



Koo Cheng Yun, Leslie
Chairman

I have pleasure to report that TCC International Holdings Limited (formerly known as TCC Hong Kong Cement Holdings Limited) and its subsidiaries achieved growth in consolidated turnover by 46.8% from the previous year to HK\$651.1 million and in gross profit by 15.4% to HK\$142.3 million.

Although the Group had been able to maintain its operating profit from cement operations, provisions against the Group's investment securities and short term investments of HK\$31.9 million made during the year brought the fall of the Group's net profit attributable to shareholders by 26.9% to HK\$106.2 million. The Board of Directors has recommended the payment of a final dividend of HK 4 cents per share for the year, bringing

the total dividend for the year to HK 7 cents per share. The final dividend will be paid on or before 18 May 2001 following the approval by shareholders at the forthcoming Annual General Meeting.

Review and prospects of the Group's existing businesses in various geographical regions

The Group's cement distribution operation in Hong Kong continued to be the largest profit contributor to the Group. Due to the slow-down of the construction activities, such operation as well as the Group's associates which carry on ready-mixed concrete businesses experienced a reduction in profit. Such a trend is expected to continue in 2001 despite certain price cuts of imported cement expected.

The Group's cement distribution operation in the Philippines produced outstanding results. Its sales volume increased by some 157.4% and pre-tax profit by one-fold. The consistently high quality of cement supplied and services rendered is the key to such significant growth. Although the fluctuation of the exchange rates of peso against the US\$, especially in the last quarter of 2000, eroded a considerable portion of its profit for the year, the recent relatively stable exchange rates since January 2001 means it will sustain profit growth in the forthcoming year.

The construction of the cement manufacturing plant in Wuhu of the Group's 60%-owned subsidiary, Anhui King Bridge Cement Co. Ltd., has been completed and commenced commercial operation in August 2000.

Chairman's Statement

The Group's strategies of expanding geographically and diversifying into other businesses have proved to be a success in minimising risks and achieving steady business growth. We will continue to pursue new investment opportunities in other countries with a prudent approach, generating higher returns to our shareholders.

While still establishing distribution channels in its targetted sales regions, it incurred a marginal loss in its first five months of commercial operations. The upward trend of the construction activities in the People's Republic of China, especially in the Yangtze River Region, is expected to benefit the subsidiary and improve its results in 2001.

In late April 2000, the Company completed the acquisition of a 10.02% equity interest in KG Telecommunications Co. Ltd. ("KGT"), one of the largest cellular service providers in Taiwan, at a consideration of approximately HK\$1.58 billion, financed by internal cash resources, a new share issue and additional bank borrowings. The acquisition is an important move of the Group in its diversification process. As an associate of the Group, KGT contributed

approximately 19.8% of the Group's net profit for the year. KGT launched its general packet radio packet services (GPRS), the first in Asia, with the support of Nokia, in September 2000. The acquisition of an 20% equity interest in KGT by NTT DoCoMo in late February 2001 signified an alliance towards the introduction of "i-mode" services, already very successful in Japan, to Taiwan, and KGT's application for 3G cellular service licence.

The Company is the flagship investment vehicle of Taiwan Cement Corporation, ultimate holding company of the Company, in Hong Kong. The Group's strategy of expanding geographically and into other businesses has proved to be successful in diversifying risks. We will continue to explore new investment opportunities in other countries with a prudent approach.

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.