INTERNATIONAL CEMENT GROUP

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 Second Quarter Results Announcement for the period ended 30 June 2019:

SGX's Queries

1) In the Income Statement, the Company reported a reversal of trade and other receivables and contract assets amounting to $835,000 for 2Q2019 compared to a loss allowance of $435,000 in 2Q2018:

    a. Please elaborate on the factors that contributed to the significant reversal of trade and other receivables amounting to $1.27 million.
    b. To disclose the identities of these customers whom the Company has subsequently collected the doubtful debts amounting to $1.27 million.
    c. Please elaborate why the Company had written off the debts previously and what has since changed for the customers to enable them to make the relevant payments.

2) In the Statement of Financial Position, Trade and other receivables amounted to $52.6 million as at 30 June 2019, an increase of 173.6% from the preceding financial year. This exceeds 2Q2019 Revenue of $32.0 million.

    a. Please provide a breakdown of Trade receivables and of Other receivables, and explain the material variance against corresponding period.
    b. To quantify and explain for the significant amount of Trade receivables outstanding of $52.6 million in comparison to 2Q2019 Revenue of only $32.0 million when the Company conducts cash sales at its Tajikistan Cement Plant.
    c. To disclose the credit terms for the Company's customers and whether there has been any change in credit terms which resulted in the significant surge in trade receivables.
    d. To explain why the Company has not been able to collect payments for its sales given that the sales at its Tajikistan Cement Plant are mostly on cash terms.
    e. To disclose who are the major customers for sales in 2019 of $32.0 million and also the major customers comprised in Trade and other receivables outstanding of $52.6 million as at 30 June 2019.

3) The Company disclosed in paragraph 1(d)(ii) on page 5 that it had proceeded to issue and allot 70,916,430 new ordinary shares pursuant to a conditional placement agreement dated 9 May 2019 at $0.045 per placement share. The conditions included the receipt of approval in-principle from the Exchange for the listing of the placement shares. On 24 June 2019, the Company disclosed that approval in-principle granted by the Exchange on 21 May 2019 had lapsed as the Exchange was not satisfied that the source of funds for the placement originated from the Placee and that the placement was funded by undisclosed sources. Notwithstanding that, the Company proceeded to issue the placement shares to the Placee.

a. To explain why the Company proceeded to issue the placement shares not withstanding that Exchange had informed that approval in-principle shall lapsed due to the above reason.
b. To provide Board's basis for its decision for the placement shares issuance despite the Board being aware that it will result in breach of SGX-ST Listing Rules.

4) On page 6, the Company disclosed that it signed a sale and purchase agreement to dispose certain property, plant and equipment ("PPE") in the aluminum segment and that the sale is subject to regulatory approval.

a. To quantify and provide details of the PPE to be disposed.
b. To explain what regulatory approval is required for the disposal and whether the relevant approval has been obtained to-date.

5) The Company disclosed that the cement plant in Kazakhstan is under construction which is expected to be completed during the second half of 2019. It also disclosed on page 7 that payment to the EPC contractor for the construction of the cement plant in Kazakhstan is funded by an interest free loan from the major shareholder.

a. Please provide further details on the major shareholder, details of the construction cost and to quantify how the balance cost to complete the construction will be financed.
b. Please provide update on the status of construction and estimated date and provide the milestones when the plant can commence cement production.

Company's Replies

1. In relation to the reversal of impairment loss on trade and other receivables and contract assets:

   a. The original allowance of $1.27 million was computed based on the 'expected credit loss' ("ECL") model in accordance with SFRS(I) 9 *Financial Instruments* where the Group assessed the probability-weighted estimates of credit losses based on historical information for the past 3 years on bad debt write offs, adjusted for forward looking indicators. As the collection and aging of trade and other receivables improved during the second quarter of the current year as compared to the previous financial year, this resulted in a reversal of impairment losses during the current financial year.

   b. These reversals related to the computation of 'expected credit losses' which was based on percentages of each aging bracket and do not relate to any specific counterparty.

   c. As explained in (a) and (b) above, the allowance made was not for customers with specific credit issues but where their outstanding receivables fell into the older aging brackets. These customers made payment subsequent to 31 December 2018 and therefore the allowance previously made was reversed.

2. In relation to trade and other receivables:

   a. Breakdown is as follows:

	30 June 2019 $'mil	**31 December 2018 $'mil**	**Note**
Trade and accrued receivables	15.5	4.3	(i)
Other receivables	12.9	13.3	
Deposits and prepayments	24.2	25.2	
Total	**52.6**	**42.8**	
Current	52.6	23.6	
Non-current	-	19.3	
Total	**52.6**	**42.8**	

Note (i) – Increase in trade and accrued receivables is mainly contributed by the cement segment where sales during 2Q2019 has increased by $3.2 million as compared to 4Q2018. There has also been a change in sales mix in Tajikistan where there are more sales to domestic customers with credit terms in 1H2019 (approximately 50%) as compared to FY2018 (approximately 30% – remaining 70% customers are on cash terms).

b. Breakdown by major category can be found in (a) above. As explained in (a) above, trade receivables as at 30 June 2019 increased by $11.2 million due to higher sales in 2Q2019 as compared to 4Q2018 and a change in sales mix to domestic customers in Tajikistan with credit terms. There has been no significant change in ‘other receivables’ and ‘deposits and prepayments’ balances.

c. Credit terms granted to the Group’s customers range between 30 to 90 days. There has been no significant change in credit terms granted to customers as compared to prior year. Please refer to (a) above for explanation on the significant increase in trade receivables.

d. Majority of the receivables (more than 90%) of trade receivables are current (not past due). Please refer to (a) above for explanation on the significant increase in trade receivables.

e. There are no individual customers with sales more than 10% of total revenue for 1H2019 and there are also no individual customers with outstanding receivables contributing to more than 10% of total trade receivables as at 30 June 2019.

3. In relation to the conditional placement agreement:

a. By way of a letter dated 21 May 2019 (“AIP Letter”), SGX-ST granted its in-principle approval (“AIP”) for the Company's application for the additional listing and quotation of the Share Placement pursuant to the Placement Agreement. The AIP was subject to conditions. In respect of the placement shares under the Confirmed Tranche, the conditions were stipulated in paragraph 2(a) to 2(f) of the AIP Letter, and in respect of the placement shares under the Call Option, the conditions were stipulated in paragraph 3(a) and 3(b), which refer to the conditions stipulated in paragraph 2(a) to 2(f) and the approval of shareholders of the Company for the issue of the Call Option.

On 22 May 2019, the Company released an announcement to comply with the disclosure required under paragraph 2(b) of the AIP Letter.

On 3 June 2019, the Placement Agreement was amended by way of a supplemental agreement dated 3 June 2019 and the number of placement shares under the Confirmed Tranche was reduced from 80,000,000 to 70,916,430.

As at 3 June 2019, the Company had received from or for the order of the Placee, the sum of $3.2 million as full payment of the 70,916,430 placement shares under the Confirmed Tranche. As at 3 June 2019, all the conditions stipulated in paragraph 2(a) to 2(f) of the AIP Letter were satisfied. Accordingly, the Company issued and allotted to the Placee 70,916,430 Shares in accordance with the terms of the Placement Agreement. It should be noted that SGX-ST had granted the Company an extension of time up to 3 June 2019 to issue the placement shares under the Confirmed Tranche.

On 4 June 2019, the Company submitted the relevant documents to SGX-ST for the listing and quotation of the 70,916,430 Shares was issued on 3 June 2019.

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On 21 June 2019, SGX-ST informed the Company that it would not allow the listing of the 70,916,430 placement shares under the Confirmed Tranche as SGX-ST was not satisfied that the source of funds for the placement originated from the Placee and that the placement was funded by undisclosed sources.

b. The AIP was valid and all the conditions stipulated in paragraph 2(a) to 2(f) of the AIP Letter were satisfied as at 3 June 2019, which was the date of the issuance and allotment of the 70,916,430 placement shares under the Confirmed Tranche. Therefore, the Board is of the view that the allotment and issuance of the 70,916,430 placement shares under the Confirmed Tranche on 3 June 2019 did not constitute a breach of the SGX-ST Listing Rules as at 3 June 2019. As disclosed in the second quarter results announcement for the period ended 30 June 2019, the Company is still in discussions with the Placee the above development concerning the 70,916,430 Placement Shares and will provide shareholders with an update if there are any material developments in connection with the Placement.

4. In relation to the sale of PPE in the aluminium segment:

a. The PPE to be disposed comprised leasehold land and building, and plant and machinery amounting to $2.5 million and $1.0 million respectively.

b. Pursuant to the Malaysia National Land Code 1965, the buyer is required to obtain the approval from Johor State Authority for its acquisition of property in Malaysia. The buyer has submitted the application for the approval of Johor State Authority and as at the date of this announcement, the approval has yet to be obtained.

5. In relation to the construction of the cement plant in Kazakhstan:

a. The major shareholder is Victory Gate Ventures Limited.

Breakdown of the budgeted construction cost is as follows:

	$'mil
Plant and equipment, including installation	82.4
Leasehold buildings	43.1
Ground preparatory work	4.9
Power and electrical works	5.1
Taxes and levies	8.0
Others	6.5
Total	**150.0**

The remaining construction cost of $49.1 million will be financed internally within the Group and through deferred payment with the EPC contractor.

b. Construction of the cement plant is expected to be completed in end September/early October and cement production will commence within a month subsequent to completion of construction.

On behalf of the Board
INTERNATIONAL CEMENT GROUP LTD.

Ma Zhaoyang
Chairman

26 August 2019