


Chairman's Statement

I am pleased report that the consolidated turnover of TCC International Holdings Limited and its subsidiaries for the year ended 31 December 2004 achieved a satisfactory growth of 24.5% from the previous year to HK\$315.4 million, mainly attributable to the commencement of contribution to the Group's turnover by its Yingde cement manufacturing plant as well as the significant leap in sales revenue of Anhui King Bridge Cement Co., Ltd. ("AKB"), the Group's subsidiary in Wuhu which manufactures and distributes environmentally friendly slag powder. The merger of KG Telecommunications Co., Ltd. ("KGT") and Far EasTone Telecommunications Co., Ltd. ("FET") enabled the Group to recognise unrealised gains totalling HK\$306.7 million during the year, consisting of HK\$75.6 million recognised upon their merger and unrealised gain of HK\$231.1 million when the value shares in FET obtained in the merger were marked to market at the year end; while a provision of HK\$19.6 million was made against certain long term investments. After accounting for these items, the Group generated net profit from ordinary activities attributable to shareholders of HK\$328.1 million for the year, attaining an increase of 446.8% from HK\$60.0 million from the previous year.

The Board of Directors had declared and paid an interim dividend of HK 2 cents for the year. A final dividend of HK 0.5 cent per share for the year and a special dividend of HK 3.5 cents are recommended to be paid, bringing the amount of normal and total dividends to HK 2.5 cents and HK 6 cents, respectively. The final and special dividends will be paid on or before 3 June 2005 following approval by shareholders at the forthcoming Annual General Meeting.



Koo Cheng Yun, Leslie
Chairman

Review and prospects of the Group's existing businesses

- The tough market conditions of the Group's construction materials businesses in Hong Kong persisted during the year. While sales volume has dropped due to the continued contraction in consumption, selling prices were beginning to rebound from the second half of the year. The consolidation of the ready-mixed concrete industry reduced competition and started to benefit the Group's associates carrying on ready-mixed concrete businesses in Hong Kong.
- Anhui King Bridge Cement Co. Ltd., the Group's 60%-owned subsidiary which operates a cement and slag powder grinding plant in Wuhu, achieved an overwhelming growth in sales quantity and net profit by 38.1% and 2.9 times from the previous year, taking advantage of the prosperity of the construction industry in the first half of the year.
- The Group's wholly-owned cement grinding mill in Fuzhou, Fujian Province, with an annual production capacity of 1.5 million metric tonnes, started trial run in November 2004 and is currently developing and expanding its distribution channels. The related berth facilities commenced commercial operations in February 2005. They are expected to contribute positive earnings to the Group in 2005.
- The slag powder grinding plant with an annual production capacity of 700,000 metric tonnes to be operated by Group's joint venture with Guangxi Liuzhou Steel (Group) Corporation, in which the Group's subsidiary has a 60% equity interest, will commence trial run in the second quarter of 2005. Promising prospect is expected from this operation, as competition from other market players in Guangxi and Guangdong Provinces is not high and demand for construction materials in Guangxi and the Pearl River Delta region is continuously increasing. The joint venture plans to construct an additional slag powder

production line with an annual production capacity of 700,000 metric tonnes, which is expected to complete by the second quarter of 2006.

- Following the signing in December 2004 of the turn-key agreement for the design and construction of the two cement production lines in Yingde, Guangdong Province, which will have an annual cement production capacity of approximately 4 million metric tonnes, construction work has been in progress. It has convenient access to the Pearl River Delta by various means of transport and an advantageous location in terms of abundance of limestone resources and land availability. Continuing prosperity of the Pearl River Delta region will provide the Yingde base significant room to develop its business. We are exploring the possibility of constructing two additional production lines within the Yingde base with a similar production capacity.
- The Group's operations in the Philippines continued to generate at a steady stream of cash inflow and profit to the Group from rendering cement handling services.

The Group will have an annual construction materials production capacity of approximately 7 million metric tonnes in Mainland China upon completion of the projects currently under construction. Apart from the planned additional production lines in Yingde, we are seeking other investment opportunities in construction materials businesses in southern China. Given the present progress, we are confident that the annual production capacity of 10 million metric tonnes can be achieved by 2007 as planned.

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.