorded in the prior year due to a provision for impairment of goodwill and exchange fluctuation reserve of HK\$635.0 million against the Group's investment in KG Telecommunications Co., Ltd.

The Board of Directors did not declare the payment of any interim dividend for the year. Accordingly, a final dividend of HK 2.5 cents per share is recommended to be paid for the year, representing an increase in total dividend by HK 1 cent per share from the previous 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 ready-mixed concrete businesses carried on by the Group's associates remained profitable amidst a highly challenging operating environment. The sluggishness of construction activities in the residential sectors caused a fall in demand and selling prices of construction materials.
- Anhui King Bridge Cement Co. Ltd., the Group's 60%-owned subsidiary which operates a cement and slag powder grinding mill in Wuhu, achieved outstanding results for the year with an increase in demand and selling prices for slag powder.
- The Group's wholly-owned cement grinding mill in Fuzhou, Fujian Province, with an annual production capacity of 1.5 million metric tonnes, and related berth facilities are being constructed and are expected to be completed by the third quarter of 2004. The cement market in Fuzhou and its adjacent areas looks promising in terms of consumption and selling prices, and we expect our Fuzhou operation to perform well when it commences business.
- The Group's joint venture with Guangxi Liuzhou Steel (Group) Corporation, in which the Group's subsidiary has a 60% equity interest, is constructing a slag powder grinding mill with an annual production capacity of 700,000 metric tonnes. Commercial production of this joint venture is expected to commence in the first quarter of 2005.
- The cement manufacturing plant in Yingde, acquired at the end of 2003, has convenient access to the Pearl River Delta by various means of transport and is situated in an advantageous location in terms of abundance of

limestone resources and land availability. Accordingly, this area will be developed into a large-scale cement manufacturing base. The Board plans to commence construction of production lines, with an annual production capacity of 4 million metric tonnes, before June 2004 and it is expected to complete at the end of 2005

- The Group's operations in the Philippines continued to generate a steady stream of cash inflow and profit to the Group from rendering cement handling services.
- The merger of KG Telecommunications Co., Ltd. ("KG Telecom") and Far Eastone Telecommunications Co., Ltd. ("FET") (the shares of the latter being listed in the GreTai Securities Exchange in Taiwan) will be completed at the end of April 2004, upon which a cash consideration of approximately HK\$262.4 million and approximately 79.6 million FET shares, with a market value of approximately HK\$457.7 million as at 31 December 2003, will be received in exchange of shares in KG Telecom held by the Group. These will generate ample funds for the Group to further its business development.

Given the current favourable operating environment, the Group is accelerating its pace of investment expansion in Mainland China. The Pearl River Delta and other areas in southern China are target markets that the Board perceives to have a high growth potential. The Group plans to achieve an aggregate annual production capacity in cement and slag powder of 10 million metric tonnes before 2007.

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.