

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 Full Year Results Announcement for the six months and full year ended 31 December 2021 (“**2H2021**” and “**FY2021**” respectively):

SGX’s Queries

- 1) We note that the Group’s current trade and other receivables of \$29.4 million as at 31 December 2021 comprise \$19.9 million worth of other receivables, deposits and prepayments. Please provide an aging for the \$19.9 million and clarify the reason for any long outstanding amounts.
- 2) With reference to Note 9 to the financial statements, in the key assumptions used for impairment testing for CGUs, we note that the forecasted revenue growth rate is currently at negative 0.1% while the terminal growth rate is 6.5%. While we note that the Company has explained that terminal growth rate references the long-term inflation rate of the country, please justify why 6.5% is reasonable when compared to its forecasted revenue growth which has decreased from a rate of 1.2% to negative 0.1%.
- 3) With reference to Note 13 to the financial statements, we note that the Group has acquired Shygys Zharyq LLC on 14 September 2021. Please clarify what percentage of the electricity generated by Shygys Zharyq LLC will be used by the Group for its ordinary course of business. Will the Group sell excess electricity generated to other corporations?
- 4) Noting that the Group’s main operations are in countries that are in relatively close proximity to Russia, please clarify whether any of the Group’s cement are sold to businesses connected to Russia and whether the Group’s operations have been adversely affected by the current Russia-Ukraine conflict as well as the sanctions imposed on Russia.

Company’s Replies

- 1) Breakdown of \$19.9 million worth of other receivables, deposits and prepayments (by aging) as at 31 December 2021 is as follows:

<i>(Amounts in S\$’000)</i>	Current	1-30 days	31-120 days	>120 days	Total, gross	Allowance for doubtful receivables	Total, net	Remarks
Other receivables	7,292	–	21	143	7,456	(125)	7,331	Note (a)
Deposits	132	–	–	32	164	(4)	160	i/m
Prepayments	12,432	–	–	–	12,432	–	12,432	Note (b)
Total	19,856	–	21	175	20,052	(129)	19,923	

i/m – immaterial

Note (a) – The Group considers that its ‘other receivables’ have low credit risk based on actual credit loss experience with the counterparties which are within the ‘current’ age bracket. Allowance has been made for majority of ‘other receivables’ in the ‘past due more than 120 days’ age bracket as these balances are deemed to have higher credit risk and remaining exposure of \$0.04 million is considered to be immaterial.

Note (b) – Prepayments mainly consist of advanced payments for the construction of additional facilities in an existing cement plant in Kazakhstan and construction of the gypsum plasterboard plant in Tajikistan.

- 2) Revenue in 2022 and 2023 is expected to decline due to the entry of a new competitor in Tajikistan where sales volume and/or selling price are expected to be negatively impacted. Management expects that sales volume and selling price will stabilise by 2024 when the domestic market will reach a state of equilibrium and revenue from 2024 to 2026 is expected to grow by approximately 5.0% a year. The forecasted average revenue growth rate for the 5-year period is computed to be at negative 0.1%.

Terminal growth rate of 6.5% is based on the inflation rate forecasted by the International Monetary Fund which is consistent with common valuation methodologies.

- 3) The purpose of acquiring Shygys Zharyq LLC is for its license to carry out activities for the purchase of electricity directly from electric power stations in Kazakhstan and further sale of electricity to an indirect subsidiary, Sharcem LLP. As previously mentioned in the Group’s announcement on 15 September 2021, Shygys Zharyq LLC will sell 100% of the electricity purchased from power stations to Sharcem LLP. The Group does not plan to sell electricity to other corporations.
- 4) The Group does not sell cement to any businesses connected to Russia. As such, the Group’s operations have not been adversely affected by the current Russia-Ukraine conflict as well as sanctions imposed on Russia.

On behalf of the Board
INTERNATIONAL CEMENT GROUP LTD.

Ma Zhaoyang
Chairman and Executive Director

03 March 2022