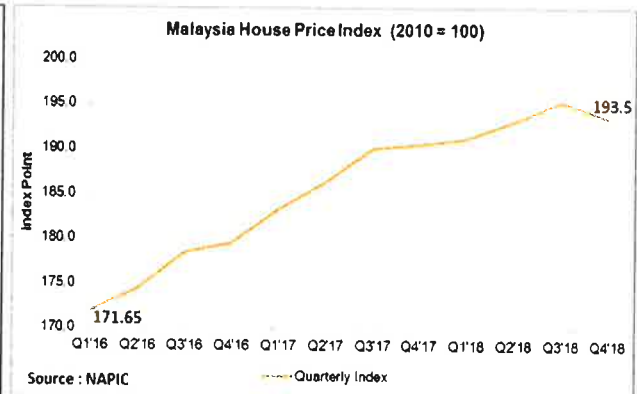
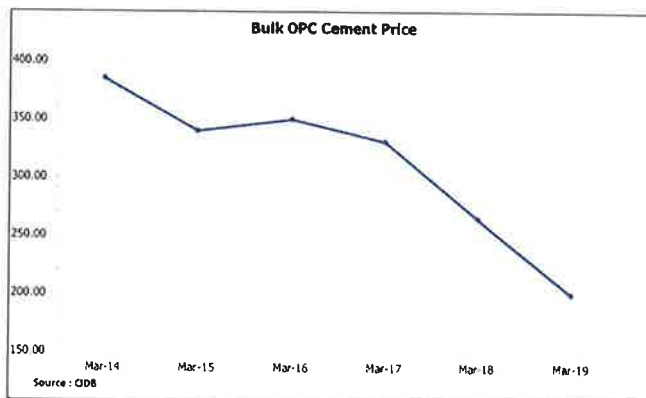


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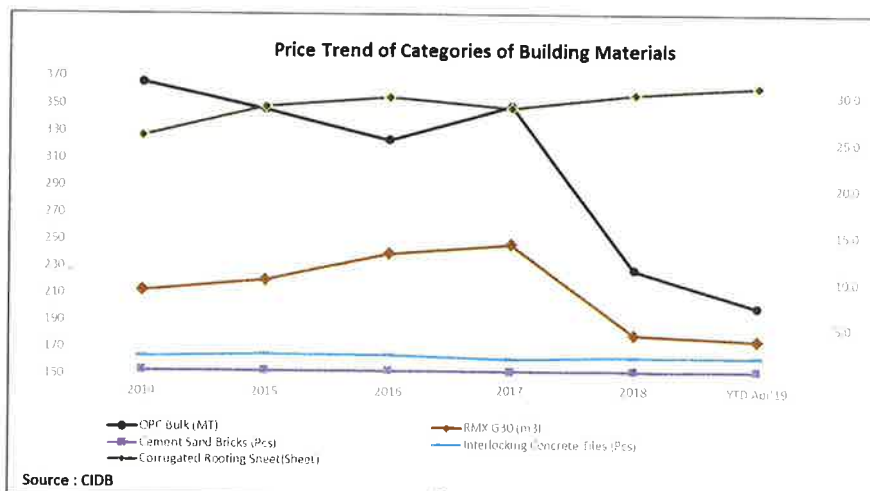
Statement by the Cement and Concrete Association of Malaysia (C&CA)

As mentioned by the Minister of Domestic Trade and Consumer Affairs (MDTCA), the cement companies have met with the MDTCA on 18 June. We appreciate the opportunity for us to explain the challenges faced by the industry and to address the concerns raised on the potential impact of the announced net cement price adjustment on the construction industry and house prices, if implemented.

We would like to clarify that cement price is not the cause of rising house prices. According to the Malaysian House Price Index (MHPI), published by the Ministry of Finance's National Property Information Centre (NAPIC), house prices in Malaysia have increased by 13% between 1Q 2016 and 4Q 2018 against declining cement prices as shown in the charts below.



Many cement related building materials have not shown much decline in their prices despite cement prices deteriorating significantly. This means the fluctuation of cement prices is not co-related to many of such building material prices.



The net cement price adjustment by the cement companies is merely to restore prices to levels that allow the companies to survive.

Although there are no restrictions on cement imports, Malaysia does not see any influx of cement importation into the country due to the fact that our local prices are among the lowest in the region.

Since 17 June 2019, MDTCA enforcement officers have visited all cement plants and issued notices to collect information relating to reasons for the announcements of net cement price adjustments. The eventual findings will show that net cement prices have been on a decline and reaching levels that are lower than total operating costs and depreciation. The combination of lower cement prices and higher operating costs have resulted in our member companies suffering significant losses as can be seen in the published financial results of the three publicly listed cement manufacturers in the table below:

RM million	2017					2018					2019
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
Lafarge Malaysia	(63.4)	(57.9)	(54.8)	(102.8)	(279.0)	(83.2)	(107.6)	(134.5)	(80.1)	(405.4)	(41.8)
HUME Industries	1.0	1.3	0.6	(5.4)	(2.5)	(26.2)	(35.7)	(23.9)	(33.3)	(119.1)	(27.2)
Tasek	4.2	1.9	1.6	(8.7)	(1.0)	(5.4)	(6.0)	(6.8)	(13.0)	(31.3)	(10.3)
Total	(58.3)	(54.7)	(52.6)	(116.9)	(282.6)	(114.9)	(149.4)	(165.2)	(126.3)	(555.8)	(79.2)

Note: CIMA has also incurred losses as per its audited 2017 financial statement. The results of YTL Cement are not available.

Collectively, the above companies have incurred losses close to RM1 billion over nine quarters. As a result, cement companies were forced to take the necessary actions to lower its operating costs by mothballing kiln lines, cutting staff benefits and significant retrenchments. If this situation persists, we fear that there will be an adverse impact on the country's GDP and thousands of jobs, direct and indirect, will be at risk.

The Association and the cement companies have always been supportive of the Government's affordable housing efforts. We are ever willing to assist the Government to achieve its vision on affordable housing with a special pricing scheme on cement, as was done in the 1980s to assist in the construction of concrete roads, which made up 30% of the North-South Expressway.

As the cement industry has an important role to play in the continued development of the nation, we have and will continue to support and assist the Government and the Rakyat in our country's future success.

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