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MEDIA RELEASE

THE JAMAICAN CEMENT SITUATION

The TCL Group wishes to clarify the issues that have recently arisen regarding the quality of cement manufactured and delivered from its Jamaican subsidiary, Caribbean Cement Company Limited (CCCL).

A batch of approximately 500 tonnes of cement that was produced by the Company on February 23, 2006, was found to exhibit "false-setting" characteristics or premature hardening of concrete. On discovering the problem, the Company immediately contacted the various customers who purchased this product and initiated a recall of that batch of cement. All customers that were contacted were advised not to use the product. Since then (out of an abundance of caution) the company, after consultation with the Jamaica Standards Bureau, has issued a further recall for cement manufactured over a period in February and is assessing complaints.

Regarding media reports about complaints by the main contractor on the Highway 2000 project, the quantity of cement supplied by CCCL to that project has been relatively low. Even so, it is customary for all concrete utilized on these major engineering projects to be rigorously tested independently during the period of construction. In this regard, no formal complaints have been received by CCCL about cement quality from the contractor. A team comprising in-house personnel and independent consultants is investigating all reports. The Company has product liability insurance in place to address financial claims that may be found to be valid.

Increase in cement demand

A steady increase in commercial, residential, and industrial building projects in Jamaica has resulted in a surge in cement demand. Sales, year to date, are about 12% above the previous year's performance. It is expected to reach 960,000 tonnes, which is about 11% above the 867,100 tonnes consumed in 2005. It is recognized that the surge in demand in the first two months of this year reflects the fact that contractors are seeking to advance projects ahead of the upcoming rainy season, given their experience with inclement weather during the 2005 hurricane season.

When CCCL noticed that market demand was outstripping its production capacity the Government of Jamaica was advised of the likelihood that the shortfall in local production would have to be supplemented by imports. The Government has agreed to importation under specified conditions for a six-month period with a tariff of 15% (the CET), rather than 40% duty applicable. The imported cement is to be sourced in an environment in which there is a hemispheric shortage of the commodity. So far there is no imported cement in the local market and preliminary indications are that the prices being quoted for imports are much higher than the current local price since F.O.B. prices have increased and freight costs are very high.

Capacity expansion and plant upgrade

CCCL, in response to the increased demand over the last two to three years, has embarked upon a capacity expansion and upgrade project at a cost of US\$134M. The upgrade is intended to re-tool the plant and to make it more efficient. On project completion by 2008, the Company will have doubled its production capacity, a capacity increase that will be more than adequate to meet the country's needs for the foreseeable future. The Ground Breaking Ceremony was held last week in Jamaica at which Minister Paulwell, the Minister of Trade and Industry, gave the feature address. He reiterated his Government's support for the company and its expansion project. The Government has, in fact, not withdrawn its support for the 40% tariff imposed in 2004 on all imported cement after the Anti-Dumping and Subsidies Commission found that imports were injuring the company. The tariff will be in place until June 2008 while the project is under construction and the GOJ has stated publicly that they will not renege on this commitment to the Company.

Our commitment

CCCL has been and continues to be a responsible supplier of cement to the Jamaican market for over fifty years. In the recent past, there have been no major supply disruptions in the face of steadily increasing demand and the absence of imports. Currently, the Company has suspended its cement sales temporarily until the quality issue is fully resolved. CCCL's capacity upgrade project is founded upon the need to adequately supply the market and to increase the Company's competitiveness by improving the productivity and reliability of its plant and equipment. The investment decision also reflects the TCL Group's confidence in and commitment towards the future well being of Jamaica.

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