

RNS Number:2994R  
Steppe Cement Limited  
15 September 2005

STEPPE CEMENT LTD

Interim Financial Statements (Unaudited)  
For the six months ended 30 June 2005

General Information

- a) Steppe Cement Ltd was incorporated on 17 September 2004 and as such there are no comparative figures for the 6 month period ended 30 June 2004;
- b) Prior to acquisition of Central Asia Cement Holding BV (the 100% holding company of the Cement Business owner, Central Asia Cement JSC), the Steppe Cement Ltd Group did not have any operating business. Readers should refer to the Steppe Cement Ltd AIM Admission Document dated 9 September 2005 for details of the Group reconstruction;
- c) So as to provide readers with an indication of the operating results of the core business now owned by the Group, the interim financial statements for Central Asia Cement JSC, for the six months to 30 June 2005 are provided as an addendum to the Group's accounts (see Appendix I); furthermore
- d) The pro forma balance sheet from 31 December 2004 as included in the Steppe Cement Ltd AIM Admission Document has been updated based on the 30 June 2005 accounts for each of the Group companies (see Appendix II). This pro forma is provided to illustrate the effects of the corporate reorganization events which established the current Group structure on the financial statements of Steppe Cement Ltd as of 30 June 2005 on the assumption the corporate reorganization events which took place during July and August 2005 were completed at 30 June 2005.

Summary of Contents

1. Consolidated interim financial statements of Steppe Cement Ltd for the six months ended 30 June 2005;
2. Interim financial statements of Central Asia Cement JSC for the six months ended 30 June 2005 - Appendix I; and
3. Pro forma Consolidated Balance Sheet of the Group as at 30 June 2005 - Appendix II.

## STEPPE CEMENT LTD

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

## AND ITS SUBSIDIARY COMPANY

## INCOME STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

|                          | Note | The Group US\$'000 | The Company US\$'000 |
|--------------------------|------|--------------------|----------------------|
| Revenue                  |      | -                  | -                    |
| Other operating expenses |      | (3)                | (2)                  |
|                          |      | -----              | -----                |
| Loss before tax          |      | (3)                | (2)                  |
| Income tax expense       |      | -                  | -                    |
|                          |      | -----              | -----                |
| Net loss for the period  |      | (3)                | (2)                  |
|                          |      | =====              | =====                |

The accompanying Notes form an integral part of this interim financial statements.

## STEPPE CEMENT LTD

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

## AND ITS SUBSIDIARY COMPANY

## BALANCE SHEETS (Unaudited)

AS AT 30 JUNE 2005

|                                    | Note | The Group US\$'000 | The Company US\$'000 |
|------------------------------------|------|--------------------|----------------------|
| Investment in subsidiary company   | 4    | -                  | 1                    |
|                                    |      | -----              | -----                |
| Current Assets                     |      |                    |                      |
| Amount owing by subsidiary company | 4    | -                  | 25                   |
| Prepayment                         |      | 2                  | 1                    |
| Cash and cash equivalents          |      | 22                 | -                    |
|                                    |      | -----              | -----                |
|                                    |      | 24                 | 26                   |
|                                    |      | -----              | -----                |

|                                 |   |       |       |
|---------------------------------|---|-------|-------|
| Current Liabilities             |   |       |       |
| Amount owing to holding company | 5 | 28    | 28    |
| Accrued expenses                |   | 3     | 2     |
|                                 |   | ----- | ----- |
|                                 |   | 31    | 30    |
|                                 |   | ----- | ----- |
|                                 |   | ----- | ----- |
| Net Current Liabilities         |   | (7)   | (4)   |
|                                 |   | ----- | ----- |
| Net Liabilities                 |   | (7)   | (4)   |
|                                 |   | ===== | ===== |
| Represented by:                 |   |       |       |
| Issued capital                  | 6 | 1     | 1     |
| Accumulated loss                |   | (8)   | (5)   |
|                                 |   | ----- | ----- |
| Capital Deficiency              |   | (7)   | (4)   |
|                                 |   | ----- | ----- |

The accompanying Notes form an integral part of this interim financial statements.

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STEPPE CEMENT LTD  
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)  
AND ITS SUBSIDIARY COMPANY

CASH FLOW STATEMENTS (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2005

|   | The Group<br>US\$'000 | The Company<br>US\$'000 |
|---|-----------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES          |                       |                         |
| Loss before tax                               | (3)                   | (2)                     |
|   | -----                 | -----                   |
| Operating Loss Before Working Capital Changes | (3)                   | (2)                     |
| Increase in:                                  |                       |                         |
| Amount owing by subsidiary company            | -                     | (23)                    |

|  |       |       |
|--|-------|-------|
| Increase in:   |       |       |
| Amount owing to holding company                      | 23    | 23    |
| Other payables and accrued expenses                  | 2     | 2     |
|  | ----- | ----- |
| Net Cash Generated / (Used) In Operating Activities  | 22    | (0)   |
|  | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITY                   | -     | -     |
|  | ----- | ----- |
| Net Cash From Financing Activity                     | -     | -     |
|  | ----- | ----- |
| CASH FLOW USED IN INVESTING ACTIVITY                 | -     | -     |
|  | ----- | ----- |
| Net Cash Used In Investing Activity                  | -     | -     |
|  | ----- | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS            | 22    | -     |
|  | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | -     | -     |
|  | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD       | 22    | -     |
|  | ----- | ----- |

The accompanying Notes form an integral part of this interim financial statements.

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STEPPE CEMENT LTD  
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)  
AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

#### 1. GENERAL INFORMATION

The Company was incorporated on 17 September 2004 and its principal activity is investment holding. The registered office of the Company is located at Brumby House, Jalan Bahasa, 87011 Labuan FT, Malaysia.

As of 30 June 2005 the Group comprised Steppe Cement Ltd ("the Company") and its 100% subsidiary Steppe Cement (M) Sdn Bhd ("the Group"). The Group did not have an operating business at 30 June 2005 but through a series of transactions which took place subsequent to 30 June 2005, the Group acquired a 100% interest in the owner of a significant cement manufacturing business based in Kazakhstan,

Central Asia Cement JSC, through the acquisition of a 100% interest in Central Asia Cement JSC's 100% holding company Central Asia Cement Holding BV.

Further information on the Group reorganisation which took place subsequent to 30 June 2005 is provided in the Steppe Cement Ltd AIM Admission Document dated 9 September 2005.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with International Financial Accounting Standards.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention.

### Basis of Consolidation

The consolidated interim financial statements incorporate the interim financial statements of the Company and of its subsidiary made up to 30 June 2005.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition.

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### Basis of Consolidation (Continued)

The results of subsidiary companies acquired or disposed during the financial period are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

### Foreign Currency Transactions

Transactions in foreign currencies are converted into United States Dollar at the exchange rates prevailing at the transaction dates or, where settlement has not been made at the date of the financial statements, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statement.

The principal closing rates used in translation of foreign currency amounts in this interim financial statements:

|                                  | US\$   |
|----------------------------------|--------|
| Ringgit Malaysia                 | 3.80   |
| Kazakstan Tenge                  | 136.25 |
| Investment In Subsidiary Company |        |

Investment in subsidiary company, which is eliminated on consolidation, is stated at cost in the Company's financial statements. Where there is an indication of impairment, the carrying amount of the investment is assessed and

written down to its recoverable amount.

#### Cash Flow Statement

The Group and the Company adopt the direct method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

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#### 4. INVESTMENT IN SUBSIDIARY COMPANY

|                          |             |
|--------------------------|-------------|
|                          | The Company |
|                          | US\$        |
| Unquoted shares, at cost | 1           |
|                          | =====       |

As at 30 June 2005, the subsidiary company is as follows:

|   | Effective<br>Percentage of<br>Ownership<br>% | Principal Activities |
|---|--|----------------------|
| Steppe Cement (M) Sdn Bhd<br>- incorporated in Malaysia | 100  | Dormant              |

The amount owing by subsidiary company arose mainly from payments made on its behalf, which are unsecured, interest-free and have no fixed term of repayment.

#### 5. HOLDING COMPANY

As at 30 June 2005, the Company is a wholly-owned subsidiary of Asian Investment Management Services Ltd, a company incorporated in the British Virgin Islands.

Upon completion of the Group's re-organisation (see note 1), the shareholding of Asian Investment Management Services Ltd was reduced to 34.4% of the Company's issued share capital.

#### 6. SHARE CAPITAL

|  |                              |
|--|------------------------------|
|  | The Group and<br>the Company |
|  | US\$                         |
| Authorised:                                |                              |
| 1,000,000 ordinary shares of US\$0.01 each | 10,000                       |
|  | =====                        |
| Issued and fully paid:                     |                              |
| 100,000 ordinary shares of US\$0.01 each   | 1,000                        |
|  | =====                        |

As at 30 June 2005, the authorised share capital of the Company was US\$10,000 consisting of 1,000,000 ordinary shares of US\$0.01 each, and the issued and paid-up share capital was US\$1,000 consisting of 100,000 ordinary shares of US\$0.01 each.

Upon completion of the Group's re-organisation the authorised share capital of the Company increased to US\$5,000,000 consisting of 500,000,000 ordinary shares of US\$0.01 each, and the issued and paid-up share capital will increase to US\$1,000,000 consisting of 100,000,000 ordinary shares of US\$0.01 each.

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APPENDIX I

CENTRAL ASIA CEMENT  
JOINT STOCK COMPANY

Interim Financial Statements (Unaudited)  
For the period of six months ended 30 June 2005

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CENTRAL ASIA CEMENT JOINT STOCK COMPANY

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SIX MONTHS ENDED 30 JUNE 2005 (Unaudited)

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CENTRAL ASIA CEMENT JSC  
BALANCE SHEET AS AT 30 JUNE 2005 (Unaudited)

|                                    | Notes | 30-Jun-05<br>US\$'000 | 30-Jun-04<br>US\$'000 |
|------------------------------------|-------|-----------------------|-----------------------|
| ASSETS                             |       |                       |                       |
| NON-CURRENT ASSETS:                |       |                       |                       |
| Property, plant and equipment, net | 1     | 15,620                | 2,596                 |

|  |    |               |                |
|--|----|---------------|----------------|
| Intangible assets, net                     |    | 4             | 1              |
|  |    | <u>15,624</u> | <u>2,597</u>   |
| CURRENT ASSETS:                            |    |               |                |
| Inventories, net                           | 2  | 5,576         | 3,436          |
| Trade accounts receivable, net             |    | 89            | 587            |
| Advances paid, net                         |    | 867           | 1,043          |
| Other receivables                          | 3  | 247           | 443            |
| Short-term investments                     |    |               |                |
| Cash and cash equivalents                  | 4  | 6,222         | 4,951          |
|  |    | <u>13,101</u> | <u>10,460</u>  |
| TOTAL ASSETS                               |    | <u>28,725</u> | <u>13,057</u>  |
| SHAREHOLDERS' EQUITY AND LIABILITIES       |    |               |                |
| SHAREHOLDERS' EQUITY                       |    |               |                |
| Share capital                              |    | 587           | 586            |
| Accumulated profit / (deficit)             | 5  | 3,644         | (5,766)        |
| Capital reserve                            | 6  | 11,737        | -              |
|  |    | <u>15,968</u> | <u>(5,180)</u> |
| NON-CURRENT LIABILITIES                    |    |               |                |
| Loans                                      | 7  | 6,000         | -              |
|  |    | <u>6,000</u>  | <u>-</u>       |
| CURRENT LIABILITIES                        |    |               |                |
| Trade accounts payable                     |    | 397           | 133            |
| Other payables and accrued liabilities     | 8  | 574           | 4,775          |
| Taxes payable                              | 10 | 981           | 301            |
| Loans                                      | 7  | 4,000         | 12,360         |
| Advance received                           |    | 805           | 667            |
|  |    | <u>6,757</u>  | <u>18,237</u>  |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES |    | <u>28,725</u> | <u>13,057</u>  |

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CENTRAL ASIA CEMENT JSC  
INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005 (Unaudited)

|         | Notes | 30-Jun-05<br>US\$'000 | 30-Jun-04<br>US\$'000 |
|---------|-------|-----------------------|-----------------------|
| REVENUE | 9     | 19,690                | 13,633                |

|                                     |    |         |         |
|-------------------------------------|----|---------|---------|
| COST OF SALES                       | 11 | (8,200) | (5,960) |
|                                     |    | -----   | -----   |
| GROSS PROFIT                        |    | 11,490  | 7,673   |
| Selling expenses                    | 12 | (1,029) | (1,030) |
| General and administrative expenses | 13 | (1,938) | (1,882) |
|                                     |    | -----   | -----   |
| OPERATING PROFIT                    |    | 8,523   | 4,761   |
|                                     |    | -----   | -----   |
| Finance cost, net                   |    | (692)   | (311)   |
| Other income / (loss), net          | 14 | (183)   | 686     |
|                                     |    | -----   | -----   |
| PROFIT BEFORE INCOME TAX            |    | 7,648   | 5,136   |
| INCOME TAX EXPENSE                  |    | (2,294) | (1,342) |
|                                     |    | -----   | -----   |
| NET PROFIT for the period           |    | 5,354   | 3,794   |
|                                     |    | =====   | =====   |

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CENTRAL ASIA CEMENT JSC  
STATEMENT OF CASH FLOWS  
FOR SIX MONTHS ENDED 30 JUNE 2005 (Unaudited)

|  | 30-Jun-05<br>US\$'000 | 30-Jun-04<br>US\$'000 |
|--|-----------------------|-----------------------|
| OPERATING ACTIVITIES   |                       |                       |
| Profit before income tax   | 7,648                 | 5,136                 |
| Adjustments for:   |                       |                       |
| Depreciation and amortisation                                    | 295                   | 113                   |
| Loss on disposal of property, plant and equipment                | 2                     | 5                     |
| Unrealised exchange (gain)/loss                                  | 459                   | (705)                 |
| Finance costs, net   | 599                   | 302                   |
|  | -----                 | -----                 |
| Operating cash flow before movements in working capital          | 9,003                 | 4,851                 |
| Increase in trade and other debtors                              | (316)                 | 276                   |
| Increase in inventories  | (44)                  | (691)                 |
| Increase in trade accounts payable and other accrued liabilities | (173)                 | 642                   |
|  | -----                 | -----                 |
| Income tax paid  | 8,470                 | 5,078                 |
| Interest paid  | (1,816)               | (1,342)               |
|  | (614)                 | (311)                 |
|  | -----                 | -----                 |
| Net cash provided by operating activities                        | 6,040                 | 3,425                 |
|  | -----                 | -----                 |
| INVESTING ACTIVITIES   |                       |                       |
| Interest received  | 16                    | 9                     |
| Purchase of property, plant and equipment                        | (738)                 | (521)                 |
| Purchase of intangible assets                                    | (4)                   |                       |
|  | -----                 | -----                 |
| Net cash used in investing activities                            | (726)                 | (512)                 |

|   |         |       |
|---|---------|-------|
|   | -----   | ----- |
| FINANCING ACTIVITIES                              |         |       |
| Bank loan repayment                               | (1,908) | -     |
| Repayment of loans                                | (259)   | -     |
|   | -----   | ----- |
|   | (2,167) | -     |
|   | -----   | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS         | 3,147   | 2,913 |
| CAH AND CASH EQUIVALENTS, beginning of the period | 3,075   | 2,038 |
|   | -----   | ----- |
| CAH AND CASH EQUIVALENTS, end of the period       | 6,222   | 4,951 |
|   | =====   | ===== |

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CENTRAL ASIA CEMENT JSC  
NOTES TO THE ACCOUNTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. PROPERTY PLANT AND EQUIPMENT, NET

Property, plant and equipment as at 30 June 2005 and 2004 consisted of the following:

|               | Land & Improvement<br>assets Construction | Improvement<br>Total | Buildings | Machinery and<br>equipment | Other |
|---------------|---|----------------------|-----------|----------------------------|-------|
| in            |   |                      |           |                            |       |
| progress      |   |                      |           |                            |       |
| US\$'000      | US\$'000                                  | US\$'000             | US\$'000  | US\$'000                   |       |
| -----         | -----                                     | -----                | -----     | -----                      |       |
| Cost          |   |                      |           |                            |       |
| As at 1       |   | 179                  | 1,487     | 1,320                      |       |
| 1,124         | 156                                       | 4,266                |           |                            |       |
| January 2005  |   |                      |           |                            |       |
| Additions     |   | 2,999                | 69        | 164                        |       |
| 176           | 605                                       | 4,013                |           |                            |       |
| Revaluation   |   | -                    | 11,737    | -                          |       |
| -             | -   | 11,737               |           |                            |       |
| Disposals     |   | -                    | -         | (2)                        |       |
| (28)          | (271)                                     | (301)                |           |                            |       |
|               |   | -----                | -----     | -----                      |       |
| As at 30 June |   | 3,178                | 13,293    | 1,482                      |       |
| 1,272         | 490                                       | 19,715               |           |                            |       |
| 2005          |   | -----                | -----     | -----                      |       |
|               |   | -----                |           |                            |       |

Accumulated  
depreciation

|               |       |        |       |       |       |
|---------------|-------|--------|-------|-------|-------|
| As at 1       |       |        | -     | 179   | 386   |
| 261           | -     | 826    |       |       |       |
| January 2005  |       |        |       |       |       |
| Additions     |       |        | -     | 3,136 | 51    |
| 82            | -     | 3,269  |       |       |       |
| Disposals     |       |        | -     | -     | -     |
| -             | -     | -      |       |       |       |
| -----         | ----- | -----  | ----- | ----- | ----- |
| As at 30 June |       |        |       | 3,315 | 437   |
| 343           | -     | 4,095  |       |       |       |
| 2005          |       |        | ----- | ----- | ----- |
| -----         | ----- | -----  |       |       |       |
| NET BOOK      |       |        | 3,177 | 9,978 | 1,047 |
| 929           | 490   | 15,620 |       |       |       |
| VALUE         |       |        | ===== | ===== | ===== |
| =====         | ===== | =====  |       |       |       |
| At 30 June    |       |        | 3,178 | 9,978 | 1,045 |
| 929           | 490   | 15,620 |       |       |       |
| 2005          |       |        |       |       |       |
| At 30 June    |       |        | 179   | 937   | 819   |
| 584           | 77    | 2,596  |       |       |       |
| 2004          |       |        |       |       |       |

## 2. INVENTORIES, NET

Inventories, net as at 30 June 2005 and 2004 consisted of the following:

|                  | 30-Jun-05 | 30- |
|------------------|-----------|-----|
| Jun-04           | US\$'000  |     |
| US\$'000         |           |     |
| Work in progress | 1,551     |     |
| 1,286            |           |     |
| Finished goods   | 628       |     |
| 224              |           |     |
| Fuel             | 411       |     |
| 213              |           |     |
| Raw materials    | 233       |     |
| 1,124            |           |     |
| Spare parts      | 233       |     |
| 158              |           |     |
| Goods for resale | 89        |     |
| 103              |           |     |
| Packing material | 65        |     |
| 42               |           |     |
| Other materials  | 2,365     |     |
| 628              |           |     |
| Provision for    | 7         |     |
| (342)            |           |     |
| obsolete stock   | -----     |     |
| -----            |           |     |
| Total            | 5,576     |     |
| 3,436            | =====     |     |
| =====            |           |     |

3. OTHER RECEIVABLES

Other receivables as at 30 June 2005 and 2004 consisted of the following:

| 30-Jun-04                             | 30-Jun-05 |
|---------------------------------------|-----------|
| US\$'000                              | US\$'000  |
| Loans to employees                    | 99        |
| 57 Amount due from subsidiary company | -         |
| 105 Prepayments                       | 73        |
| 54 Others                             | 75        |
| 227                                   | -----     |
| -----                                 |           |
| Total                                 | 247       |
| 443                                   | =====     |
| =====                                 |           |

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2005 and 2004 consisted of the following:

| 30-Jun-04                   | 30-Jun-05 |
|-----------------------------|-----------|
| US\$'000                    | US\$'000  |
| Cash in banks, in KZT       | 5,970     |
| 4,853 Cash in banks, in USD | 7         |
| 7 Petty cash                | 37        |
| 35 Restricted cash          | 208       |
| 56                          | -----     |
| -----                       |           |
| Total                       | 6,222     |
| 4,951                       | =====     |
| =====                       |           |

5. ACCUMULATED SURPLUS

| 30-Jun-04                      | 30-Jun-05 |
|--------------------------------|-----------|
| US\$'000                       | US\$'000  |
| Balance as at 31 December 2004 | (1,709)   |
| (9,560)                        |           |
| Net profit for the period      | 5,353     |

|                                   |           |
|-----------------------------------|-----------|
| 3,794                             | -----     |
| -----                             |           |
| Balance as at 30 June 2005        | 3,644     |
| (5,766)                           | =====     |
| =====                             |           |
| 6. CAPITAL RESERVE                |           |
|                                   | 30-Jun-05 |
| 30-Jun-04                         |           |
|                                   | US\$'000  |
| US\$'000                          |           |
| Net book value of revalued assets | 206       |
| -                                 |           |
| At valuation                      | 11,943    |
| -                                 | -----     |
| -----                             |           |
| Valuation surplus                 | 11,737    |
| -                                 | =====     |
| =====                             |           |

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|                                |                  |           |           |
|--------------------------------|------------------|-----------|-----------|
| 7. LOANS                       |                  |           |           |
|                                | Interest rate    | 30-Jun-05 | 30-Jun-04 |
|                                |                  | US\$'000  | US\$'000  |
| JSC                            | 12.5%            | 10,000    | -         |
| Kazkommertsbank                |                  |           |           |
| Cement Engineering Consultancy | 2 x 1 year LIBOR | -         | 350       |
| Kazakhstan Investment Fund     | 2 x 1 year LIBOR | -         | 12,010    |
|                                |                  | -----     | -----     |
| Total                          |                  | 10,000    | 12,360    |
|                                |                  | =====     | =====     |

8. OTHER PAYABLES AND ACCRUED LIABILITIES

|                                   |  |           |           |
|-----------------------------------|--|-----------|-----------|
|                                   |  | 30-Jun-05 | 30-Jun-04 |
|                                   |  | US\$'000  | US\$'000  |
| Payables to employees             |  | 197       | 152       |
| Other payables to related parties |  | 107       | 3,899     |
| Other payables and accruals       |  | 270       | 724       |
|                                   |  | -----     | -----     |
| Total                             |  | 574       | 4,775     |
|                                   |  | =====     | =====     |

9. REVENUE

Revenue for the periods ended 30 June 2005 and 2004 consisted of the following:

|                            | 30-Jun-05 | 30-Jun-04 |
|----------------------------|-----------|-----------|
|                            | US\$'000  | US\$'000  |
| Sales - manufactured goods | 19,374    | 13,435    |
| Other sales                | 316       | 198       |
|                            | -----     | -----     |
| Total                      | 19,690    | 13,633    |
|                            | =====     | =====     |

10. TAXES PAYABLE

Taxes payable as at 30 June 2005 and 2004 consisted of the following:

|                           | 30-Jun-05 | 30-Jun-04 |
|---------------------------|-----------|-----------|
|                           | US\$'000  | US\$'000  |
| Corporate income tax, net | 454       | -         |
| Value added tax           | 506       | 279       |
| Personal income tax       | (3)       | (25)      |
| Other taxes               | 24        | 47        |
|                           | -----     | -----     |
| Total                     | 981       | 301       |
|                           | =====     | =====     |

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11. COST OF SALES

Cost of sales for the period ended 30 June 2005 and 2004 consisted of the following:

|   | 30-Jun-05 | 30-Jun-04 |
|---|-----------|-----------|
|   | US\$'000  | US\$'000  |
| Cost of production                        |           |           |
| Materials                                 | 4,422     | 3,518     |
| Payroll and related taxes                 | 1,396     | 1,034     |
| Electricity                               | 762       | 722       |
| Depreciation                              | 43        | 15        |
| Other                                     | 988       | 769       |
|   | -----     | -----     |
|   | 7,611     | 6,058     |
|   | -----     | -----     |
| Work in progress at beginning of the year | 1,400     | 818       |
| Work in progress at end of the year       | 1,551     | 1,286     |
|   | -----     | -----     |
|   | -----     | -----     |

|   |       |       |
|---|-------|-------|
| Change in work in progress              | (151) | (468) |
|   | ----- | ----- |
| Finished goods at beginning of the year | 1,134 | 470   |
| Finished goods at end of the year       | 629   | 224   |
|   | ----- | ----- |
| Change in finished goods                | 505   | 246   |
|   | ----- | ----- |
| Cost of sales, manufactured goods       | 7,965 | 5,836 |
| Cost of sales, purchased goods          | 235   | 124   |
|   | ----- | ----- |
| Total                                   | 8,200 | 5,960 |
|   | ===== | ===== |

## 12. SELLING EXPENSES

Selling expenses for the period ended 30 June 2005 and 2004 consisted of the following:

|                             | 30-Jun-05 | 30-Jun-04 |
|-----------------------------|-----------|-----------|
|                             | -----     | -----     |
|                             | US\$'000  | US\$'000  |
| Railway transportation      | 858       | 907       |
| Payroll and related taxes   | 71        | 48        |
| Shipping and transportation | 55        | 43        |
| Rent                        | 8         | 11        |
| Advertising                 | 8         | 3         |
| Others                      | 29        | 18        |
|                             | -----     | -----     |
| Total                       | 1,029     | 1,030     |
|                             | =====     | =====     |

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## 13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period ended 30 June 2005 and 2004 consisted of the following:

|                               | 30-Jun-05 | 30-Jun-04 |
|-------------------------------|-----------|-----------|
|                               | -----     | -----     |
|                               | US\$'000  | US\$'000  |
| Legal services                | 82        | 797       |
| Payroll and related taxes     | 430       | 369       |
| Management fee                | 288       | 180       |
| Tax and custom duties         | 113       | 45        |
| Utilities                     | 23        | 24        |
| Bank service payments         | 90        | 24        |
| Bad debt provision            | -         | -         |
| Business trip expenses        | 50        | 16        |
| Communication costs           | 27        | 16        |
| Stationeries                  | 2         | 1         |
| Depreciation and amortisation | 26        | 12        |
| Office costs                  | 29        | 6         |
| Laboratory expenses           | 2         | 2         |

|                |       |       |
|----------------|-------|-------|
| Other expenses | 776   | 390   |
| -----          |       |       |
| Total          | 1,938 | 1,882 |
| =====          |       |       |

14. OTHER INCOME, NET

|   | 30-Jun-05<br>US\$'000 | 30-Jun-04<br>US\$'000 |
|---|-----------------------|-----------------------|
| Foreign exchange gain/ (loss)                               | (488)                 | 705                   |
| Gain/(loss) on disposal of property, plant<br>and equipment | (2)                   | (5)                   |
| Other gain / (loss)   | 307                   | (14)                  |
| -----   |                       |                       |
| Total   | (183)                 | 686                   |
| =====   |                       |                       |

15. RELATED PARTIES

|                           | 30-Jun-05<br>US\$'000 | 30-Jun-04<br>US\$'000 |
|---------------------------|-----------------------|-----------------------|
| Management service fee    | 300                   | 150                   |
| Legal service fee         | -                     | 734                   |
| Loans payable             | -                     | 12,360                |
| Accrued management fee    | -                     | 617                   |
| Accrued interest on loans | -                     | 3,282                 |
| -----                     |                       |                       |
| Total                     | 300                   | 17,143                |
| =====                     |                       |                       |

STEPPE CEMENT LTD

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

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005

The Pro forma Consolidated Balance Sheets as at 30 June 2005 as set out below is prepared for illustrative purposes only to show the effects of the corporate re-organisational events which established the current Group structure on the financial statements of Steppe Cement Ltd on the assumption that the corporate re-organisational events were completed on 30 June 2005.

Because of its nature, the Pro forma Consolidated Balance Sheet addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position.

| Pro forma                                       | Steppe Cement Ltd and |              | JSC          |         |
|---|-----------------------|--------------|--------------|---------|
| After corporate                                 | its subsidiary        |              |              |         |
| reorganisation                                  |                       |              |              | Adjust  |
| ment  |                       |              |              |         |
| 30 June 2005                                    | 30 June 2005          | 30 June 2005 | 30 June 2005 |         |
|   |                       | US\$'000     | US\$'000     |         |
| US\$'000  | US\$'000              |              |              |         |
| Assets  |                       |              |              |         |
| Non-current assets                              |                       |              |              |         |
| Property, plant and<br>15,620<br>equipment, net |                       | -            | 15,620       | -       |
| Intangible assets, net<br>4                     |                       | -            | 4            | -       |
| Total non-current assets<br>15,624              |                       | -            | 15,624       | -       |
| Current Assets                                  |                       |              |              |         |
| Inventories, net<br>5,576                       |                       | -            | 5,576        | -       |
| Trade receivables, net<br>189                   |                       | -            | 189          | -       |
| Advances paid, net<br>867                       |                       | -            | 867          | -       |
| Other receivables, net<br>276                   |                       | 2            | 247          | 27      |
| Cash and cash equivalents<br>3,377              |                       | 22           | 6,222        | (2,867) |
| Total current assets<br>10,285                  |                       | 24           | 13,101       | (2,840) |
| Total assets<br>25,909                          |                       | 24           | 28,725       | (2,840) |

|                                    | Steppe<br>Cement Ltd<br>and its<br>subsidiary<br>30 June<br>2005<br>US\$'000 | Central<br>Asia<br>Cement<br>JSC<br>30 June<br>2005<br>US\$'000 | Adjustment<br><br><br><br><br><br><br>US\$'000 | Pro forma After<br>corporate<br>reorganisation<br><br><br><br><br><br><br>US\$'000 |
|------------------------------------|--|---|--|--|
| Liabilities and<br>Equity          |  |   |  |  |
| Shareholder's equity               |  |   |  |  |
| Share capital                      | 1  | 587   | 412  | 1,000  |
| Share premium                      | -  | -   | 6,300  | 6,300  |
| Revaluation<br>Reserve             | -  | 11,737  | (11,737)                                       | -  |
| Reserve on<br>consolidation        | -  | -   | 5,786  | 5,786  |
| Accumulated<br>profits /<br>(loss) | (8)  | 3,644   | (3,644)  | (8)  |
| Total<br>shareholders'<br>equity   | (7)  | 15,968  | (2,883)  | 13,078   |
| Non-current<br>liabilities         |  |   |  |  |
| Loans                              | -  | 6,000   | -  | 6,000  |
| Current Liabilities                |  |   |  |  |
| Trade payables                     | -  | 397   | -  | 397  |
| Other payables<br>and accruals     | 31   | 574   | 43   | 648  |
| Taxes payable                      | -  | 981   | -  | 981  |
| Loans                              | -  | 4,000   | -  | 4,000  |
| Advance<br>received                | -  | 805   | -  | 805  |
| Total current<br>liabilities       | 31   | 6,757   | 43   | 6,831  |
|                                    | 24   | 28,725  | (2,840)  | 25,909   |

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 30 JUNE 2005

1. BASIS OF PREPARATION

The Pro forma Consolidated Balance Sheet of Steppe Cement Ltd as at 30 June 2005

has been prepared for illustrative purposes only based on:

- (i) the unaudited consolidated balance sheet of Steppe Cement Ltd as at 30 June 2005;
- (ii) the unaudited balance sheet of Central Asia Cement JSC as at 30 June 2005.

## 2. BASIS OF CONSOLIDATION

The financial statements of the subsidiary companies have been consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. All significant intercompany balances are eliminated on consolidation.

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of subsidiary companies and is recognised as an asset.

## 3. PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro forma Consolidated Balance Sheet incorporate on a pro forma basis adjustments for the following transactions as though they were effected as of 30 June 2005:

- (i) The declaration and payment of dividends of US\$3,040,000 in cash by Central Asia Cement JSC to Central Asia Cement Holding BV;
- (ii) The payment of US\$3,040,000 in cash by Central Asia Cement Holding BV to its shareholders in partial satisfaction of shareholders loans established on the acquisition of Central Asia Cement JSC by Central Asia Cement Holding BV;
- (iii) The acquisition by Steppe Cement (M) Sdn Bhd, the wholly owned subsidiary of Steppe Cement Ltd, of 100% equity interest in Central Asia Cement Holding BV;
- (iv) The issue and allotment by Steppe Cement Ltd of 70,000,000 ordinary shares of US\$0.01 each at an issue price of US\$0.10 per share and the issue and allotment of 29,900,000 ordinary shares of US\$0.01 each at an issue price of US\$0.01 per share as part of the corporate reorganisation.

The resulting share premium of US\$6,300,000 has been credited to the share premium account.