

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON ANNUAL REPORT 2020

International Cement Group Ltd. (the “**Company**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions on ICG’s Annual Report 2020 in advance of our Annual General Meeting which will be convened and held by way of electronic means on 26 April 2020 at 10:00 a.m. (Singapore time).

The Company’s response to each specific question is set out immediately after the question. For the avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

SIAS Question 1

The group owns and operates the largest cement plant with an annual capacity of 1.2 million metric tonnes in the Khatlon Region in Tajikistan, along with a grinding station that has an annual capacity of 0.6 million metric tonnes.

It also owns and operates 1.2 million MT cement plant in the Almaty region of Kazakhstan that commenced operations in April 2020.

In Singapore, the group retains an established business in manufacturing and marketing aluminium extrusions used for the construction industry.

- (i) Can management help shareholders better understand the ground sentiments in Tajikistan and Kazakhstan, especially the impact COVID-19 has on the economy? It is noted that Kazakhstan is highly dependent on the export of oil. The prolonged and depressed oil prices have led to a severe depreciation of the Kazakhstani Tenge against the United States dollar while the Tajikistan Somoni depreciated by 10%.

Company’s Response:

Tajikistan

As announced on SGXNet on 22 May 2020 in the Group’s update on the impact of COVID-19 on business operations, the outbreak of COVID-19 in Tajikistan led to a slowdown in construction activities and tightened border control measures which adversely affected the economy in Tajikistan. Currently, the outbreak of COVID-19 in Tajikistan is under control and the economy has improved as border control measures have eased and trade has rebounded.

Kazakhstan

Recently, Kazakhstan has seen a spike in confirmed COVID-19 infections, signalling a third wave of infections. The Kazakhstan government has since introduced stricter measures to control the infection and is stepping up efforts to vaccinate the population. The construction industry remains relatively unaffected, and prices of building materials remain stable.

- (ii) What is the level of management oversight and control over the operating subsidiaries in Central Asia, especially as international travel is highly restricted due to COVID-19?

Company's Response:

The management team in Central Asia is led by the Group's Deputy Chief Executive Office, Mr Cao Jianshun, who has more than 20 years of experience in the cement industry. Mr Cao is based in Central Asia and has overall responsibility of the operation of the Group's cement plants. The COVID-19 pandemic has not affected the management oversight and control over the operating subsidiaries in Central Asia.

- (iii) What is the profile of the management team in Tajikistan and in Kazakhstan?

Company's Response:

Please refer to response for Question 1(ii) above.

- (iv) Has the border between Tajikistan and Afghanistan been re-opened?

Company's Response:

The border between Tajikistan and Afghanistan has been re-opened since June 2020.

SIAS Question 2

For FY2020, the group achieved revenue of \$141.6 million. Cash in-flow from operating activities amounted to \$49.9 million. Cash and cash equivalent decreased to \$10.0 million as at 31 December 2020 due to cash used in investing activities of \$(26.1) million and cash used in financing activities of \$(25.8) million.

The group is expanding its Tajikistan cement plant with a gypsum plasterboard production line that has a planned annual production capacity of 30 million square metres at a cost of US\$15 million (approximately S\$19.8 million).

- (i) How is the group going to fund the expansion?

Company's Response:

As announced on SGXNet on 5 February 2020, the Group will fund the expansion internally.

- (ii) What is the role of the non-controlling interest, Dastoni Mohir LLC, in the running of the cement plant? Dastoni Mohir LLC holds 35% participation interest in the operating company in Tajikistan.

Company's Response:

Dastoni Mohir LLC ("**Dastoni**") provides support to the Tajikistan cement plant in its application for any necessary governmental approvals, licences and permits in Tajikistan, as well as support in building and maintaining good relations with the relevant governmental authorities in Tajikistan. Dastoni also provides transportation services to the cement plant.

- (iii) What was the rationale to pay out a dividend of \$16.1 million to the non-controlling interest by the operating company in Tajikistan when funds are required to build the drywall production line?

Company's Response:

The Company had taken the funds required to build the gypsum plasterboard production line into consideration when paying out dividends to Dastoni.

- (iv) Has the board evaluated the optimal capital structure in the company and in the group to support the group's strategic growth objectives?

Company's Response:

The Board has evaluated the group's capital structure and believes that it is aligned with the Group's strategic growth objectives.

SIAS Question 3

The group has outsourced the internal audit function to BDO LLP for FY2020. The audit committee ("**AC**") is satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals and meets the International Professional Practices Framework established by the Institute of Internal Auditors.

- (i) Can the AC confirm that the group's operating subsidiaries in Tajikistan and Kazakhstan were included in the internal audit plan?

Company's Response:

The AC confirms that the Group's operating subsidiaries in Tajikistan and Kazakhstan were included in the internal audit plan for FY2020.

- (ii) Would the AC disclose the scope of the internal audit?

Company's Response:

The AC had reviewed and approved the internal audit plan for FY2020 and were satisfied that the scope was adequate. The AC reviews the adequacy, effectiveness and independence of the internal audit function.



(iii) What were the main findings from the internal audit?

Company's Response:

None of the findings in the internal audit report of the Group for FY2020 were rated as high risk.

On behalf of the Board
INTERNATIONAL CEMENT GROUP LTD.

Ma Zhaoyang
Chairman

23 April 2021