

CEMENT OPPORTUNITIES

(The TCL Group's responses to concerns raised in the CMMB article in the Business Express of April 5, 2006 entitled "Cement Woes".)

The economies of the region are currently experiencing strong growth in the construction sector spurred on by Government infrastructure investment, public and private sector housing projects, tourism projects and cricket stadium construction projects for World Cup Cricket 2007. This heavy construction activity has translated into strong demand for cement, the primary product of the TCL Group. The strong demand coincides with a period of very tight hemispheric supply and consequent rising prices. The Group has accordingly been gearing itself to meet the challenges faced by this demand/supply scenario. It is against this background that we provide the following responses to the issues raised in the CMMB article.

The Carib Cement (CCCL) Quality Issue:

The Company, CCCL, has acknowledged that there has been a breakdown in its quality control systems allowing cement, which did not comply with the applicable Jamaica Bureau of Standards (BSJ) cement standard to be distributed to the public. This breach of standard related only to cement produced during the period February 22-24, 2006. As a precaution and in consultation with the BSJ, CCCL recalled cement produced during the period February 19 to 27, 2006.

CCCL has received claims relating to the use of the non-conforming cement and these claims are being carefully reviewed to ensure that only genuine cases are settled by the company. Generally, these claims relate to individuals and small-scale commercial customers, which is understandable given that there are well established testing regimes in place for cement utilised for major engineering projects, as well as cement supplied to pre-mix companies. Based upon these factors, the company expects that the financial impact of the claim settlements will be manageable. The company has product liability insurance for such an occurrence.

Looking towards the future, CCCL has embarked upon a program of strengthening its quality assurance systems. Cement manufacture and sales have resumed after a brief suspension. A more rigorous BSJ testing program has been instituted for cement being despatched from the plant. Additionally, the company is pursuing the award of the BSJ Quality Mark and is in the process of obtaining ISO 9002 certification. TCL and Arawak Cement are already ISO 9002 certified.

Through these initiatives, CCCL will seek to reassure the Jamaican public, which has been well served with a product of the highest quality for more than fifty years.

While it is understandable that there is currently some loss of confidence, the Group does not anticipate long-lasting damage to the Carib Cement brand.

The Impact of the Reduction of Import Duties in Jamaica:

As previously indicated, there has been a steady increase in demand for cement across the region at a time when there is also a hemispheric, indeed a global supply shortage. This pattern of increasing demand has been strongly evidenced in Jamaica.

When CCCL recognised that domestic demand was on the verge of outstripping the current production capability of the company, an approach was made to the Jamaican Government to facilitate imports on an orderly basis to supplement local production.

The Government has responded to our request and has implemented a mechanism, which would facilitate cement importation for a specified period, but would not subject the company to unfair competition.

The Government agreed to temporarily waive the additional tariff of 40% ("the bound rate"), which was introduced to give CCCL relief from unfair trade practices during a period of capacity expansion and plant upgrade. Imports will continue to attract duty at the CET rate of 15%. The project has the Jamaican Government's full support and assurances have been given of ongoing support. This is demonstrated in the Government's measured approach to the issue of cement importation.

While some loss of market share is expected, the strong market growth, better pricing and the tight hemispheric supply situation will mitigate this. The TCL Group has always maintained that it is not afraid of a competitive environment

once the competition is fair. Accordingly, Management does not foresee any likelihood of impairment to CCCL's ability to successfully complete the project and to ably service the associated project loans.

The Capacity Expansion Project:

The Group has articulated a program of growth and expansion, which is well underway, in anticipation of increased demand. The specific projects involved are: (i)TCL's Cement Mill 3 upgrade, (ii) The Guyana Cement Terminal, and (iii) The CCCL capacity expansion.

In recent times, the Group's capacity has been challenged by the withdrawal of Colombian and Venezuelan producers from the Caricom markets. The demand/supply balance for the regional market recently received a significant boost on the supply side with the successful completion of Trinidad Cement Limited's Cement Mill 3 upgrade project in the last quarter of 2005. This has resulted in TCL's production capacity being increased from 780,000 tonnes to 1.2 million tonnes per annum. We are committed to ensuring an improved supply to our traditional export markets in Caricom and the increase in the Group's production capacity to 2.5 million tonnes per annum would go a long way towards meeting that objective.

The CCCL plant expansion project, which is 30% completed, will double the company's production capacity and generally strengthen its competitiveness. The project is scheduled to be completed in 2008 and the loan financing, obtained at very favourable rates, incorporates a moratorium on principal repayments until the project has been completed.

Guyana-Waiver of CET:

In the face of buoyant construction activity resulting in very strong cement demand and a tight regional supply situation, the Guyana Government decided in March 2004 to waive the CET on cement imports and to actively encourage imports from extra-Caricom sources. This initiative has so far proven to be unsuccessful because of the aforementioned hemispheric cement production shortfall. As a result, Guyana has recently been experiencing severe periodic cement shortages and price spikes, with cement selling as high as G\$2,000 (US\$10) per bag. It is against this background of strong demand in Guyana that the TCL Group took the decision to invest in a bagging terminal, which would stabilise and regularise cement supplies to the Guyanese market. The US\$9million terminal project, which was adversely affected by the severe flooding which Guyana experienced in 2005, is 75% completed and on track for completion in mid-2006. This would bring relief to a market in which TCL has remained the brand of choice.

Supply to World Cup Cricket 2007 Stadium Projects:

Regarding cement supplies to the World Cup 2007 cricket stadia, the TCL Group has given the assurance to the World Cup Cricket 2007 Organising Committee, the ICC and the WICB, that arrangements have been made to ensure an uninterrupted cement supply to the various stadia construction projects across the region. The cement required for these projects represents 3% of the Group's expanded annual production capability.

The Decline in the TCL Share Price:

Stock prices on the three regional stock exchanges on which TCL is listed (The Jamaica Stock Exchange, the Barbados Stock Exchange and the Trinidad and Tobago Stock Exchange) have all experienced declines over the last year. The TCL share price decline on the TTSE in 2006 has been consistent with the decline in the All T&T Index and the Composite Index. Stock Market pundits have suggested that the 'soft' conditions have little to do with economic fundamentals, but are more reflective of the absence of institutional investors from the market because of statutory limitations and rising interest rates. That being the case, the trading activities of individual investors, which tend to be guided by short-term market sentiment, creates more volatility, which is inclined to be even more pronounced in the automated trading environment.

It is uncertain how long this period of depressed share prices will continue but the TCL Group is confident that the discerning investor can see the underlying value potential, which the cement business represents at this time.

In this regard, the medium and longer-term prospects for the Group are bright.