



Koo Cheng Yun, Leslie
Chairman

I would like to report that TCC International Holdings Limited and its subsidiaries achieved growth in consolidated turnover by 3.1% from the previous year to HK\$671.4 million. Net profit from ordinary activities attributable to shareholders for the year fell by 9.1% to HK\$96.6 million from HK\$106.2 million, which excludes the effect of a prior year adjustment for the provision for impairment of goodwill amounting to HK\$418.0 million. The Board of Directors has recommended the payment of a final dividend of HK2 cents per share for the year, bringing the total dividend for the year to HK4 cents per share. The final dividend will be paid on or before 7 June 2002 following the approval by shareholders at the forthcoming Annual General Meeting.

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 they experienced substantial cuts 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 will partially offset the effect of further decreases in selling prices.

The Group's cement distribution operation in the Philippines produced outstanding results. Its sales volume increased by some 7.4% and pre-tax profit by 45%.

However, more stringent barriers for cement imports and the threat of volatile exchange rates have provoked a change in the Group's strategy since the beginning of 2002, whereby cement handling services are rendered, and the trading of cement imported in the Philippines has ceased. We are of the opinion that more steady income can be generated from this mode of operation.

Anhui King Bridge Cement Co. Ltd. had its first full year of operation in 2001, and since October 2001 it has produced positive earnings, after having made adjustments to production strategies and improvements in supply and distribution channels. Favourable government policies on restructuring of the cement industry, the expected increase in infrastructure construction activities and the admission of the PRC into the World Trade Organisation are likely to create more demand for high-quality cement, from which this subsidiary can benefit.

KG Telecommunications Co., Ltd. ("KGT"), in which the Group has a 9.87% interest, underwent restructuring of subscriber base and management. Customer incentives and the launching of its general packet radio services (GPRS) under the name of igogo provided the growth momentum for KGT in the second half of the year. The joining of a strategic shareholder, NTT DoCoMo, in February 2001 strengthened the technology base and management of KGT. igogo services and "i-mode like" services, the latter to be launched in the second quarter of 2002, are the primary focus of KGT in the near future.

Being the flagship investment vehicle of Taiwan Cement Corporation, the Group has continued to explore new investment opportunities. Currently we have already obtained government approval for establishment of a wholly-owned cement grinding mill in Fuzhou, Fujian province, which will have a production capacity of 1.5 million tonnes. Another approval from the government for the construction of a wholly-owned berth which can handle vessels up to a maximum of 25,000 tonnes is expected shortly. In addition, we are actively seeking other opportunities in construction material businesses in Mainland China.

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.