

Company No. LL04433



**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018
(Unaudited)
(In United States Dollars)**

Company No. LL04433

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**

| | Note | The Group 6 months ended | | The Company 6 months ended | |
|-------------------------------------|------|-----------------------------|-------------------------|-------------------------------|-------------------------|
| | | 30 June 2018 USD'000 | 30 June 2017 USD'000 | 30 June 2018 USD'000 | 30 June 2017 USD'000 |
| Revenue | 6 | 32,838 | 26,839 | 50 | 50 |
| Cost of sales | | <u>(22,114)</u> | <u>(19,726)</u> | <u>-</u> | <u>-</u> |
| Gross profit | | 10,724 | 7,113 | 50 | 50 |
| Selling expenses | | (6,450) | (4,145) | - | - |
| General and administrative expenses | | <u>(2,838)</u> | <u>(2,519)</u> | <u>(145)</u> | <u>(138)</u> |
| Operating profit/(loss) | | 1,436 | 449 | (95) | (88) |
| Interest income | | 15 | 16 | [^] | [^] |
| Finance costs | 7 | (942) | (1,310) | - | - |
| Net foreign exchange (loss)/gain | | (500) | 572 | 21 | (47) |
| Other income, net | | <u>396</u> | <u>278</u> | <u>-</u> | <u>-</u> |
| Profit/(Loss) before income tax | | 405 | 5 | (74) | (135) |
| Income tax expense | 8 | <u>(199)</u> | <u>(346)</u> | <u>(2)</u> | <u>-</u> |
| Profit/(Loss) for the period | | <u>206</u> | <u>(341)</u> | <u>(76)</u> | <u>(135)</u> |
| Attributable to: | | | | | |
| Shareholders of the Company | | 206 | (341) | (76) | (135) |
| Profit/(Loss) per share: | | | | | |
| Basic and diluted (cents) | 9 | <u>0.1</u> | <u>(0.2)</u> | | |

[^] - insignificant amount.

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018
(UNAUDITED)**

| | The Group | | The Company | |
|--|-----------------------|---------------------|-----------------------|---------------------|
| | 6 months ended | | 6 months ended | |
| | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Profit/(Loss) for the period | 206 | (341) | (76) | (135) |
| Other comprehensive (loss)/income: | | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | | |
| Exchange differences arising on translation of foreign subsidiary companies | <u>(1,756)</u> | <u>2,453</u> | <u>-</u> | <u>-</u> |
| Total other comprehensive (loss)/income for the period | <u>(1,756)</u> | <u>2,453</u> | <u>-</u> | <u>-</u> |
| Total comprehensive (loss)/income for the period | <u><u>(1,550)</u></u> | <u><u>2,112</u></u> | <u><u>(76)</u></u> | <u><u>(135)</u></u> |
| Attributable to: Shareholders of the Company | <u>(1,550)</u> | <u>2,112</u> | <u>(76)</u> | <u>(135)</u> |

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (UNAUDITED)**

| | Note | The Group | | The Company | |
|--|------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | | Unaudited 30 June 2018 USD'000 | Audited 31 Dec 2017 USD'000 | Unaudited 30 June 2018 USD'000 | Audited 31 Dec 2017 USD'000 |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 10 | 64,597 | 67,358 | - | - |
| Investment in subsidiary companies | | - | - | 26,500 | 26,500 |
| Advances and prepaid expenses | | 226 | 509 | - | - |
| Other assets | 11 | 537 | 1,248 | - | - |
| Total Non-Current Assets | | <u>65,360</u> | <u>69,115</u> | <u>26,500</u> | <u>26,500</u> |
| Current Assets | | | | | |
| Inventories | 12 | 14,016 | 13,014 | - | - |
| Trade and other receivables | 13 | 5,469 | 3,102 | 3,435 | 3,435 |
| Income tax receivable | | 179 | 127 | - | - |
| Loans and advances to subsidiary companies | | - | - | 39,467 | 39,605 |
| Advances and prepaid expenses | | 3,707 | 3,477 | 19 | 6 |
| Cash and cash equivalents | 14 | 3,654 | 3,045 | 90 | 13 |
| Total Current Assets | | <u>27,025</u> | <u>22,765</u> | <u>43,011</u> | <u>43,060</u> |
| Total Assets | | <u><u>92,385</u></u> | <u><u>91,880</u></u> | <u><u>69,511</u></u> | <u><u>69,560</u></u> |

(Cont'd)

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (UNAUDITED)**

| | The Group | | The Company | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Unaudited | Audited | Unaudited | Audited |
| | 30 June 2018 | 31 Dec 2017 | 30 June 2018 | 31 Dec 2017 |
| Note | USD'000 | USD'000 | USD'000 | USD'000 |
| Equity and Liabilities | | | | |
| Capital and Reserves | | | | |
| Share capital | 73,761 | 73,761 | 73,761 | 73,761 |
| Revaluation reserve | 2,494 | 2,680 | - | - |
| Translation reserve | (108,497) | (106,741) | - | - |
| Retained earnings/ (Accumulated losses) | 87,318 | 89,817 | (8,242) | (5,275) |
| Total Equity | 55,076 | 59,517 | 65,519 | 68,486 |
| Non-Current Liabilities | | | | |
| Borrowings | 15 9,013 | 9,835 | - | - |
| Deferred taxes | 794 | 638 | - | - |
| Deferred income | 1,866 | 1,519 | - | - |
| Provision for site restoration | 69 | 67 | - | - |
| Total Non-Current Liabilities | 11,742 | 12,059 | - | - |
| Current liabilities | | | | |
| Trade and other payables | 9,583 | 7,684 | 2,891 | - |
| Accrued and other liabilities | 6,147 | 2,229 | 1,094 | 1,069 |
| Borrowings | 15 8,759 | 10,195 | - | - |
| Taxes payable | 1,078 | 196 | 7 | 5 |
| Total Current Liabilities | 25,567 | 20,304 | 3,992 | 1,074 |
| Total Liabilities | 37,309 | 32,363 | 3,992 | 1,074 |
| Total Equity and Liabilities | 92,385 | 91,880 | 69,511 | 69,560 |

The accompanying notes form an integral part of the Condensed Financial Statements.

Company No. LL04433

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**

| The Group | Share capital USD'000 | Non-distributable Revaluation reserve USD'000 | Translation reserve USD'000 | Distributable Retained earnings USD'000 | Total USD'000 |
|--|--------------------------------------|--|--|--|--------------------------|
| Balance as at 1 January 2018 | 73,761 | 2,680 | (106,741) | 89,817 | 59,517 |
| Profit for the period | - | - | - | 206 | 206 |
| Other comprehensive loss | - | - | (1,756) | - | (1,756) |
| Total comprehensive (loss)/income for the period | - | - | (1,756) | 206 | (1,550) |
| Dividend payable | - | - | - | (2,891) | (2,891) |
| Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use | - | (186) | - | 186 | - |
| Balance as at 30 June 2018 | <u>73,761</u> | <u>2,494</u> | <u>(108,497)</u> | <u>87,318</u> | <u>55,076</u> |

(Cont'd)

Company No. LL04433

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)**

| The Group | Share | Non-distributable | | Distributable | Total |
|---|---------------|-------------------|------------------|---------------|---------------|
| | capital | Revaluation | Translation | Retained | |
| | USD'000 | reserve | reserve | earnings | USD'000 |
| | | USD'000 | USD'000 | USD'000 | |
| Balance as at 1 January 2017 | 73,761 | 3,062 | (106,985) | 88,203 | 58,041 |
| Loss for the period | - | - | - | (341) | (341) |
| Other comprehensive income | - | - | 2,453 | - | 2,453 |
| Total comprehensive income/(loss) for the period | - | - | 2,453 | (341) | 2,112 |
| Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use | - | (197) | - | 197 | - |
| Balance as at 30 June 2017 | <u>73,761</u> | <u>2,865</u> | <u>(104,532)</u> | <u>88,059</u> | <u>60,153</u> |

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AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**

| The Company | Share capital USD'000 | Accumulated losses USD'000 | Total USD'000 |
|---|--------------------------------------|---|--------------------------|
| Balance as at 1 January 2018 | 73,761 | (5,275) | 68,486 |
| Total comprehensive loss for the period | - | (76) | (76) |
| Dividend payable | - | (2,891) | (2,891) |
| | <u>73,761</u> | <u>(8,242)</u> | <u>65,519</u> |
| Balance as at 30 June 2018 | <u>73,761</u> | <u>(8,242)</u> | <u>65,519</u> |
| Balance as at 1 January 2017 | 73,761 | (8,454) | 65,037 |
| Total comprehensive loss for the period | - | (135) | (135) |
| | <u>73,761</u> | <u>(8,589)</u> | <u>65,172</u> |
| Balance as at 30 June 2017 | <u>73,761</u> | <u>(8,589)</u> | <u>65,172</u> |

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**

| | The Group | | The Company | |
|--|-----------------------|---------------------|-----------------------|---------------------|
| | 6 months ended | | 6 months ended | |
| | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before income tax | 405 | 5 | (73) | (135) |
| Adjustments for non-cash items | 4,870 | 4,898 | (21) | 47 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating Profit/(Loss) Before Working Capital Changes | 5,275 | 4,903 | (94) | (88) |
| (Increase)/Decrease in: | | | | |
| Inventories | (1,309) | (1,741) | - | - |
| Trade and other receivables, advances and prepaid expenses | (2,169) | (2,878) | (12) | (11) |
| Loans and advances to subsidiary companies | - | - | - | 88 |
| Increase/(Decrease) in: | | | | |
| Trade and other payables, accrued and other liabilities | 4,038 | 1,234 | 45 | 67 |
| Loans and advances from subsidiary companies | - | - | 138 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash Generated From Operations | 5,835 | 1,518 | 77 | 56 |
| Income tax paid | - | (51) | - | - |
| Interest paid | (947) | (1,303) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Cash Generated From Operating Activities | 4,888 | 164 | 77 | 56 |

(Cont'd)

| | The Group | | The Company | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | 6 months ended | | 6 months ended | |
| | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (2,437) | (740) | - | - |
| Purchase of other assets | (28) | (32) | - | - |
| Interest received | 15 | 16 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Cash Used In Investing Activities | <u>(2,450)</u> | <u>(756)</u> | <u>-</u> | <u>-</u> |
| FINANCING ACTIVITIES | | | | |
| Proceeds from borrowings | 7,253 | 13,611 | - | - |
| Repayment from borrowings | (9,013) | (12,319) | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Cash (Used In)/Generated From Financing Activities | <u>(1,760)</u> | <u>1,292</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 678 | 700 | 77 | 56 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | (69) | 30 | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <u>3,045</u> | <u>1,023</u> | <u>13</u> | <u>74</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 14) | <u>3,654</u> | <u>1,753</u> | <u>90</u> | <u>130</u> |

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

1. GENERAL INFORMATION

Steppe Cement Ltd (“the Company”) is incorporated and domiciled in Malaysia. The Company’s and its subsidiaries’ (“the Group”) principal place of business is located at Aktau village, Karaganda region, Republic of Kazakhstan. The Company’s shares are listed on the AIM Market of the London Stock Exchange plc.

The registered office of the Company is located at Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan FT, Malaysia.

2. BASIS OF PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

Basis of presentation

The condensed interim financial statements of the Group and the Company are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

The condensed interim financial statements of the Group and the Company were authorised for issue by the Board of Directors on 14 September 2018.

Use of estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention except the revaluation of land and building to fair values in accordance with IAS 16 “Property, Plant and Equipment” (Note 10).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of the following Standards:

| | |
|-------------------------|--|
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers |
| Amendments to IFRSs | Annual Improvements to IFRSs 2014 - 2016 Cycle |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| IFRIC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

The adoption of these Standards, Amendments and Interpretations did not result in significant impact on the Group’s condensed consolidated interim financial statements.

The principal closing rates used in translation of foreign currency amounts are as follows:

| | USD |
|----------------------------|---------------|
| 1 Pound Sterling | 1.3203 |
| 1 Ringgit Malaysia | 0.2477 |
| 1 Euro Dollar | 1.1644 |
| 1 Kazakhstan Tenge (“KZT”) | <u>0.0029</u> |
| | KZT |
| 1 US Dollar | <u>341.08</u> |

3. **REVIEW OF RESULTS FOR THE PERIOD**

During the period, the Group recorded revenue increase of 22% or USD6 million from USD26.8 million to USD32.8 million. Revenue rose mainly due to increase in sales volume by 14% to 738,228 tonnes from 650,333 tonnes in the same period in 2017 and to higher delivered selling price of 8%. The Group sold cement at an average selling price of USD43 (KZT14,276) per tonne compared with USD40 (KZT13,151) per tonne in the corresponding period in 2017. Ex-factory price for the current period was USD35 (KZT11,560) per tonne, compared with USD35 (KZT11,147) per tonne in the corresponding period of 2017. The average rate of KZT weakened by approximately 3% from 31 Dec 2017.

The Group achieved a higher gross profit margin at 33% compared with 27% during the same period of last year. Cost of sales increased by 12% compared with 7% during the same period in 2017. Selling expenses rose by 56% to USD6.4 million due to significant increase in sales to the south and exports compared with same period in 2017 while general & administration expenses increased by 13% to USD2.8 million.

The Group posted a slight profit after tax for the period of USD0.2 million or 0.1 cent profit per share compared with a USD0.3 million loss after tax or 0.2 cent loss per share in the corresponding period.

4. **SEASONAL OR CYCLICAL FACTORS**

The Group's revenue is closely linked to the construction sector which experiences seasonal, significant slow-down in construction activities due to extreme, cold temperature especially during the months of December, January and February in most parts of Kazakhstan. Each year, the Group's sales improve after winter and typically peak during the summer months.

5. **SEGMENTAL REPORTING**

No industry and geographical segmental reporting are presented as the Group's primary business is in the production and sale of cement which is located in Karaganda region, Republic of Kazakhstan.

6. **REVENUE**

| | The Group | | The Company | |
|---|-----------------------|----------------|-----------------------|----------------|
| | 6 months ended | | 6 months ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2018 | 2017 | 2018 | 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Sales of manufactured goods | 32,832 | 26,834 | - | - |
| Transmission and distribution of electricity | 6 | 5 | - | - |
| Management fee receivable from subsidiary company | - | - | 50 | 50 |
| Total | 32,838 | 26,839 | 50 | 50 |

7. **FINANCE COSTS**

| | The Group | |
|--|-----------------------|----------------|
| | 6 months ended | |
| | 30 June | 30 June |
| | 2018 | 2017 |
| | USD'000 | USD'000 |
| Interest expense on: | | |
| - loans from financial institutions | 937 | 1,044 |
| - debt securities | - | 238 |
| Amortisation of discount on bonds issued | - | 20 |
| Unwinding of discount | 4 | 4 |
| Other finance costs | 1 | 4 |
| Total | 942 | 1,310 |

8. INCOME TAX EXPENSE

| | The Group | | The Company | |
|----------------------|-----------------------|----------------|-----------------------|----------------|
| | 6 months ended | | 6 months ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2018 | 2017 | 2018 | 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Income tax expense | 20 | - | 2 | - |
| Deferred tax expense | 179 | 346 | - | - |
| | <u>199</u> | <u>346</u> | <u>2</u> | <u>-</u> |

There have been no major changes in the major elements of temporary differences that give rise to the deferred tax liabilities and assets, mainly comprising property, plant and equipment. Tax is accrued based on the estimated payable for the parent company and the subsidiary company incorporated in Labuan FT, Malaysia in the current year. The high effective tax rate at 49% as compared with the prevailing statutory tax rate of 20% in Kazakhstan is due to tax effects arising on foreign exchange losses on a intercompany loan deductible for tax purposes.

9. PROFIT/(LOSS) PER SHARE

| | The Group | |
|--|-----------------------|-----------------------|
| | 6 months ended | 6 months ended |
| | 30 June 2018 | 30 June 2017 |
| | USD'000 | USD'000 |
| Profit/(Loss) attributable to ordinary shareholders | <u>206</u> | <u>(341)</u> |
| | 6 months ended | 6 months ended |
| | 30 June 2018 | 30 June 2017 |
| | '000 | '000 |
| Number of ordinary shares in issue at beginning and at end of period | <u>219,000</u> | <u>219,000</u> |
| Weighted average number of ordinary shares at beginning and at end of period | <u>219,000</u> | <u>219,000</u> |
| Profit/(Loss) per share, basic and diluted (cents) | <u>0.1</u> | <u>(0.2)</u> |

The basic profit/(loss) per share is calculated by dividing the consolidated loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period.

There are no dilutive instruments in issue as at 30 June 2018 and 30 June 2017.

10. PROPERTY, PLANT AND EQUIPMENT, NET

| The Group | Freehold land and land improvement | Buildings | Machinery and equipment | Railway Wagons | Other assets | Stand-by equipment and major spare parts | Construction in progress | Total |
|---|--|--------------|----------------------------|-------------------|-----------------|---|-----------------------------|---------------|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Cost | | | | | | | | |
| At 1 January 2018 | 2,148 | 22,767 | 75,123 | 8,271 | 7,009 | 3,529 | 4,230 | 123,077 |
| Additions | - | - | 443 | - | 301 | 127 | 1,849 | 2,720 |
| Transfers | - | 127 | 2,096 | - | 62 | (144) | (2,141) | - |
| Disposals | (1) | - | - | (28) | (6) | - | - | (35) |
| Reclassification from inventories | - | - | - | - | - | - | 107 | 107 |
| Exchange differences | (54) | (589) | (2,224) | (211) | (186) | (88) | (127) | (3,479) |
| At 30 June 2018 | 2,093 | 22,305 | 75,438 | 8,032 | 7,180 | 3,424 | 3,918 | 122,390 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| At 1 January 2018 | - | 14,496 | 35,411 | 1,423 | 4,388 | - | - | 55,718 |
| Charge for the period | - | 407 | 2,750 | 210 | 301 | - | - | 3,668 |
| Transfers | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (5) | (3) | - | - | (8) |
| Exchange differences | - | (389) | (1,026) | (45) | (125) | - | - | (1,585) |
| At 30 June 2018 | - | 14,514 | 37,135 | 1,583 | 4,561 | - | - | 57,793 |
| Net Book Value | | | | | | | | |
| At 30 June 2018 | <u>2,093</u> | <u>7,791</u> | <u>38,303</u> | <u>6,449</u> | <u>2,619</u> | <u>3,424</u> | <u>3,918</u> | <u>64,597</u> |
| At 31 December 2017 | <u>2,148</u> | <u>8,271</u> | <u>39,712</u> | <u>6,847</u> | <u>2,621</u> | <u>3,529</u> | <u>4,230</u> | <u>67,358</u> |

11. OTHER ASSETS

| | The Group | | The Company | |
|------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 |
| VAT recoverable | 159 | 885 | - | - |
| Quarry stripping costs | 218 | 220 | - | - |
| Site restoration costs | 40 | 41 | - | - |
| Site restoration fund | 120 | 102 | - | - |
| Total | 537 | 1,248 | - | - |

12. INVENTORIES

| | The Group | | The Company | |
|--|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 |
| Finished goods | 7,785 | 6,354 | - | - |
| Spare parts | 5,933 | 6,418 | - | - |
| Work in progress | 333 | 389 | - | - |
| Raw materials | 1,998 | 1,591 | - | - |
| Other materials | 327 | 983 | - | - |
| Packing materials | 281 | 147 | - | - |
| Fuel | - | ^ | - | - |
| Goods held for resale | 66 | 39 | - | - |
| Total | 16,723 | 15,921 | - | - |
| Less: Provision for obsolete inventories | (2,707) | (2,907) | - | - |
| Net | 14,016 | 13,014 | - | - |

^ - Insignificant amount

13. **TRADE AND OTHER RECEIVABLES**

| | The Group | | The Company | |
|---|---|--|---|--|
| | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 |
| Trade receivables | 3,632 | 2,821 | - | - |
| Less: Provision for doubtful receivables | (44) | (46) | - | - |
| Net | 3,588 | 2,775 | - | - |
| Other receivables: | | | | |
| Taxes receivable | 1,547 | 72 | - | - |
| Receivable from related party | - | 44 | - | - |
| Receivable from employees | 34 | 99 | - | - |
| Others | 300 | 112 | - | - |
| Dividend receivable | - | - | 3,435 | 3,435 |
| Total | <u>5,469</u> | <u>3,102</u> | <u>3,435</u> | <u>3,435</u> |

The Company enters into sales contracts with trade customers on cash terms. Some customers with good payment history are granted certain credit periods on their cement purchases which are secured against bank guarantee or other credit enhancements.

The recoverability of trade accounts receivable depends to a large extent on the Group's customers' ability to meet their obligations and other factors which are beyond the Group's control. The recoverability of the Group's trade accounts receivable is determined based on conditions prevailing and information available as at reporting date. The directors have reviewed the trade receivables and considered no further provision for trade receivables is necessary based on conditions prevailing and available information as at 30 June 2018.

14. **CASH AND CASH EQUIVALENTS**

| | The Group | |
|---------------------------|---|--|
| | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 |
| Cash in hand and at banks | 3,654 | 427 |
| Short-term deposit | - | 2,618 |
| | 3,654 | 3,045 |

15. **BORROWINGS**

| | The Group | |
|----------------------|---|--|
| | As at 30 June 2018 USD'000 | As at 31 Dec 2017 USD'000 |
| Current portion: | | |
| Bank loans | 8,759 | 10,195 |
| Non-current portion: | | |
| Bank loans | 9,013 | 9,835 |
| Total borrowings | 17,772 | 20,030 |

VTB Bank (Kazakhstan) JSC working capital facility

During the period, Karcement JSC signed a short-term loan agreement with JSC VTB Bank of Kazakhstan at interest rate of 11.5% per annum and received borrowings of KZT100 million.

As at 30 June 2018, the working capital loan facilities with VTB Bank JSC is available for full drawdown. The facility expired in July 2018.

Undrawn loan amounts

As at 30 June 2018, the Group has USD6.5 million available for working capital requirements drawdown under the Halyk Bank JSC short-term loan facilities.

16. RELATED PARTIES

Related parties include shareholders, directors, affiliates and entities under common ownership, over which the Group has the ability to exercise a significant influence.

Other related parties include entities which are controlled by a director, which a director of the Group has ownership interests and exercises significant influence.

Balances and transactions between the Company and its subsidiary companies, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The following transactions with related parties are included in the condensed consolidated income statement as of 30 June 2018 and 2017:

| | Purchase of services | |
|----------------------------|-----------------------------|-----------------------------|
| | 30 June 2018 | 30 June 2017 |
| | USD'000 | USD'000 |
| Other related party | | |
| Opera Holding LLP | - | 6 |
| | <u> </u> | <u> </u> |

The following balance with related parties is included in the condensed consolidated statement of financial position as of 30 June 2018 and 31 December 2017:

| | (Payable to)/Receivable from related parties | |
|----------------------------|---|-----------------------------|
| | 30 June 2018 | 31 Dec 2017 |
| | USD'000 | USD'000 |
| Other related party | | |
| Opera Holding LLP | - | (3) |
| Others | 28 | 44 |
| | <u> </u> | <u> </u> |

Compensation of key management personnel

Included in the staff costs are remuneration of directors and other members of key management during the financial period as follows:

| | The Group | | The Company | |
|---------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30 June 2018 USD'000 | 30 June 2017 USD'000 | 30 June 2018 USD'000 | 30 June 2017 USD'000 |
| Remuneration | 318 | 283 | 50 | 48 |
| Short-term benefits | 140 | 62 | - | - |
| Total | 458 | 345 | 50 | 48 |

The remuneration of directors and key executives is determined by the remuneration committees of the Company and subsidiary companies having regard to the performance of individuals and market trends.

17. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to various financial risks which include foreign currency risk, credit risk and liquidity risk.

The condensed interim financial statements of the Group do not include all financial risk management information and disclosures required in the annual financial statements. There has been no change in the financial risk management objectives and policies since the previous financial year ended 31 December 2017. The Group continuously manages its exposures to risks and/or costs associated with the financing, investing and operating activities of the Group.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. As no readily available market exists for a large part of the Group's financial instruments, judgement is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The fair value of the instruments presented herein is not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Trade and other receivables and payables and accrued and other liabilities

For assets and liabilities with maturity less than twelve months, the carrying value approximate fair value due to the short-term maturity of these financial instruments.

Borrowings

The fair values of the borrowings are estimated by discounting expected future cash flows at market interest rates prevailing at the end of the relevant period with similar maturities adjusted by credit risk.

As at 30 June 2018 and 2017, the fair values of financial assets and short-term financial liabilities approximate their carrying values.

18. **CONTIGENCIES**

There are no significant changes in the contingencies since the financial year ended 31 December 2017.