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Issuer: International Cement Group Ltd.

Stock code: KUO

Meeting details:

Date: 26 Apr 2024

Time: 2.00 p.m.

Venue: Kent Ridge Guild House at 9 Kent Ridge Drive, Singapore 119241

Q1. As mentioned in the message to shareholders, revenue for the group increased by 14.3% to \$257.4 million due to higher average selling prices (and volume) from the group's Tajikistan operations and partially offset by lower average selling prices (and volume) from the Alacem plant.

- (i) Can management help shareholders better understand the differences in the market dynamics in the two countries the group operates in?**
- (ii) What is the group's current market share in the cement industry in Kazakhstan and Tajikistan?**
- (iii) When does management expect the Korcem Cement Plant to be operational and what is the projected timeframe for it to reach full operational capacity?**
- (iv) Does management foresee the group benefiting from increased activities related to the Rogun Hydropower project through its facilities in Khatlon, Tajikistan?**
- (v) Separately, in the aluminium segment, revenue declined by 27.7% to \$5.9 million, with losses increasing to \$(4.1) million. Can management outline its strategies to turn the segment around?**

Q2. The group’s 5-year financial highlights can be found on page 4 of the annual report. While revenue increased to \$257.4 million, gross profit declined by 4.2% to \$90.0 million in FY2023 while profit before tax increased from \$46.7 million to \$47.6 million.

Profit for the year was lower at \$29.1 million (2022: \$38.3 million).

Notably, tax expense increased from \$7.9 million in FY2022 to \$18.5 million in FY2023 (Note 21 Tax expense; page 106) partly due to under-provision of tax mainly from a subsidiary in Tajikistan of \$1.9 million and higher withholding tax on dividends declared by subsidiaries of \$7.8 million.

- (i) **What are the reasons for the under-provision of tax in the past three years?**
- (ii) **What is the withholding tax rate on dividends declared by subsidiaries in the two countries?**
- (iii) **How will the expiration of the five-year tax holiday (with effect on 24 June 2024), as outlined in the investment agreement with Tajikistan authorities, affect the group's profitability and cash flow?**

Cash and cash equivalents as at 31 December 2023 amount to \$6.4 million (2022: \$11.53 million).

\$\$'000 (unless otherwise stated)	2023	2022	2021	2020	2019
Net cash from operating activities	78,881	63,990	51,959	49,905	50,271
Net cash used in investing activities	(42,559)	(47,130)	(60,607)	(26,118)	(55,114)
Net cash (used in)/from financing activities	(41,296)	(17,517)	10,776	(25,763)	4,273
Cash and cash equivalents	6,434	11,531	12,283	10,047	12,345

(Source: company annual report; emphasis added)

The auditors have also highlighted the group’s “going concern” as a key audit matter in the independent auditors’ report (page 52). Cash and cash equivalents decreased despite a net cash inflow from operating activities of \$78.9 million. Net cash used in investing and financing activities amounted to \$(42.6) million and \$(41.3) million respectively.

In addition, dividends paid to non-controlling interests amounted to \$17.1 million in 2023, \$8.1 million in 2022 and \$6.3 million in 2021. For FY2023, the board has not recommended any payment of dividends to shareholders in order to conserve cash to fund new projects in the cement business.

- (iv) **Will paying dividends to non-controlling interests deplete the subsidiaries' cash reserves, potentially hindering their ability to finance business expansion?**

- (v) **What discussions did the board have regarding balancing returns to shareholders through dividends while also supporting the group's growth initiatives?**

- (vi) **How does the group plan to finance its committed capital expenditure of \$69.7 million as outlined in Note 27 on Capital commitments?**

Q3. At the annual general meeting scheduled to be held on 26 April 2024, the company is seeking shareholders' approval to re-elect independent directors, namely Mr Wong Chee Meng, Lawrence and Mr David Tan Chao Hsiung and chairman and executive director, Mr Ma Zhaoyang.

Additional information on directors seeking re-election can be found on pages 123 to 126.

The directors' biographies can be found on pages 10 and 11.

- (i) **Can the chairman and executive director, Mr Ma Zhaoyang, confirm that his country of principal residence is Singapore?** The group's main operations are in Central Asia, namely Tajikistan and Kazakhstan.
- (ii) **Could the executive directors provide more detail on how senior management oversees operations in Central Asia and how many members of the senior management team are based in Tajikistan and Kazakhstan?**
- (iii) **Have the independent directors visited Tajikistan and Kazakhstan and toured the manufacturing plants? If yes, what are their impressions of the countries and the group's prospects?**
- (iv) **Can the directors elaborate on how the board and management address the language barrier and what challenges they face in implementing adequate and effective risk management and internal control systems?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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