

RNS Number : 5003Q  
Steppe Cement Limited  
14 April 2009

## Steppe Cement Ltd

Underwritten Offer for Subscription of 40,000,000 Ordinary Shares of USD0.01 each at 25 pence per share

Subject to the approval of shareholders at an extraordinary general meeting to be held on 7 May 2009, Steppe Cement Ltd ("the Company" and "Steppe") intends to make offers to shareholders in the Company to subscribe for a total of 40,000,000 new fully paid ordinary shares at 25 pence per share ("Offer Shares") to raise £10 million before expenses to shareholders in the Company ("the Offer").

It is intended that the Offer be conditionally underwritten by existing significant shareholders Asian Investment Management Services Ltd (a company associated with David Crichton-Watt), Halfmoon Bay Enterprises Limited and Mango Bay Enterprises Limited (companies associated with Tan Sri Azmi bin Wan Hamzah) and Portola Group Limited (a company associated with Steppe director, Javier Del Ser Perez).

The Offer opens on 14 April 2009 and closes on 5 May 2009. The terms of the Offer will be that each shareholder (including registered holders of Steppe depository interests) at a record date on 14 April 2009 will be entitled to subscribe for the New Shares.

Each subscription under the Offer must be for a minimum £50,000 (i.e. 200,000 new Ordinary Shares). Full particulars of the terms and conditions of the Offer for Subscription are set out in a Circular to shareholders and Notice of Extraordinary General Meeting of Shareholders ("Offer Document") which is released on 14 April 2009.

The results of the Offer for Subscription are expected to be announced by the Company on or around 6 May 2009. The issue and allotment of the Offer Shares are expected to take place on 11 May 2009. It is expected that Admission will occur and dealings in the Offer Shares will commence on 11 May 2009.

The Offer Shares will represent approximately 35 per cent of the Existing Issued Ordinary Share Capital and approximately 26 per cent of the Enlarged Issued Ordinary Share Capital.

The net proceeds of the Offer will be used principally to repay a portion of the Company's bank loans and for working capital purposes and is necessary to strengthen the Company's financial position which has been impacted by a marked slowdown in the property and construction projects in Kazakhstan as a consequence of the global economic down turn.

Significant cash resources have been expended by the Company on the refurbishment of dry line 6 in the past year and operating margins have reduced with price of cement in Kazakhstan falling from a high of USD150 per tonne in the summer of 2008 to approximately USD50-60 per tonne today. The lack of financing alternatives has limited the funding options available and the Directors believe that an equity offer is more prudent than seeking to borrow further funds in the present economic environment.

Further background on the reasons for the Offer and the financial situation of the Company will be made available in the Offer Document.

The Company's Nominated Adviser is RFC Corporate Finance Ltd.

Contact: Stephen Allen or Trinity McIntyre, +61 8 9480 2500

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the UK Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. The Offer Shares will rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares after Admission.

It is expected that admission to AIM and dealings in the Offer Shares will commence on 11 May 2009.

**STEPPE CEMENT LTD**

(Company No. LL04433)

(Incorporated and registered in Federal Territory of Labuan, Malaysia

under the Offshore Companies Act 1990 with company number LL04433)

**UNDERWRITTEN OFFER FOR SUBSCRIPTION OF 40,000,000 ORDINARY SHARES OF USD0.01 EACH AT 25 PENCE PER SHARE**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

The minimum subscription amount for the Offer for Subscription is £50,000 (i.e. 200,000 Offer Shares). The Offer for Subscription closes at 3.00 p.m. on 5 May 2009. If you are a Qualifying Shareholder and wish to apply for Offer Shares, you should follow the procedure set out in Part III of this document and, where relevant, complete and return the accompanying Application Form.

This document should be read as a whole. Your attention is drawn to the Letter to Shareholders from the Board of Steppe Cement Ltd which is set out in Part I of this document. This document contains a recommendation that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting ("EGM") referred to below. Notice of the EGM of Steppe Cement Ltd to be held at the offices of Hanson Westhouse Limited, One Angel Court, London EC2R 7HJ at 2.30 p.m. on Thursday, 7 May 2009 is set out at the end of this document.

The accompanying Form of Proxy for use by Shareholders in connection with the EGM should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE by not later than 2.30 p.m. on 5 May 2009. The completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person (in substitution for your proxy vote) if you so wish (and are so entitled).

The accompanying Form of Instruction for use by Depository Interest holders in connection with the EGM should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE by not later than 2.30 p.m. on 1 May 2009.

The Offer Shares will not be registered under (and do not qualify for distribution under) the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan (each a "Restricted Territory") and no prospectus in relation to the Offer Shares has been prepared, lodged with or registered by the Australian Securities and Investments Commission, the Japanese Ministry of Finance or the relevant regulatory authority of any other Restricted Territory. Accordingly, subject to certain limited exceptions, the Offer Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into any Restricted Territory and this Circular may not be mailed or otherwise distributed or sent to or into any Restricted Territory. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate legal advice before taking any action.

#### UK Notice

The Offer for Subscription is only being made in the UK to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

As the minimum subscription amount for the Offer for Subscription is £50,000, in accordance with Section 85 of FSMA, this Circular does not (and is not required to) constitute a prospectus for the purposes of the Prospectus Rules and a copy of it has not been, and will not be, reviewed or approved by the UK Financial Services Authority, the UK Listing Authority, the London Stock Exchange plc or any other authority or regulatory body.

This Circular contains no offer to the public within the meaning of Section 102(B) of the FSMA, the Companies Act 1985, the Companies Act 2006 or otherwise.

This Circular is dated 14 April 2009. FORWARD LOOKING STATEMENTS

Certain statements in this document including but not limited to statements, estimates and projections of future trends and of the anticipated future performance of the Group constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group, or industry results, to differ materially from any future results, performance or achievement implied by such forward-looking statements.

Statements in this document that are forward-looking and involve numerous risks and uncertainties that could cause actual results to differ materially from expected results are based on the Group's current beliefs and assumptions regarding a large number of factors affecting its business. Actual results may differ materially from expected results. There can be no assurance that (i) the Group has correctly measured or identified all of the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful.

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## DEFINITIONS

"Admission"	admission of the Ordinary Shares to trading on AIM.
"AIM"	the AIM market operated by the London Stock Exchange.
"Application"	an application from a Qualifying Shareholder for Offer Shares in connection with the Offer for Subscription.

"Application Form"	the application form to be used by Qualifying Shareholders in connection with the Offer for Subscription.
"Board"	the board of directors of Steppe Cement Ltd.
"Certificated form" or "in certificated form"	an ordinary share recorded on a company's share register as being held in certificated form (namely, not in CREST).
"Company or Steppe Cement"	Steppe Cement Ltd (Company number LL04433).
"Circular"	this Circular dated 14 April 2009 sent to Shareholders.
"CREST"	the system (as defined in the CREST Regulations) for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited.
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No 01/3755).
"Depository Interests"	depository interests in respect of Ordinary Shares.
"Director"	the directors of the Company as at the date of this document.
"Enlarged Issued Ordinary Share Capital"	the issued ordinary share capital of the Company following the issue of the Offer Shares pursuant to the Offer for Subscription (assuming full subscription).

"EBRD"	European Bank for Reconstruction and Development.
"Existing Ordinary Shares"	the 114,000,000 Ordinary Shares of USD0.01 each in the capital of the Company in issue at the date of this document.
"EGM"	the extraordinary general meeting of the Company to be held at 2.30 p.m. on Thursday, 7 May 2009, notice of which is set out at the end of this document.
"Form of Instruction"	the form of instruction for use by Depository Interest holders in connection with the EGM.
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the EGM.
"FSMA"	the UK Financial Services and Markets Act 2000.
"Government"	the Government of Kazakhstan.
"Group"	the Company and the Subsidiaries.
"LIBOR"	the London inter bank offered rate from time to time.
"Loan Agreement"	the loan agreement dated 13 December 2005, as amended and restated on 28 June 2007, signed between Karcement JSC and European Bank for Reconstruction and Development.

"London Stock Exchange"	London Stock Exchange plc.
"Offshore Companies Act"	The Offshore Companies Act 1990 of Federal Territory of Labuan, Malaysia.
"Offer Price"	25 pence per new Ordinary Share.
"Offer Shares"	the 40,000,000 Ordinary Shares which are to be made available for subscription by Qualifying Shareholders under the Offer for Subscription.
"Offer" or "Offer for Subscription"	the offer to Qualifying Shareholders to subscribe for the Offer Shares at the Offer Price, subject to the conditions set out in this document.
"Ordinary Shares"	Ordinary Shares of USD0.01 each in the capital of the Company.
"Prospectus Rules"	the Prospectus Rules of the Financial Services Authority.
"Qualifying CREST Holders"	persons who are registered as holders of Depository Interests on the Record Date.
"Qualifying non-CREST Shareholders"	persons who are registered as holders of Ordinary Shares on the Record Date.
"Qualifying Shareholders"	persons who are registered as holders of Ordinary Shares (being Qualifying non-CREST Shareholders) on the Record Date and persons who are registered as holders of Depository Interests (being Qualifying CREST Holders) on the Record Date.
"Receiving Agent"	Computershare Investor Services PLC, Corporate Actions - Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH.



"Record Date"	the close of business on 14 April 2009.
"Registrar"	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.
"Resolution"	the resolution set out in the Notice of the Extraordinary General Meeting at the end of this document.
"Shareholders"	the holders of any issued Ordinary Shares in the share capital of the Company (or Depository Interests in respect of Ordinary Shares in the share capital of the Company) from time to time.
"Subsidiaries"	Steppe Cement (M) Sdn Bhd, Mechanical & Electrical Consulting Services Ltd, Central Asia Cement Holding B.V., Steppe Cement Holdings B.V., Central Asia Cement JSC and Karcement JSC.
"Underwriters"	Asian Investment Management Services Ltd, Halfmoon Bay Enterprises Limited & Mango Bay Enterprises Limited and Portola Group Limited.
"Underwriting Agreement"	the conditional underwriting agreement dated 14 April 2009 entered into between the Company and the Underwriters.
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland.
"£" and "pence"	the currency of Great Britain.

"USD" the currency of United States of America.

"KZT" or Kazakh Tenge" the currency of Kazakhstan.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record date	Close of business on Tuesday, 14 April 2009
Latest time and date for receipt of Forms of Instruction for the EGM	2.30 p.m. on Friday, 1 May 2009
Latest time and date for receipt of Forms of Proxy for the EGM	2.30 p.m. on Tuesday, 5 May 2009
Latest time and date for receipt of completed Application Forms and payment in full	3.00 p.m. on Tuesday, 5 May 2009
Announcement of results of the Offer	7.00 a.m. on Wednesday, 6 May 2009
EGM	2.30 p.m. on Thursday, 7 May 2009
Offer Shares credited to CREST accounts	8.00 a.m. on Monday, 11 May 2009
Admission and commencement of dealings on AIM	8.00 a.m. on Monday, 11 May 2009
Despatch of share certificates	On Friday, 15 May 2009

### Notes to the timetable

- (1) The above times and dates of principal events above and mentioned throughout this Circular may be adjusted, in which event details of the new times and dates will be notified to the London Stock Exchange and Qualifying Shareholders.
- (2) References to times in this timetable are to London (GMT) times unless otherwise stated.

## OFFER FOR SUBSCRIPTION STATISTICS

Offer Price	25 pence
Number of Ordinary Shares in issue at the date of this document	114,000,000
Number of Offer Shares to be issued by the Company pursuant to the Offer	40,000,000
Number of Ordinary Shares in issue immediately following completion of the Offer (assuming full subscription)	154,000,000
Number of Offer Shares as a percentage of Existing Issued Ordinary Share Capital of the Company	35%
Number of Offer Shares as a percentage of Enlarged Issued Ordinary Share Capital of the Company immediately following completion of the Offer (assuming full subscription)	26%
Maximum gross proceeds of the Offer	£10,000,000
Estimated net proceeds of the Offer	£9,950,000
Market capitalisation on completion of the Offer at the Offer Price	£38,500,000

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Malcolm Ronald Brown (Non-Executive Chairman) Javier Del Ser Perez (Chief Executive Officer) Keith Robert Newman (Non-Executive Director) Paul Rodzianko (Non-Executive Director)
Company Secretary	Equity Trust Secretaries Ltd
Registered Office	Brumby House, Jalan Bahasa

87011 Federal Territory of Labuan

Malaysia

Nominated Adviser

RFC Corporate Finance Ltd

Level 14

19-31 Pitt Street

Sydney, New South Wales, 2000

Australia

and

Level 15, QV1 Building

250 St Georges Tce

Perth, Western Australia 6000

Broker

Hanson Westhouse Limited

One Angel Court

London EC2R 7HJ

England

Solicitors to the Company Watson, Farley & Williams LLP

15 Appold Street

London

EC2A 2HB

England

Receiving Agent           Computershare Investor Services PLC  
  
Corporate Actions - Projects  
  
The Pavilions  
  
Bridgwater Road  
  
Bristol BS99 6AH  
  
England

Registrar                   Computershare Investor Services PLC  
  
The Pavilions  
  
Bridgwater Road  
  
Bristol BS13 8AE  
  
England

## PART I

### LETTER TO SHAREHOLDERS

Dear Shareholder,

UNDERWRITTEN Offer for subscription of 40,000,000 Ordinary Shares of USD0.01 each at 25 pence per share

#### 1. INTRODUCTION

On 14 April 2009, the Board announced on behalf of the Company, subject to the approval of Shareholders, the intention to raise £10 million before expenses by way of an Offer for Subscription of 40,000,000 new Ordinary Shares at 25 pence per share to be conditionally underwritten by the Underwriters, Asian Investment Management Ltd, Halfmoon Bay Enterprises Limited, Mango Bay Enterprises Limited and Portola Group Limited.

The Offer Price of 25 pence per Offer Share represents a discount of approximately 18 per cent to the closing middle market quotation of an Ordinary Share on 9 April 2009 (being the latest practicable date prior to publication of this Circular).

Subscriptions can be made by Qualifying Shareholders only and any subscriptions made must be for a minimum £50,000 (i.e. 200,000 new Ordinary Shares). Further particulars of the terms and conditions of the Offer for Subscription and underwriting are described in paragraph 5 of Part I of this Circular and Part III of this Circular.

The Offer Shares will represent approximately 35 per cent of the Existing Issued Ordinary Share Capital and approximately 26 per cent of the Enlarged Issued Ordinary Share Capital. The net proceeds of the Offer will be used principally to repay a portion of the Company's bank loans and for working capital purposes.

#### Purpose of the Circular

The purpose of this Circular is to:

- explain to you the background to and rationale for the Offer for Subscription and to provide you with a notice of an extraordinary general meeting of the Company to be held to consider and, if thought fit, pass the Resolution to authorise the Company to implement the Offer for Subscription; and
- explain why the Board considers that the Resolution to be proposed at the EGM is in the best interests of the Company and Shareholders as a whole. The Board recommends that you vote in favour of the Resolution.

Shareholder approval is not required for the Offer for Subscription by the Offshore Companies Act, the Company's Articles of Association or otherwise. However, the Board has decided to seek Shareholder approval for the Offer for Subscription as the Offer for Subscription may lead to dilution of Shareholders' existing interests in the Company.

## 2. BACKGROUND AND RATIONALE OF THE OFFER FOR SUBSCRIPTION

The Kazakhstan economy has not been immune to the global economic downturn. This has led to a marked slowdown in property and construction projects and to domestic banks in Kazakhstan becoming cautious and selective in lending. Reduced demand for cement has led to a very steep fall in the price of cement in Kazakhstan from a high of USD150 per tonne in the summer of 2008 to approximately USD50-60 per tonne today.

The Group spent significant cash resources on the refurbishment of dry line 6 in the past year. The lack of financing alternatives has limited the funding options available to the Group's wholly owned subsidiary, Karcement JSC, and the Directors believe that it would be unwise to incur further indebtedness in the present economic environment.

Steppe Cement therefore intends to raise cash by way of an Offer for Subscription to provide the Group with additional cash resources. The Offer for Subscription provides an opportunity for all Qualifying Shareholders to participate in the Company's future growth prospects.

## 2.1 Overview of the Group's indebtedness

As at 31 March 2009, the Group's outstanding net debt is approximately USD 93.5 million comprising of USD 75.5 million of bank loans and KZT 2.7 billion (or approximately USD 18 million) of bonds.

### EBRD loan

The Group's wholly owned subsidiary, Karcement JSC, signed a Loan Agreement with the European Bank for Reconstruction and Development on 13 December 2005 (amended and restated on 21 June 2007), under which EBRD agreed to lend Karcement JSC an amount not exceeding USD 42 million.

The EBRD loan consists of two tranches:

- Tranche 1 loan of up to USD 32 million from EBRD (out of which USD 28.8 million is currently outstanding). Under the Loan Agreement, Karcement JSC shall repay the Tranche 1 loan in ten equal semi-annual instalments commencing on 11 November 2008 and ending on 11 May 2013. The applicable interest rate for Tranche 1 is LIBOR (6 months USD) plus 3.75% per annum, payable semi-annually from the date of the initial draw down.
- Tranche 2 loan of up to USD 10 million from EBRD. The applicable interest rate for Tranche 2 is LIBOR (6 months USD) plus 5.00% per annum, payable semi-annually from the date of the initial draw down. It is intended that Karcement JSC will repay the Tranche 2 loan in one lump sum on 11 May 2013.

The purpose of these loans was to partially finance the refurbishment of the production dry lines

number 5 and 6.

- In parallel with the EBRD loan, Kazkommertsbank agreed to lend Karcement JSC up to USD 23.2 million. The applicable interest rate for the Kazkommertsbank loan was subsequently increased to 16% per annum. This loan was fully repaid on 24 September 2008 when Karcement JSC managed to refinance this loan with a term loan granted by HSBC Bank, Kazakhstan, at a considerably lower interest rate (see details below).

#### HSBC loan

On 22 September 2008, Karcement JSC signed a loan agreement with HSBC Bank, Kazakhstan for a term loan of approximately USD23.2 million with a repayment date of 10 July 2013. The applicable interest rate is based on LIBOR (6 months USD) plus 5.50% per annum, payable semi-annually commencing 22 March 2009. The loan is repayable in eight equal semi-annual instalments commencing 22 March 2010.

#### Halyk Bank JSC loan

On 20 October 2008, the Group's wholly owned Central Asia Cement JSC signed a loan agreement with Halyk Bank JSC for a revolving credit facility of USD 10 million to finance its working capital requirements. The applicable interest rate is 16.50% per annum and the maturity date is on 20 October 2011. The principal and interest are payable monthly in the six months period from the date of drawdown. In January 2009, Central Asia Cement JSC secured three loan facilities of approximately USD2.3 in total from Halyk Bank JSC.

#### Bank CenterCredit JSC loan

On 15 October 2008, Central Asia Cement JSC secured a revolving credit facility of KZT 360 million (approximately USD2.4 million based on the exchange rate of KZT 150/ 1 USD) from Bank CenterCredit JSC to finance its working capital requirements. The applicable interest rate payable on the loan is 16.00% per annum and the maturity date is on 14 October 2009. Repayment of the principal amount is made in 3 equal monthly instalments from 3 months after the date of drawdown and accumulated interest is payable monthly commencing in the month following the month of the drawdown

#### Schedule of Group's long-term debt repayment obligations

The average current interest rate for the Group's long-term loans is 7%. The following is a schedule of the Group's long-term debt repayment obligations based on the current interest rates and exchange rate (based on the exchange rate of KZT 150/ 1 USD):



Year	Principal (USD'million)	Interest (USD'million)	Total (USD'million)
2009	6.4	5.6	12.0
2010	12.1	5.0	17.1
2011	30.1	3.7	33.8
2012	12.1	1.8	13.9
2013	19.0	1.0	20.0

As at 31 December 2008, Karcement JSC's current portion of outstanding long-term debt is USD7.3 million.

Central Asia Cement JSC is allowed to draw short-term debt for working capital purposes as it normally does during the winter. As at 31 December 2008, Central Asia Cement JSC's outstanding short-term debt is USD 7.6 million. Furthermore, the Group's wholly owned subsidiary, Central Asia Cement JSC has on issue local bonds of 5 years of KZT 2.7 billion at a coupon rate of 9% which mature in August 2011.

## 2.2 Macroeconomic overview in Kazakhstan

The Kazakhstan economy was hit earlier than many other countries by the reduced unavailability of credit. As early as September 2007, local banks started facing problems in refinancing their short-term international credit lines. The local banks consequently tightened their credit to the real economy and increased lending rates, which in turn pushed their clients to look for alternative financing. The banks' balance sheets are expected to compress further until local depositors balance the flow of money for the local banks to repay debts issued in the international markets.

During the last twelve months, the Government supported the banking sector and the economy chiefly in the following manner:

- The state-owned companies kept their deposits in the local banks;
- The Government provided loans to replace the foreign credit lines;
- The Government acquired significant equity stakes in four major banks at the beginning of 2009;
- The Government reduced the value added tax from 13% to 12% and income tax rates from 30% to 20% effective from 1 January 2009; and
- In early 2009, the Government decided to mobilize the reserves kept in the National Reserve Fund and channel them to the real economy through a stimulus package which includes:

- o Plans to invest USD700 million in Astana infrastructure and buildings;
- o Construction of key infrastructure projects in Almaty;
- o Social housing in nearly all cities of Kazakhstan; and
- o Construction of new schools and hospitals in certain cities, particularly those hard hit by the economic downturn.

However, during the second half of 2008 and early 2009, the Kazakhstan national budget was hit by lower oil and commodity prices and loss of competitiveness due to high inflation.

Some of Kazakhstan's main trading partners including Russia and Ukraine devalued their currencies and Kazakhstan decided to follow suit. This measure is expected to improve the trade balance and help the export-oriented resource companies while it hurts the local banks and companies such as Steppe Cement with a significant portion of loans denominated in foreign currency and revenues denominated in Kazakh Tenge.

#### Construction sector

- The construction sector experienced a boom during the years from 2000 to 2007 when its share of GDP increased from 3% to 12%. The GDP increased at a compounded rate of 9% per annum.
- The demand for cement followed and increased from 1.1 million tonnes in 2000 to 7.6 million tonnes in 2007.

	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009F
GDP Growth	%	9.8	13.5	9.8	9.2	9.6	9.7	10.7	8.9	3	1
Cement Demand	'000 tonnes	1119	1969	2358	3002	3900	5200	6300	7600	5700	4500
Local Supply	'000 tonnes	1050	1900	2100	2500	2900	3600	4000	4100	3900	4100
Cement Price	KZT per tonne	2719	3329	3246	4202	6308	8300	9100	14000	12600	7500

F = Forecast

Source: National Bank of Kazakhstan

- Given the current tight credit situation, the Group expects the GDP share of the construction sector to contract again in 2009 until the credit situation stabilises and the local banks rely less on foreign credit for expansion.
- As the cement market shrinks and in line with the Group's intention to increase its market share,

both imports and local producers will have to make room for the Group's market share expansion. During the first two months of 2009, the share of imported cement has gone down to 13% from 30% in 2008. The share of the Group in the market however has moved up from 16% to 20%.

### 3. UTILISATION OF PROCEEDS

The next repayment instalment of the Tranche A loan of USD3.2 Million is due on 11 May 2009. The net proceeds of the Offer for Subscription are expected to be up to approximately £9.95 Million. The net proceeds will be used to reduce the Group's gearing, strengthen the Group's balance sheet and for general working capital requirements of the Group.

### 4. SUMMARY DETAILS OF THE OFFER FOR SUBSCRIPTION

The Offer for Subscription allows participation by all Qualifying Shareholders on the Record Date. Qualifying Shareholders are invited to apply, subject to a minimum subscription of £50,000 (i.e. 200,000 new Ordinary Shares) and to the other terms and conditions of the Offer set out in Part III and in the Application Form, for the Offer Shares at a price of 25 pence per Offer Share payable in cash in full on application.

The Offer Shares issued pursuant to the Offer for Subscription will, when issued and fully paid, rank *pari passu* in all respects with, and will carry the same voting and dividend rights as, the Existing Ordinary Shares. The Offer for Subscription is conditional, *inter alia*, upon:

- (i) the passing of the Resolution at the EGM and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- (ii) Admission of the Offer Shares becoming effective by 8.00 a.m. on 11 May 2009, (or such later time or date as the Company may determine).

The results of the Offer for Subscription are expected to be announced by the Company on or around 6 May 2009. The issue and allotment of the Offer Shares are expected to take place on 11 May 2009. It is expected that Admission will occur and dealings in the Offer Shares will commence on 11 May 2009.

It is expected that Offer Shares validly applied for by Qualifying CREST Holders will be credited to the CREST accounts of such Qualifying CREST Holders on 11 May 2009. It is expected that share certificates (in respect of shares to be held in certificated form) in respect of Offer Shares validly applied for by Qualifying non-CREST Shareholders will be despatched on 15 May 2009.

Further details of the Offer are set out in Part III Terms and Conditions of the Offer for Subscription.

## 5. UNDERWRITING AGREEMENT

The Offer for Subscription is fully underwritten by the Underwriters, Asian Investment Management Services Ltd, Halfmoon Bay Enterprises Limited & Mango Bay Enterprises Limited and Portola Group Limited. The Underwriting Agreement is conditional upon the fulfillment of all the terms and conditions contained therein.

No underwriting fees are payable pursuant to the Underwriting Agreement. The salient terms of the Underwriting Agreement, inter alia, are as follows:

(a) The Underwriters severally agree to underwrite the Offer for Subscription in the proportions set out in the Underwriting Agreement in accordance to the terms and conditions set out in the Underwriting Agreement;

(b) The conditions precedent in the Underwriting Agreement include, but are not limited to, the following:

i) there having been no material adverse change in the Group's financial condition and business operations, nor occurrence or discovery of any event, circumstance or fact which may render inaccurate, untrue or incorrect any of the representations and warranties contained in the Underwriting Agreement and that, to the satisfaction of the Underwriters, the Company has complied with all relevant rules and applicable laws; and

ii) the representations and warranties of the Company contained in the Underwriting Agreement, the Circular and the financial statements of the Group being true, correct and complete as at closing of the Offer at 3.00 p.m. on 5 May 2009 (and with the same force and effect as though such representations and warranties had been made at and as of such time with respect to the state of facts then existing), provided that completion of the sale and purchase of Offer Shares pursuant to the Underwriting Agreement shall not be, nor be deemed to be, a waiver of the representations and warranties contained in the Underwriting Agreement, the Circular or the financial statements of the Group, which representations and warranties shall continue in full force and effect for the benefit of the Underwriters as provided in the Underwriting Agreement;

(c) The Underwriters have a right to terminate the Underwriting Agreement if:

(i) any warranty, representation or undertaking given by the Company is breached;

- (ii) there shall have occurred, happened or come into effect any material and adverse change to the Group's business or financial condition;
- (iii) there shall have occurred, happened or come into effect any material change in the financial, economic or political conditions or any change in law, regulation, directive, policy or ruling in any jurisdiction or any events beyond the reasonable control of the Underwriters (including but not limited to, acts of God, war, terrorism, sabotage) which would have a material effect on and/or materially prejudice the Underwriters and/or the Group's business or operations, the success of the Offer for Subscription or the admission of the Offer Shares for dealing on AIM, or which has or is likely to make the Underwriting Agreement incapable of performance:
- (iv) there is a failure on Underwriters and/or the Company's part to perform any obligations in the Underwriting Agreement; and
- (v) any of the conditions precedent in the Underwriting Agreement are not fulfilled by the closing of the Offer for Subscription at 3.00 p.m. on 5 May 2009.

## 6. CURRENT TRADING

In the financial year ended 2008, the Group enjoyed revenues of USD92 million and gross profit of USD51 million. The Group achieved sales of 807,300 tonnes or 14% of the Kazakh domestic market or 20% of the local supply. The first half of 2008 saw higher prices and a pattern continuing from 2007 while during the second half of the year, the market slowed down significantly.

The table below shows the volumes and prices achieved by the Group over the last nine years as well as its share of the market:

	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009F
Price	KZT per tonne	2719	3329	3246	4202	6308	8300	9100	14000	12600	7500
Sales	'000 tonnes	363	529	609	641	658	708	760	820	805	1100
Market share %		32	27	26	21	17	14	12	11	14	24
Imports share %		6	4	11	16	26	31	37	46	27	9

F = Forecast

From 2002 to 2007, local producers were unable to increase production to cope with demand and the supply gap was covered by imports. This position started to reverse in 2008 and is expected to accelerate in 2009.

The Group has continued to build both dry line 5 and 6. In October 2008, the Group produced its first clinker from dry line 6 and further testing and commissioning procedures followed until February 2009 when the operating licence was granted by the Government and the tax holiday of five years commenced.

Due to the decline of both the overall market demand and prices, the Group decided to slow down the construction of the dry line 5 and focus on improving the production of the dry line 6. Most of the materials for the dry line 5 are already on site and the Group estimates that another USD25 million is required to bring the dry line 5 to completion. The Group intends to continue its construction as soon as the cement market recovers. The cost advantages of using the dry line 5 over the wet lines will be enough to recover the USD 25 million investment over a short period of time.

The Group continued to operate the wet lines during the winter but at a reduced pace and is trying to avoid build up of inventories. The Group will operate during the rest of 2009 at a scale in accordance with demand.

In order to control costs, the Group is re-negotiating with most of its suppliers that increased their rates significantly in 2007 and 2008. None has increased rates after the devaluation of the Kazakh Tenge. In February 2009, the Kazakh Tenge was devalued from 120 KZT/1 USD to 150 KZT/1 USD.

In addition, the Group is actively pursuing the reduction of fixed costs by:

- containing salary increases;
- reducing overheads in the local companies based in Kazakhstan and the holding companies;
- out-sourcing of functions to external companies;
- training employees with the Government cooperation, to be subsequently deployed to other companies; and
- rotating non-critical workers.

The Group counts on the cooperation of local authorities in its endeavors and it estimates that up to 400 positions will be re-deployed in the short term. Presently, the Group estimates that the full impact of these measures will bring about USD1.5 million in cost savings per year.

## 6.1 Market and competition

The Group enjoys significant competitive advantages over its main competitors, particularly in terms of cost and location. The Group benefits from:

- The lowest production cost in the country;
- Availability of high quality raw materials near the factory including access to the limestone quarry, the licence of sub-surface use, which has recently been extended until 2043;
- Cheap supplies of electricity, coal and slag as the producers are near the factory;
- The only factory with dry lines allowing it to save significantly on fuel and labour; and
- The only producer located near the new capital Astana and can serve the markets in the center and the north that represent 30% of the overall market.

These advantages combined means that even at the current low prices, the Group can generate a margin and re-establish its historical market share. Our average variable cost of cement is USD30/tonne and the expected selling price for 2009 is USD 45/tonne to USD 60/tonne.

## 7. ACTION TO BE TAKEN



You will find enclosed:

- a Form of Proxy for use by Qualifying non-CREST Shareholders at the EGM.
- A Form of Instruction for use by Qualifying CREST Holders at the EGM.

Form of Proxy for use by Qualifying non-CREST Shareholders

Whether or not you intend to be present at the EGM, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it as soon as possible and in any case so as to be received by the Company's registrar, Computershare Investor Services PLC, PO Box 82, the Pavilions, Bridgwater Road BS13 8AE no later than 2.30 p.m. on 5 May 2009.

The return of a Form of Proxy will not prevent you from attending the meeting and voting in person if you wish. If you are in any doubt as to how to complete the Form of Proxy, please contact Michelle

Davies of Computershare Investor Services PLC at Tel:  +44 (0) 870 703 6162 . Computershare Investor Services PLC, will not be able to provide advice on the merits of the proposals set out in this document, or give any financial advice. For financial advice, you will need to contact your own independent professional adviser.

## Form of Proxy for use by Qualifying CREST Holders

Whether or not you intend to be present at the EGM, you are requested to complete the Form of Instruction in accordance with the instructions printed on it and to return it as soon as possible and in any case so as to be received by the Company's registrar, Computershare Investor Services PLC, the Pavilions, Bridgwater Road BS13 8AE no later than 2.30 p.m. on 1 May 2009.

The return of a Form of Instruction will not prevent you from attending the meeting and voting in person if you wish. If you are in any doubt as to how to complete the Form of Instruction or if you wish to attend the meeting, please contact Michelle Davies of Computershare Investor Services PLC at Tel: +44... Computershare Investor Services PLC, will not be able to provide advice on the merits of the proposals set out in this document, or give any financial advice. For financial advice, you will need to contact your own independent professional adviser.

### 8. IMPORTANCE OF SECURING SHAREHOLDER APPROVAL

Shareholder approval is not required for the Offer for Subscription by the Offshore Companies Act, the Company's Articles of Association or otherwise. However, the Board has decided to seek Shareholder approval for the Offer for Subscription as the Offer for Subscription may lead to dilution of Shareholders' existing interests in the Company.

Shareholders should note that the Offer for Subscription will not proceed without approval from Shareholders of the Resolution at the EGM. The Offer for Subscription will proceed if Shareholders approve the Resolution, subject to the conditions set out in Part III of this Circular (Terms and Conditions of the Offer for Subscription).

If the Shareholders do not pass the Resolution, the Board would immediately look for an alternative solution to refinance the Group or seek to negotiate with its banks to restructure the loan for repayment at a later date. The Company may also seek advances from the substantial shareholders to ensure timely repayment of the EBRD loan and for general working capital purposes.

### 9. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings to vote in favour of the Resolution to be proposed at the EGM from Asian Investment Management Services Ltd, Halfmoon Bay Enterprises Limited & Mango Bay Enterprises Limited and Portola Group Limited holding, in aggregate, 39,834,372 Existing Ordinary Shares representing approximately 34.9 per cent of the Company's Existing Issued Ordinary Share Capital.

### 10. BOARD RECOMMENDATION TO SHAREHOLDERS



The Board believes that the Offer for Subscription is in the best interests of the Company and its Shareholders as a whole and accordingly the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the EGM. The Chief Executive Officer, Javier Del Ser Perez, has irrevocably undertaken to subscribe for his entitlement under the Offer for Subscription in respect of his own beneficial holdings of 7,785,000 ordinary shares, representing approximately 6.8 per cent of the existing issued ordinary share capital of the Company.

Asian Investment Management Services Ltd, Halfmoon Bay Enterprises Limited & Mango Bay Enterprises Limited and Portola Group Limited holding, in aggregate, 39,834,372 Existing Ordinary Shares representing approximately 34.9 per cent of the Company's Existing Issued Ordinary Share Capital have irrevocably undertaken to take up their entitlements in full under the Offer for Subscription.

Yours sincerely,

For and on behalf of the Board

MALCOLM RONALD BROWN  
CHAIRMAN  
PART II

JAVIER DEL SER PEREZ  
CHIEF EXECUTIVE OFFICER

## RISK FACTORS

Shareholders should consider carefully all of the information set out in this Circular, together with the risks normally associated with companies of a similar nature to the Group and, in particular, those risks described below. If any of the following risks actually materialise, the Group's business, financial position, performance, prospects and share price could be materially and adversely affected to the detriment of the Group and its Shareholders and Shareholders may lose all or part of their investment. The following risks are those material risks of which the Directors are aware. The Directors consider the following risks to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company which may also have an adverse effect on the Group's performance, prospects, business, financial position, and share price.

### 1. RISKS ASSOCIATED TO THE GROUP'S OPERATIONS

#### 1.1 Foreign Currency Risk

The Group is exposed to foreign currency volatility as certain of its bank borrowings are denominated in USD. In February 2009, the Kazakhstan Government devalued the Kazakh Tenge by approximately 25%. The value of goods and services purchased from overseas suppliers by the Group may therefore require additional outlay. Changes to the foreign exchange rate between USD and KZT may have an

adverse impact on the Group's financial performance and position. There can be no assurance that the KZT will not be devalued further.

## 1.2 Interest Rate Risk

The Group's cement operations in Kazakhstan are financed to a certain extent by bank borrowings. Fluctuations in the interest rates may adversely affect the Group's performance. The interest rates applicable to the Group's loans are dependent on the movement in LIBOR. Any factors which cause a change in LIBOR may result in higher borrowing costs for the Group.

There can be no assurance that the changes in the interest rate environment will not have an adverse impact on the financing costs of the Group.

## 1.3 Loan Repayment

The Group's capacity to service its loans and other financing arrangements referred to in paragraph 2.1 of Part I of this document depends on the ability to generate sufficient cash flows from its cement operations in Kazakhstan which are subject to many factors beyond the Group's control. The failure to repay principal or interest may have an adverse impact on the Group. No assurance can be given that the Group will generate sufficient cashflows to enable it to repay all of its borrowings and interest.

## 1.4 Covenants Restrictions

The bank facilities granted by the banks in Kazakhstan to Karcement JSC include various covenants that may limit the Group's operating and financial flexibility as prior written consent is required from the relevant banks.

There can be no assurance that, in the event any new facilities are procured by the Group, these would not have restrictive covenants that may further limit the Group's operating and financial flexibility or that the existing or new covenants will not be varied or imposed or enforced by the banks.

## 1.5 Loan Financing Support

The loan facilities of Karcement JSC comprise of term loans and revolving credit facilities. The continued ability of Karcement JSC to operate is dependent on these banks' continued support and maintenance of these facilities. Any reduction or withdrawal of facilities would weaken the Group's working capital position. However, the banks have indicated their continued support of the Offer for Subscription.

## 1.6 Dependence on Key Personnel

The Group's future success is dependent, among other things, on the continued services of its Executive Director, Senior Management and other key personnel who have built long-term and strong relationships with many of the Group's customers and suppliers. The loss of the services of these key personnel may have a material adverse effect on its business.

The Directors cannot give assurances that the Executive Director or Senior Management team will continue to remain with the Group or that it will be able to attract personnel of a sufficiently high calibre to meet the Group's recruitment needs.

## 1.7 Cement Plant Condition and Efficiency

Cement production in Kazakhstan is dependent on the age, condition and efficiency of the wet and dry lines. Due to the ageing condition of the plant, there may be risk and increased costs associated with the maintenance and refurbishment. There is no assurance that the Group will be able to maintain and refurbish the production lines within its cost estimates.

## 1.8 Labour, Raw Material and Utility Costs

The Group's cement operations are heavily dependent on its labour, raw materials and utilities. Volatility in the energy markets resulting in higher prices for coal, fuel, water and electricity may result in significant increases in the cost of production which could have an adverse impact on the Group's operating margin and cashflows.

## 1.9 Loam and Limestone Deposits

Cement production activities are reliant upon the extraction of the loam and limestone deposits from the quarries. The rights to extract loam and limestone deposits have recently been extended from November 2019 to November 2043, subject to the fulfillment of certain conditions. There can be no assurance that the rights will be extended beyond November 2043.

## 1.10 Insurance

The Group maintains insurance policies to protect its assets from potential losses. Nevertheless, insurance associated with all risks may not be available in Kazakhstan. The insurance costs may be excessive compared with the expected benefits and there is no assurance that the insurance cover is adequate to offset the losses arising from potential risks.

## **2. RISKS ASSOCIATED TO POLITICS, ECONOMIC CONDITIONS AND INDUSTRY**

### **2.1 Political and Economic Conditions**

The Group's cement operations in Kazakhstan are affected by the political and economic conditions which may impact on the markets in which the Group operates. These include changes in political leadership, economic and monetary policies and risks of war. The Kazakhstan Government continues to play an important role in the transition of the Kazakhstan economy to a market oriented economy. Over the years, political and economic reforms were implemented to attract foreign investments and reduce bureaucracy for businesses. The policies implemented may differ from the policies of the more established and developed economies. Changes in political or economic factors may have an adverse effect on the operations, cash flows, financial performance and position of the Group. There can be no assurance that any change in the political and economic factors will not materially affect the Group's cement business.

### **2.2 Competition**

The Group operates in a competitive market in Kazakhstan and is exposed to significant competition from rival cement companies. The Group enjoys significant competitive advantages over its main competitors, particularly in terms of cost and location as explained in Section 6.1 of the Letter to Shareholders. Although the Directors believe that the Group presently has considerable cost advantages over its competitors and is the lowest cost producer in the country, there can be no assurance that the Group will be able to maintain or expand its market share in the future in the marketplace in which it operates. The competitors of the Group may gain increased efficiencies of scale, greater market share and stronger financial resources, thereby threatening the Group's competitive position.

### **2.3 Tax**

Any adverse change in applicable tax law and/or practice or adverse interpretations or rulings on the tax effect of specific transactions in jurisdictions where the Group is operating, particularly in Kazakhstan or in Labuan, Malaysia and Netherlands, or between any relevant jurisdictions could have a negative impact on the Group's financial condition or prospects. Any such change could adversely affect the net amount of dividends or distributions, if any, payable to Shareholders.

### **2.4 Environmental regulations**

The Group's cement operations in Kazakhstan are subject to environmental and health and safety laws, including laws relating to the use, disposal, clean up of, and human exposure to, hazardous substances. Under these laws, the Group could be subject to fines and penalties, liability for cleaning up environmental contamination and damages for replacing natural resources caused by the Group's activities.

Any changes in environmental regulations could cause additional liabilities relating to remediation and compliance expenses, and the imposition of additional obligations on the Group's cement operations to comply with the regulations.

### 3. RISKS ASSOCIATED WITH THE ORDINARY SHARES

#### 3.1 Investment Risk

An investment in the Ordinary Shares which are traded on AIM is perceived to involve a higher risk than an investment in shares listed on the Official List of the UK Listing Authority. Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up, and investors may therefore not recover their original investment as the market in Ordinary Shares may have limited liquidity.

#### 3.2 Volatility of Share Price

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the equity market regarding the Ordinary Shares. Past performance is not an indicator of future performance of the share price. Significant fluctuations could also be in response to various facts and events including regulatory changes affecting the Group's operations, liquidity or absence of liquidity in the Ordinary Shares, variations in the Group's operating results, divergence of financial results from analysts' expectations, changes in earnings estimates by stock market analysts, stock market speculations and fluctuations and business developments of the Group or its competitors as well as the matters referred to in this Circular.

Recent stock market volatility has increased due to economic and market uncertainty in the short to medium-term. The market price of the Ordinary Shares is likely to be sensitive to market movements and may well be affected by the uncertain underlying economic and market conditions. In addition, global stock markets and sentiment have been affected more generally by global economic recession. Adverse conditions in these markets alone could have a material adverse effect on the market price of the Ordinary Shares.

#### 3.3 Liquidity of Shares

The trading volumes in the Company's Ordinary Shares may be low and the market in the Ordinary Shares may have limited liquidity. Trading in a small number of Ordinary Shares may, therefore, have a significant impact, up or down, on the market price of an Ordinary Share. Consequently, the market price of an Ordinary Share may not accurately reflect the price at which a substantial number of shares could be acquired in the market. There can be no guarantee that there is sufficient liquidity for the Ordinary Shares to be transacted at an acceptable price.

### 3.4 Dilution of Existing Ownership of Ordinary Shares

Qualifying Shareholders who do not subscribe for Offer Shares will experience dilution in their ownership of Ordinary Shares in Steppe Cement and their proportionate ownership and voting interests in the Ordinary Shares in Steppe Cement will be reduced.

Qualifying Shareholders who subscribe to the Offer Shares may also experience dilution in respect of their proportionate ownership and voting interest in the Ordinary Shares as the 40,000,000 Offer Shares to be issued pursuant to the Offer for Subscription represent 35% and 26% of the Existing Issued Ordinary Share Capital and Enlarged Issued Ordinary Share Capital of the Company respectively.

#### PART III

### TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

#### 1. INTRODUCTION

As explained in Part I (Letter to Shareholders), the Company is proposing to raise approximately £10 million (approximately £9.95 million net of expenses) via an Offer for Subscription to Qualifying Shareholders of 40,000,000 Ordinary Shares of USD0.01 each at the Offer Price of 25 pence per Offer Share, subject to a minimum subscription of £50,000 and the terms and conditions set out in this Part III. The Offer Shares represent 35 per cent of the Existing Issued Ordinary Share Capital and 26 per cent of the Enlarged Issued Ordinary Share Capital.

#### 2. OFFER FOR SUBSCRIPTION

The Offer for Subscription is only available to Qualifying Shareholders on the Record Date. The Company invites Qualifying Shareholders to apply, subject to a minimum subscription of £50,000 (i.e. 200,000 Offer Shares) and the other terms and conditions set out herein and in the Application Form, for Offer Shares at a price of 25 pence per Offer Share payable in cash in full on application.

All applications received are irrevocable. Applications for Offer Shares may only be made on the Application Form. Applications must be for a minimum subscription of £50,000 (i.e. 200,000 Offer Shares). Any Qualifying Shareholder who does not wish to apply for Subscription Shares should not complete or return the Application Form.

Qualifying Shareholders should complete and sign the Application Form in accordance with the instructions printed on it and set out in this document and return it, either by post or by hand (during normal business hours only), together with payment via cheque or banker's draft made payable to "The

Royal Bank of Scotland Plc Re: Steppe Cement Ltd", to the Company's Receiving Agents, Computershare Investor Services PLC at the address shown on the Application Form, so as to be received by not later than 3.00 p.m. on 5 May 2009, at which time the Offer for Subscription will close. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain full value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments will accrue to the benefit of the Company. It is a term of the Offer for Subscription that cheques and banker's drafts will be honoured on first presentation and the Company may elect to treat as valid or invalid any applications made by Qualifying Shareholders in respect of which cheques are dishonoured. If any cheque or banker's draft is presented for payment before the conditions of the Offer for Subscription are fulfilled, the application monies will be kept in a separate interest bearing bank account, with any interest being retained for the benefit of the Company until all conditions of the Offer for Subscription are satisfied or waived.

In the event that the conditions are not fulfilled on or before 8.00 a.m. on 11 May 2009 (or such later time and date as the Company may determine) application monies are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) by post as soon as practicable. Any interest earned on the application monies will be retained for the benefit of the Company.

The basis of allocation and the allotment of the Offer Shares will be at the absolute discretion of the Directors, who reserve the right to meet the applications, in whole or in part. In the event applications are received in excess of £10 million, all applications will be dealt with in the following manner:

- 1) all applicants will receive the minimum 200,000 Offer Shares (i.e.£50,000);
- 2) in respect of applications received in excess of 200,000 Offer Shares, unallocated Offer Shares will be allotted to Qualifying Shareholders in direct proportion to such Qualifying Shareholders' existing shareholdings as of the Record Date; and
- 3) any remaining unallocated shares will be allocated at the discretion of the Board.

The Directors of the Company reserve the right to extend the period during which the Offer for Subscription remains open. The Company reserves the right (but shall not be obliged) to treat as valid any application not strictly complying with these Terms and Conditions. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted but for a lesser amount than was originally applied for, the Application monies or the balance of the amount paid on Application will be returned (without interest) by post to the Shareholder at the risk of the Shareholders.

The Offer Shares issued pursuant to the Offer for Subscription will, when issued and fully paid, rank pari passu in all respects with, and will carry the same voting and dividend rights as, the Existing Ordinary Shares. The Offer for Subscription is conditional, inter alia, upon:

- (i) the passing of the Resolution at the EGM and the Underwriting Agreement being unconditional in all respects and not having been terminated in accordance with its terms; and
- (ii) Admission of the Offer Shares becoming effective by 8.00 a.m. on 11 May 2009 (or such later time or date as the Company may determine).

It is expected that Admission will occur and dealings in the Offer Shares will commence on 11 May 2009. It is expected that the Offer Shares validly applied for by Qualifying CREST Holders will be credited to the CREST accounts of such Qualifying CREST Holders on 11 May 2009. It is expected that share certificates (in respect of shares to be held in certificated form) in respect of Offer Shares validly applied for by Qualifying non-CREST Shareholders will be despatched on 15 May 2009.

The Offer for Subscription is not a rights issue or open offer. Qualifying Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Offer for Subscription, unlike in a rights issue, any Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Offer for Subscription. The results of the Offer for Subscription are expected to be announced by the Company on or around 6 May 2009. Issue and allotment of the Offer Shares is expected to take place on 11 May 2009.

The Offer for Subscription is not conditional on any minimum percentage level of subscription for the Offer Shares. Accordingly, even if the maximum number of Offer Shares is not subscribed for under the Offer for Subscription, the Company may, subject to the Offer for Subscription becoming unconditional, allot any number of Offer Shares for which valid applications have been received. If, for whatever reason, completion of the Offer for Subscription does not occur, application monies which have been received will be returned (without interest) by crossed cheque (or banker's draft) by post to the Shareholder (or in the case of joint holders, the first named holder in the Company's register of members) at the risk of the Shareholder(s).

Any person applying for Offer Shares on an Application Form will be agreeing with the Company and Computershare Investor Services PLC in the terms set out in this Circular. By completing and delivering an Application Form, each Qualifying Shareholder:

- (a) irrevocably offers to apply for the number of Offer Shares entered in the Application Form (or such lesser number of Offer Shares for which such Qualifying Shareholder's Application is accepted) subject to the provisions of this document, the Application Form and the memorandum and articles of association of the Company. If the number of Offer Shares applied for in the Application Form is inconsistent with the amount of remittance which is accompanying the Application Form, the Qualifying Shareholder shall be deemed to have applied for the lesser of (i) the number of Offer Shares applied for in the Application Form and (ii) the number of Offer Shares which could be subscribed for



by the Shareholder at the Offer Price with the remittance which accompanies the Application Form, subject always to the minimum subscription of £50,000;

(b) authorises Computershare Investor Services PLC, on behalf of the Company, to send a document of title for the number of Offer Shares for which a Qualifying Shareholder's Application is accepted (or, in the case of holders of Depository Interests, to credit their CREST account by means of a Registrars' adjustment), and/or a crossed cheque (or banker's draft) for any monies returnable, by post at the Qualifying Shareholder's risk to the address as set out in the Application Form;

(c) agrees that, in consideration of the Company agreeing that it will consider and process Applications in accordance with the procedures set out herein, Applications cannot be revoked and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or by hand of the Application Form duly completed to Computershare Investor Services PLC;

(d) represents and warrants that the Shareholder's remittance will be honoured on first presentation and agrees that, if such remittance is dishonoured, the Shareholder will not be entitled to receive the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until such Qualifying Shareholder makes a payment in cleared funds for such Offer Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and which may be on the basis that such Shareholder indemnifies it against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of such Qualifying Shareholder's remittance to be honoured on first presentation) and that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) treat any agreement to allot and issue Offer Shares as void and may allot and issue such Offer Shares to some other person, in which case such Qualifying Shareholder will not be entitled to any refund or payment in respect of such Offer Shares (other than return of late payment);

(e) agrees that all cheques and banker's drafts may be presented for payment on receipt and any definitive document of title and any monies returnable to the Qualifying Shareholder may be retained pending clearance of its remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 (as amended) and any investigations of any breach or suspected breach of the agreements, undertakings, representations and warranties set out in these Terms and Conditions and that such monies will not bear interest;

(f) undertakes to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company) in order to ensure compliance with the Money Laundering Regulations 2007 (as amended);

(g) agrees that, in respect of those Offer Shares for which the Qualifying Shareholder's Application has been received and processed and not rejected, acceptance of the Qualifying Shareholder's Application shall be constituted by the Company instructing Computershare Investor Services PLC to enter the Qualifying Shareholder's name(s) on the share register (or register of holders of Depository Interests, as applicable);

- (h) agrees that all documents in connection with the Offer for Subscription and any returned monies will be sent at such Qualifying Shareholder's risk (without interest) and may be sent to the Qualifying Shareholder at its address as set out in the Application Form;
- (i) agrees that, the Qualifying Shareholder shall be deemed to have read the notice on pages [1 and 2] of the Circular and fully understood all information (including the risk factors) contained within the Circular and these Terms and Conditions;
- (j) confirms that, in making an Application, no reliance is being placed on any information or representation in relation to the Group other than such as may be contained in the Circular and agrees that none of the Company or Computershare Investor Services PLC or any of their respective officers, agents or employees or any person acting on behalf of them or any person responsible solely or jointly for the Circular, or any part of it, shall have any liability for any such information or representation (excluding any fraudulent representation);
- (k) agrees that all Applications, acceptances of Applications and contracts resulting therefrom under, or connected with, the Offer for Subscription shall be governed by, and construed in accordance with, English law and that Shareholders submit to the exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of, or in connection with, any such Application, acceptances of Applications or contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (l) irrevocably authorises the Company and/or Computershare Investor Services PLC (or any person authorised by one of them), as its agent, jointly and severally, to do all acts and things deemed necessary and/or desirable in the agent's absolute and unfettered discretion in order to effect the registration of any Offer Shares subscribed for by the Qualifying Shareholder and irrevocably authorises such agent to execute any document required in order to give full effect to the above and, without limitation, to enter such Qualifying Shareholder's name(s) if applicable on the register of members of the Company;
- (m) agrees to provide the Company with any information which it may request in connection with its Application or to comply with any relevant legislation;
- (n) represents and warrants that, in connection with its Application, the Qualifying Shareholder has observed and complied with the laws and regulations of all requisite territories (including that in which the Qualifying Shareholder is based), obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with their Application in any territory and that the Qualifying Shareholder has not taken any action, including the making of its Application, which will or may result in the Company or Computershare Investor Services PLC (or any of their respective directors, officers, employees or agents) acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or the Qualifying Shareholder's Application;

(o) represents and warrants that the Qualifying Shareholder (where an individual) is over 18 years of age;

(p) represents and warrants that, if the Qualifying Shareholder signs the Application Form on behalf of somebody else or a corporation, the Qualifying Shareholder has the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, representations, warranties and undertakings contained in these Terms and Conditions and undertakes to enclose a valid, legal and binding power of attorney (or a copy thereof duly certified by a solicitor) with the Application Form;

(q) confirms that the Qualifying Shareholder has reviewed the restrictions in the section entitled "Overseas shareholders" below and represents and warrants that the Qualifying Shareholder complies or has complied with the provisions of such section;

(r) represents and warrants that the Qualifying Shareholder is not a US Person (as defined in Regulation S of the Securities Act of 1933 of the United States of America) or resident of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and that the Qualifying Shareholder is not applying on behalf of, or with a view to, the offer, sale or delivery of Offer Shares, directly or indirectly, to, or for the benefit of, any US Person or resident of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan;

(s) represents and warrants that the information contained in the Application Form is true, accurate and not misleading in any respect; and

(t) undertakes that the Qualifying Shareholder will not reproduce or distribute this Circular and/or the Application Form, in whole or in part, and that the Qualifying Shareholder will not disclose any of their content or any information therein for any purpose other than for the purposes of considering an investment in the Offer Shares.

Each Qualifying Shareholder's Application is addressed to the Company. The rights and remedies of the Company under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to the Company and the exercise or partial exercise of any such right in remedy will not prevent the exercise of others. The dates and times referred to in the Circular, Terms and Conditions and/or the Application Form (which are references to dates and times in London unless specified otherwise) may be revised by the Company without prior notice.

## MONEY LAUNDERING

It is a condition of the Offer for Subscription that, in order to ensure compliance with the Money Laundering Regulations 2007 (as amended), the Company is entitled to require, at its absolute

discretion, verification of identity from any Qualifying Shareholder lodging an Application Form including, without limitation, any person who either: (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Qualifying Shareholder; or (ii) otherwise appears to the Company to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Company as to the identity of the Qualifying Shareholder or any person on whose behalf the Qualifying Shareholder appears to be acting, the Company may, in its absolute discretion, retain an Application Form lodged by a Qualifying Shareholder and the cheque or other remittance relating thereto and Computershare Investor Services PLC may not enter the Qualifying Shareholder on the Company's register of members (or register of Depository Interests, as applicable) or allot any shares in respect of such Application. The Company reserves the right, in its absolute discretion, to reject any Application in respect of which the Company considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. The Company will not be liable to any person for any loss whatsoever and howsoever incurred as a result of the exercise of its discretion to determine whether the verification of identity is required and, if so, whether such verification has been appropriately evidenced by the Qualifying Shareholder. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion to terminate any contract of allotment and issue relating to, or constituted by, such Application Form (in which event the money paid in respect of the Application will be returned (without interest) to the Qualifying Shareholder (at the sole risk of the Shareholder(s))). The notes contained within the Application Form form part of these Terms and Conditions.

## OVERSEAS SHAREHOLDERS

The making of an offer in relation to Ordinary Shares to persons who are resident in, or citizens of, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdictions. Any person outside the UK wishing to subscribe for Offer Shares must satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining and observing any requisite formalities and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him unless, in the relevant territory, such an invitation or offer can lawfully be made to him without the contravention of any registration or other legal requirements.

Steppe Cement Ltd

(Company No. LL04433)

(Incorporated and registered in Labuan F.T., Malaysia under the Offshore Companies Act, 1990)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the EXTRAORDINARY GENERAL MEETING of the Company

will be held at the offices of Hanson Westhouse Limited, 12th Floor, One Angel Court, London EC2R 7HJ, England on Thursday, 7 May 2009 at 2.30 p.m. for the purposes of considering and if though fit, passing the following Resolution:

#### ORDINARY RESOLUTION

#### UNDERWRITTEN OFFER FOR SUBSCRIPTION OF 40,000,000 ORDINARY SHARES OF USD0.01 EACH AT 25 PENCE PER SHARE

1. To approve the Offer for Subscription to raise £10,000,000 before expenses of 40,000,000 Ordinary Shares of USD0.01 each at an Offer Price of 25 pence per share subject to a minimum subscription of £50,000 per subscription payable in full on acceptance, and the terms and conditions set out in the Circular.

#### BY ORDER OF THE BOARD

Labuan F.T., Malaysia

Date: 14 April 2009

#### Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to appoint and vote instead of him.
2. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer, unless the appointer, is a corporation or other form of legal entity other than one or more individuals holding as joint owners, in which case the instrument appointing a proxy shall be in writing under the hand of an individual duly authorised by such corporation or legal entity to execute the same.
4. Copies of the proxy form and form of instruction are available at the UK Registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road BS13 8AE.

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