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## **TCCIH'S INTERIM REVENUE ROSE BY 28.5% TO HK\$1,503.6 MILLION, WITH A NET LOSS**

### **RESUMED PROFITABILITY IN Q2 DUE TO IMPROVED UTILISATION**

TCC International Holdings Limited ("TCCIH" or the "Company", stock code: 01136) together with its subsidiaries (the "Group") reported a 28.5 per cent increase year-on-year in its unaudited consolidated revenue for the six months ended 30 June 2009 to HK\$1,503.6 million, and a loss attributable to shareholders of the Company of HK\$65.8 million (2008 same period: a profit attributable to shareholders of the Company of HK\$54.4 million). However, as the overall economy and property market in China began to recover in the second quarter, cement demand increased and the Group's utilisation rose, leading the Group to return to profitability in the second quarter.

TCCIH's board of directors does not recommend the payment of dividend for the six months ended 30 June 2009.

The upsurge of the Group's revenue was mainly attributable to a significant improvement in sales volume generated from the Yingde plant's additional production lines. However, the Group's operating margins were squeezed by low average selling price ("ASP"). In addition, the drop in cement price had outstripped the decline in energy cost, when compared to the corresponding period last year, leading to further shrinkage in gross profit margin. As a result, the Group reported a loss attributable to shareholders for the period under review.

The Yingde plant's third and fourth production lines became fully operational in the last quarter of the previous year, raising the plant's annual capacity to 9 million metric tonnes. During the first quarter, utilisation at the Yingde plant was low due to traditional low season and a soft construction demand. However, the recovery in cement demand and efficient operation of the Yingde plant's additional facilities had contributed to a prominent upsurge in sales volume in the second quarter of the year. During the period under review, sales volume of the Yingde plant amounted to approximately 4.4 million metric tonnes, representing an over 1.5 times leap from that of the corresponding period last year. Although the plant suffered an operating loss in the half-year period, the plant returned to black in the second quarter.

Sales volume of the cement grinding plant in Fuzhou decreased to approximately 500,000 metric tonnes of cement during the first half of 2009. As the efficiency of the Fuzhou plant's enhanced capacity from its additional production line had yet to reflect due to market slump, the Fuzhou plant posted a mild loss in the period.

The Jurong plant sold, in the first half of the year, 1.1 million metric tonnes of cement, with the majority of which to the Eastern China region. However, the sluggish property market in Eastern China had forced the Jurong plant's ASP and sales volume to decline. The plant, thus, incurred an operating loss for the period under review.

During the period, the sales volume of Anhui King Bridge Cement Company Limited ("AKB") amounted to approximately 250,000 metric tonnes, which was slightly adjusted from that of the same period last year. Through stringent cost control and rationalisation of its sales strategy, the venture remained profitable during the period under review.

The Group's 60 per cent owned slag powder joint venture in Liuzhou reported a sales volume of approximately 480,000 metric tonnes of slag powder during the period, representing a 12.7 per cent increase from that of the same period last year. The profit margin of the Liuzhou plant was trimmed by a lowered ASP and a surge in cost of raw material, resulting in a reduced profit after tax during the period.

The Group's cement trading business in Hong Kong maintained a favourable performance during the period with a 28.5 per cent growth in profit after tax. This was mainly attributable to improvement in the ASP and gross profit margin in Hong Kong during the period when compared with that of the corresponding period last year.

"The arrival of the industry's peak season in the second half of the year and the continued improvement in the Chinese economy are expected to fuel the cement sector's recovery. Heated property transactions in major first tier Chinese cities have begun to drive cement demand to meet developers' accelerated development schedule. A number of large-scale infrastructure projects under the State's economic revitalisation plan will be materialised in the second half of this year, with more in the pipeline for the coming year. These stimuli will contribute to a healthier cement market driven by solid demand, as well as strengthened cement prices," said Mr Koo, Cheng-Yun, chairman of TCCIH.

In light of the recovery of the cement market in China, the Group plans to develop a grinding plant with an annual capacity of 4 million metric tonnes in Dongguan, Guangdong. The new Dongguan facilities, which are expected to be completed in the first half of 2011, will be able to achieve swift response to cement demand from the Pearl River Delta. In addition, construction

of the second production line of the Jurong plant, with an annual capacity of 2.25 million metric tonnes, is scheduled for completion in the first half of 2010.

The acquisition of TCC (Gui Gang) Cement Limited (“TCC (Gui Gang)”), approved by the Company’s independent shareholders in July 2009, is expected to complete in the fourth quarter of this year. The acquisition will elevate the Group’s overall annual capacity by 9 million metric tonnes to approximately 26 million metric tonnes of cement, clinker and slag power, and enable it to fill up the market gap in cement and clinker supply to a large part of Guangxi, Western Guangdong, and the Hainan Province.

“With the expected consolidation of the TCC (Gui Gang) results into the Group’s accounts and continued enhancement in operation efficiency of the other production plants, the Group will be able to strengthen its earning power. The Group’s enlarged capacity and extended market reach, complemented by an established market presence will enable it to further leverage its position in the cement industry,” added Mr Koo.

The principal activities of TCCIH consist of the import and distribution of cement in Hong Kong, the manufacture and distribution of cement, clinker and slag powder in other areas of the People’s Republic of China. Through its associates, the Company is also engaged in the production and distribution of ready-mixed concrete in Hong Kong, Mainland China and Brunei. The Company’s shares became listed on The Stock Exchange of Hong Kong Limited in 1997.

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## TCC INTERNATIONAL HOLDINGS LIMITED

(Stock Code : 01136)

### Unaudited Consolidated Income Statement

For the Six Months Ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	1,503,616	1,170,324
Cost of sales	<u>(1,422,596)</u>	<u>(999,561)</u>
Gross profit	81,020	170,763
Investment income	4,837	7,931
Other income, gains and losses	40,992	93,536
Selling and distribution expenses	(64,793)	(75,549)
General and administrative expenses	(62,303)	(68,651)
Finance costs	<u>(64,492)</u>	<u>(61,124)</u>
	(64,739)	66,906
Share of results of associates	<u>7,627</u>	<u>18,224</u>
<b>(Loss) profit before tax</b>	<b>(57,112)</b>	<b>85,130</b>
Income tax credit (expense)	<u>4,744</u>	<u>(5,446)</u>
<b>(Loss) profit for the period</b>	<b><u>(52,368)</u></b>	<b><u>79,684</u></b>
 (Loss) profit for the period attributable to:		
Owners of the Company	(65,831)	54,351
Minority interests	<u>13,463</u>	<u>25,333</u>
	<b><u>(52,368)</u></b>	<b><u>79,684</u></b>
 <b>(Loss) earnings per share</b>		
— Basic	<u>HK(5.1) cents</u>	<u>HK4.2 cents</u>
— Diluted	<u>N/A</u>	<u>HK4.2 cents</u>