
INCORPORATION OF INDIRECT SUBSIDIARY IN KAZAKHSTAN PROPOSED ACQUISITION OF CEMENT-RELATED ASSETS BY SHARCEM LLP

1. INTRODUCTION

The Board of Directors of the Company (the “**Board**”) of International Cement Group Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) wishes to announce that the following:

- (a) incorporation of a subsidiary, Sharcem LLP, in Kazakhstan; and
- (b) entering into a sale and purchase agreement by Sharcem LLP to acquire cement-related assets in Kazakhstan (the “**Proposed Acquisition**”).

2. INCORPORATION OF INDIRECT SUBSIDIARY IN KAZAKHSTAN

A wholly-owned subsidiary of the Group, International Cement Shar Pte. Ltd., had incorporated a subsidiary. Details of the subsidiary are as follows:

Name of subsidiary	Sharcem LLP
Country of incorporation	Kazakhstan
Principal activity	Sale and/or production of cement
Issued and paid-up capital	1,000,000 Kazakhstan Tenge (“ KZT ”), approximately 3,125 Singapore Dollar (“ SGD ”)
Shareholders	International Cement Shar Pte. Ltd. – 60% Mr Nurzhan Shakirov – 40%

(For the purposes of this announcement, the exchange rate of SGD 1 = KZT 320 has been used.)

Mr Nurzhan Shakirov (“**Mr Shakirov**”) is a Kazakhstan Citizen. He was CEO and stakeholder of JSC Air Kazakhstan from 2014 to 2016 and is the local partner for the Group’s existing cement plant in Kazakhstan, Alacem LLP.

International Cement Shar Pte. Ltd. is responsible for the operation and management of Sharcem LLP while Mr Shakirov shall assist to obtain all the licenses and permits issued by the government authorities or other organisation as required under Kazakhstan Laws.

3. PROPOSED ACQUISITION OF CEMENT-RELATED ASSETS IN KAZAKHSTAN BY SHARCEM LLP

On 9 April 2021, Sharcem LLP entered into a sale and purchase agreement (the “SPA”) to purchase cement-related assets (the “Assets”) in Kazakhstan on an “as-is” condition.

3.1 Sellers. Kazakhcement LLP and Development Bank of Kazakhstan (collectively the “Sellers”), both incorporated in Kazakhstan.

3.2 Assets. The assets relate to a cement plant and its related assets located at East Kazakhstan Region, Jarminsky District, Karasu Rural District, Konyrbiik Village, 20 Janajol Street (collectively the “Assets”). Key Assets in the SPA include:

- (a) 7 land plots with a total size of 125 hectares and objects located on these land plots (which include dormitories, external heating, water and electrical works, wells, water tower, railway tracks, transformer substation and facilities for cement plant such as laboratories, cement grinders, vertical raw mill, kiln, cyclones, crushers, silos etc.) owned by Kazakhcement LLP;
- (b) Leases for 7 land plots with a total size of 42 hectares which contain a 100kv power transmission line.

3.3 Consideration. KZT 7,073,696,566 (approximately SGD 22,105,302) payable in cash in 2 instalments:

- (a) KZT 2,122,108,970 (approximately SGD 6,631,591), no later than 23 April 2021; and
- (b) KZT 4,951,587,596 (approximately SGD 15,473,711), no later than 31 May 2021.

The payment of 3.3(a) above by 23 April 2021 is subject to:

- (i) Obtaining the consent of private court executor on the sale of these Assets; and
- (ii) Obtaining the consent of relevant authorities to re-issue contracts for subsoil use and mining rights (which include limestone and clay) ranging from 10 to 18 years.

The Consideration was arrived at, after arm’s length negotiations, on a willing-seller and willing-buyer basis, and was determined after taking into account the prevailing market price and an independent valuation of the Assets. The Consideration will be satisfied by the Group from internal sources and third party financing.

3.4 Conditions Precedent. The SPA is conditional upon the fulfilment of these conditions:

- (a) Kazakhcement LLP completes the transfer of all Assets to Sharcem LLP; and
- (b) The Sellers remove all liens and encumbrances on the Assets.

3.5 Completion. Completion is expected to take place by 31 May 2021.

4. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

Following the Group's successful diversification into the cement business in Central Asia since 2016, the Group has decided to expand its footprint within the same region.

The Proposed Acquisition presents an attractive opportunity to the Group to establish a stronger foothold in Central Asia where demand for cement remains strong. The acquisition of these Assets will grow the Group's current annual cement production capacity by 1 million tonnes, to 4 million tonnes in total. The Assets are located in a strategically important region in East Kazakhstan with direct export routes to Russia and will complement the Group's existing operations in the southeastern part of Kazakhstan.

As compared to a new cement to be constructed by the Group, a completed plant will also obviate the need for the Group to undertake project risk during the construction period.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Company as set out in this section are based on the latest audited financial results of the Group for the financial year ended 31 December 2020 and are purely for illustrative purposes only and may not reflect the actual future financial performance or position of the Group immediately after completion of the Proposed Acquisition.

5.1 Net Tangible Assets (“NTA”)

Assuming that the Proposed Acquisition was completed on 31 December 2020, the financial effects of the Proposed Acquisition on the consolidated NTA of the Company are set out below. The NTA is determined to be total equity attributable to equity holders of the Company.

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group as at 31 December 2020 (S\$'000)	192,744	192,744
Number of issued and paid-up shares ('000)	5,734,733	5,734,733
NTA per share (cents)	3.36	3.36

5.2 Earnings per Share (“EPS”)

Assuming that the Proposed Acquisition was completed on 1 January 2020, the financial effects of the Proposed Acquisition on the consolidated NTA of the Company are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders of the Company (S\$'000)	8,788	9,586
Weighted average number of issued and paid-up shares ('000)	5,734,733	5,734,733
EPS for FY2020 (cents)	0.15	0.17

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE MAINBOARD LISTING RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest audited financial results of the Group for the financial year ended 31 December 2020 are as follows:

Rule	Bases	Relative Figures (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Company's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable ⁽¹⁾
1006(b)	The net profits attributable to the assets acquired, compared with the Company's net profits.	Not applicable ⁽²⁾
1006(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	7% ⁽³⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Company's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽⁵⁾

Notes:

- (1) Not applicable as the Proposed Acquisition is not a disposal of assets.
- (2) Not applicable as the Proposed Acquisition is in relation to the acquisition of assets, not a company.
- (3) Based on the Consideration of SGD 22,105,302. Market capitalisation of the Company is SGD 326,879,772, based on the closing price as at 9 April 2021.
- (4) No equity securities will be issued by the Company as consideration for the Proposed Acquisition.
- (5) Not applicable as the Proposed Acquisition is not a disposal of mineral, oil or gas assets.

As the relative figure under Rule 1006 of the Listing Manual exceeds 5%, but is lesser than 20%, the Proposed Acquisition constitutes a disclosable transaction under Chapter 10 of the Listing Manual.

7. INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company has any interest, director or indirect in the Proposed Acquisition (other than their capacity as Directors or Shareholders, where applicable).

8. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition and no service contracts in relation thereto is proposed to be entered into by the Group.

9. DOCUMENTS FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company, 100 Tras Street, #18-01 100 AM, Singapore 079027 for a period of three (3) months from the date of this Announcement.

10. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this Announcement that the Proposed Acquisition will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated in this Announcement, as may be necessary or appropriate.

Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Ma Zhaoyang
Chairman and Executive Director

12 April 2021