

RESPONSE TO SGX-ST QUERIES

The Board of Directors of International Cement Group Ltd. (the “Company”, and together with its subsidiaries, collectively the “Group”) refers to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) and would like to provide further information in relation to the Half Year Results Announcement for the six months ended 30 June 2021 (“1H2021”):

SGX’s Queries

- 1) Please provide a breakdown and reasons for the significant trade and other payables of \$59.9 million as at 30 June 2021. Please also disclose the aging schedule of these trade and other payables in bands of 3 months and also the financial year in which these liabilities were incurred. In relation to other payables, to quantify and disclose the nature of the underlying transactions under which these payables arose.
- 2) The Company disclosed under contingent liabilities that certain subsidiaries of the Group are involved in certain regulatory matters in Tajikistan and Kazakhstan as at 30 June 2021.
 - (i) Please disclose with details what these regulatory matters relate to and to quantify the extent of impact on the Company’s operations in Tajikistan and Kazakhstan.
 - (ii) Please explain why the amount of exposure is currently not determinable and what would the amount be based on.
 - (iii) Please disclose how will the Group’s property, plant and equipment (“PPE”) be affected by the regulatory matters and to justify the decision not to make provisions, impairments, revision of PPE useful lives, provision for restoration costs?
- 3) Please provide update and quantify with details on how the withdrawal of the United States Troops and the current state of affairs in Afghanistan have affected the operation and sales of the Group’s cement business. Please disclose the capacity utilisation rate which the cement plants are operating at as at 30 June 2021.

Company’s Replies

- 1) Breakdown of current trade and other payables (by aging) as at 30 June 2021:

(Amounts in S\$’000)	Year incurred	Current	1-30 days	31-120 days	> 120 days	Total	Remarks
Trade payables	2021	7,618	762	964	343	9,687	Note (a)
Retention monies	2016 – 2020	244	-	-	-	244	i/m
Accrued operating expenses	2021	1,439	-	-	-	1,439	i/m
Payables for purchase of property, plant and equipment	2019 – 2021	17,757	-	-	-	17,757	Note (b)
Non-trade amounts due to non-controlling interest	2021	9,580	-	-	-	9,580	Note (c)
Lease liabilities	2019 – 2020	326	-	-	-	326	i/m
Value-added/Goods and Services tax payable	2020 – 2021	15,436	-	-	-	15,436	Note (d)
Withholding tax payable on dividends	2021	3,734	-	-	-	3,734	Note (e)
Other payables	2021	1,647	-	-	-	1,647	i/m
Total		57,781	762	964	343	59,850	

i/m – immaterial

Note (a) – These are trade-related liabilities and mainly pertain to purchase of raw materials, and spare parts and consumables.

Note (b) – S\$15.6 million relate to interest-bearing payables (8.4% per annum) as part of a deferred payment arrangement with the Engineering, Procurement and Construction (“EPC”) contractor for the construction of a cement plant from 2019 to 2020. Remaining amount of S\$2.2 million is owed to suppliers for the purchase of property, plant and equipment during the current year.

Note (c) – This relates to dividend payable to the non-controlling interest in Tajikistan for dividends declared in 2021 on profits earned during the financial year ended 31 December 2020.

Note (d) – Tax liabilities relate to taxes collected on sales and tax payable on import of property, plant and equipment (Value-added/Goods and Services tax).

Note (e) – Withholding tax payable arose from the declaration of dividends as mentioned in Note (c) above.

Breakdown of non-current trade and other payables (by aging) as at 30 June 2021:

<i>(Amounts in S\$'000)</i>	Year incurred	Current	1-30 days	31-120 days	> 120 days	Total	Remarks
Retention monies	2019 – 2021	128	-	-	-	128	i/m
Payables for purchase of property, plant and equipment	2019 – 2020	19,844	-	-	-	19,844	Note (f)
Lease liabilities	2019 – 2020	414	-	-	-	414	i/m
Other payables	2021	61	-	-	-	61	i/m
Total		20,447	-	-	-	20,447	

i/m – immaterial

Note (f) – These relate to interest-bearing payables (8.4% per annum) as part of a deferred payment arrangement with the EPC contractor for the construction of a cement plant from 2019 to 2020. These amounts are due from 2022 and 2023.

- 2) These contingent liabilities have been disclosed in the Group’s annual financial statements since the year ended 31 December 2017.

The taxation system in Central Asia is relatively new and is characterised by frequent changes in legislations, official pronouncements and court decisions, which may be unclear, contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose fines, penalties and interest charges. These circumstances may create tax risks in the Group’s operations in Central Asia which are substantially more significant than other countries. Interpretations by the relevant authorities may differ and if the authorities are successful in enforcing their interpretations, the Group may be exposed to additional tax liabilities. Management believes that the Group has adequately provided for tax liabilities as at 30 June 2021, based on its interpretations of applicable local tax legislations and official pronouncements of court decisions.

Local regulations in Tajikistan require recultivation works on the quarries to be performed. The Group is required to obtain a recultivation project plan prepared by ecological experts which is to be submitted to the local authorities for approval. As at 30 June 2021, the recultivation project plan has been submitted and is pending approval by the local authorities. Upon approval, provision for restoration costs will then be recorded. This provision is not expected to be material to the Group's financial statements as at 30 June 2021.

- 3) The Group's plants in Tajikistan export cement to neighbouring countries, including Afghanistan. Total sales to Afghanistan for 1H2021 amounted to S\$11.3 million, which approximate 13% of the Group's total revenue.

With the withdrawal of the United States Troops from Afghanistan since May 2021, the war between the Taliban and Afghan government forces has escalated. The rise of violence and the unstable situation in Afghanistan have resulted in a decline in construction activity in the country and consequently, a decline in demand for cement. The Group estimates that export sales to Afghanistan during the second half of 2021 may decline by 25% to 50% as compared to the first half of 2021 and therefore, will instead focus on domestic sales, i.e. Tajikistan, to make up for the lower demand for cement in Afghanistan. The Group's overall results for the full year ending 31 December 2021 is not likely to be significantly affected by the current state of affairs in Afghanistan.

As at 30 June 2021, the capacity utilisation rate which the cement plants were operating at was 100%.

On behalf of the Board
INTERNATIONAL CEMENT GROUP LTD.

Ma Zhaoyang
Chairman

26 August 2021