

Company No. LL04433



**STEPPE CEMENT LTD**

**INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2006  
(In United States Dollar)**

Company No. LL04433

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**INTERIM FINANCIAL STATEMENTS**

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## GENERAL INFORMATION

1. Steppe Cement Ltd completed its restructuring exercise involving the acquisition of Central Asia Cement JSC, the main operating subsidiary on 29 July 2005.
2. For purposes of interim reporting for the 6 months ended 30 June 2006, the following condensed consolidated statements and notes (page 1-17) were provided in accordance with the requirement of IFRS:

|                                | Period Ended          | Comparative<br>Period Ended |
|--------------------------------|-----------------------|-----------------------------|
| Income Statement               | 30 June 2006          | 30 June 2005                |
| Balance Sheet                  | As at<br>30 June 2006 | As at<br>31 December 2005   |
| Cash Flow Statement            | 30 June 2006          | 30 June 2005                |
| Statement of Changes in Equity | 30 June 2006          | 30 June 2005                |

3. To achieve a better understanding of the above Interim Financial Statements, the following financial statements of the main operating subsidiary, Central Asia Cement JSC are provided in the Appendix (page 18-20):

|                  | Period Ended          | Comparative<br>Period Ended |
|------------------|-----------------------|-----------------------------|
| Income Statement | 30 June 2006          | 30 June 2005                |
| Balance Sheet    | As at<br>30 June 2006 | As at<br>30 June 2005       |

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2006**

|                                     | Note | The Group<br>6 months ended |                    | The Company<br>6 months ended |                    |
|-------------------------------------|------|-----------------------------|--------------------|-------------------------------|--------------------|
|                                     |      | 30.6.06<br>USD'000          | 30.6.05<br>USD'000 | 30.6.06<br>USD'000            | 30.6.05<br>USD'000 |
| Revenue                             | 5    | 28,605                      | -                  | -                             | -                  |
| Cost of sales                       |      | <u>(12,401)</u>             | <u>-</u>           | <u>-</u>                      | <u>-</u>           |
| Gross profit                        |      | 16,204                      | -                  | -                             | -                  |
| Selling expenses                    |      | (1,694)                     | -                  | -                             | -                  |
| General and administrative expenses |      | <u>(3,588)</u>              | <u>(3)</u>         | <u>(221)</u>                  | <u>(2)</u>         |
| Operating profit/(loss)             |      | 10,922                      | (3)                | (221)                         | (2)                |
| Investment income                   |      | 46                          | -                  | -                             | -                  |
| Finance costs                       |      | (293)                       | -                  | -                             | -                  |
| Other income, net                   |      | <u>830</u>                  | <u>-</u>           | <u>45</u>                     | <u>-</u>           |
| Profit/(loss) before tax            |      | 11,505                      | (3)                | (176)                         | (2)                |
| Income tax expense                  | 6    | <u>(3,473)</u>              | <u>-</u>           | <u>-</u>                      | <u>-</u>           |
| Profit/(loss) for the period        |      | <u>8,032</u>                | <u>(3)</u>         | <u>(176)</u>                  | <u>(2)</u>         |
| Attributable to:                    |      |                             |                    |                               |                    |
| Shareholders of the Company         |      | <u>8,032</u>                | <u>(3)</u>         | <u>(176)</u>                  | <u>(2)</u>         |
| Earnings/(loss) per share:          |      |                             |                    |                               |                    |
| Basic (cents)                       | 7    | <u>0.07</u>                 | <u>(0.03)</u>      |                               |                    |

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

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**CONDENSED CONSOLIDATED BALANCE SHEET**

**AS AT 30 JUNE 2006**

|   | Note | The Group                   |                              | The Company                 |                              |
|---|------|-----------------------------|------------------------------|-----------------------------|------------------------------|
|   |      | As at<br>30.6.06<br>USD'000 | As at<br>31.12.05<br>USD'000 | As at<br>30.6.06<br>USD'000 | As at<br>31.12.05<br>USD'000 |
| <b>Assets</b>                                       |      |                             |                              |                             |                              |
| <b>Non-current assets:</b>                          |      |                             |                              |                             |                              |
| Property, plant and equipment                       | 8    | 42,129                      | 29,955                       | -                           | -                            |
| Investment in subsidiary<br>companies               | 9    | -                           | -                            | 26,188                      | 7,000                        |
| Advances paid                                       | 12   | -                           | 131                          | -                           | -                            |
|   |      | <u>42,129</u>               | <u>30,086</u>                | <u>26,188</u>               | <u>7,000</u>                 |
| <b>Current Assets</b>                               |      |                             |                              |                             |                              |
| Inventories, net                                    | 10   | 7,491                       | 6,529                        | -                           | -                            |
| Trade receivable, net                               | 11   | 32                          | 731                          | -                           | -                            |
| Amount owing by subsidiary<br>companies             |      | -                           | -                            | -                           | 252                          |
| Other receivables, advances and<br>prepaid expenses | 12   | 4,189                       | 1,566                        | 81                          | 1                            |
| Cash and bank balances                              |      | <u>13,775</u>               | <u>1,511</u>                 | <u>781</u>                  | <u>15</u>                    |
|   |      | <u>25,487</u>               | <u>10,337</u>                | <u>862</u>                  | <u>268</u>                   |
| <b>Total assets</b>                                 |      | <u><u>67,616</u></u>        | <u><u>40,423</u></u>         | <u><u>27,050</u></u>        | <u><u>7,268</u></u>          |

(Cont'd)

|   | Note | The Group                   |                              | The Company                 |                              |
|---|------|-----------------------------|------------------------------|-----------------------------|------------------------------|
|   |      | As at<br>30.6.06<br>USD'000 | As at<br>31.12.05<br>USD'000 | As at<br>30.6.06<br>USD'000 | As at<br>31.12.05<br>USD'000 |
| <b>Equity and Liabilities</b>               |      |                             |                              |                             |                              |
| <b>Capital and reserves</b>                 |      |                             |                              |                             |                              |
| Share capital                               | 13   | 1,140                       | 1,000                        | 1,140                       | 1,000                        |
| Share premium                               | 14   | 26,657                      | 6,300                        | 26,657                      | 6,300                        |
| Translation reserve                         | 14   | 3,110                       | (41)                         | -                           | -                            |
| Unappropriated<br>profit/(Accumulated loss) | 14   | 24,695                      | 16,663                       | (947)                       | (771)                        |
| <b>Total equity</b>                         |      | <u>55,602</u>               | <u>23,922</u>                | <u>26,850</u>               | <u>6,529</u>                 |
| <b>Non-Current Liabilities</b>              |      |                             |                              |                             |                              |
| Deferred tax liabilities, net               |      | <u>7,521</u>                | <u>6,814</u>                 | <u>-</u>                    | <u>-</u>                     |
|   |      | <u>7,521</u>                | <u>6,814</u>                 | <u>-</u>                    | <u>-</u>                     |
| <b>Current Liabilities</b>                  |      |                             |                              |                             |                              |
| Trade payable                               |      | 1,275                       | 765                          | -                           | -                            |
| Other payables and accrued<br>liabilities   |      | 1,848                       | 928                          | 200                         | 110                          |
| Amount owing to a corporate<br>shareholder  |      | -                           | 174                          | -                           | 174                          |
| Amount owing to subsidiary<br>companies     |      | -                           | -                            | -                           | 455                          |
| Taxes payable                               | 15   | 1,370                       | 738                          | -                           | -                            |
| Loans                                       | 16   | -                           | 7,082                        | -                           | -                            |
|   |      | <u>4,493</u>                | <u>9,687</u>                 | <u>200</u>                  | <u>739</u>                   |
| <b>Total Equity and Liabilities</b>         |      | <u>67,616</u>               | <u>40,423</u>                | <u>27,050</u>               | <u>7,268</u>                 |

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

Company No. LL04433

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2006**

| <b>The Group</b>  | <b>Share<br/>capital<br/>USD'000</b> | <b>Non-distributable reserve<br/>Share<br/>premium<br/>USD'000</b> | <b>Translation<br/>reserve<br/>USD'000</b> | <b>Unappropriated<br/>profit/<br/>(Accumulated<br/>loss)<br/>USD'000</b> | <b>Total/<br/>Net<br/>USD'000</b> |
|---|--------------------------------------|--|--|--|-----------------------------------|
| <b>Balance as at 1 January 2005</b>   | 1                                    | -  | -  | (5)  | (4)                               |
| Net loss for the period   | -                                    | -  | -  | (3)  | (3)                               |
|   | <hr/>                                | <hr/>  | <hr/>                                      | <hr/>  | <hr/>                             |
| <b>Balance as at 30 June 2005</b>   | <u>1</u>                             | <u>-</u>   | <u>-</u>                                   | <u>(8)</u>   | <u>(7)</u>                        |
| <b>Balance as at 1 January 2006</b>   | 1,000                                | 6,300  | (41)                                       | 16,663   | 23,922                            |
| Issue of shares (Note 13)   | 140                                  | 20,860   | -  | -  | 21,000                            |
| Utilisation of share premium  | -                                    | (503)  | -  | -  | (503)                             |
| Exchange differences arising on<br>translation of foreign subsidiary<br>companies | -                                    | -  | 3,151                                      | -  | 3,151                             |
| Net profit for the period   | -                                    | -  | -  | 8,032  | 8,032                             |
|   | <hr/>                                | <hr/>  | <hr/>                                      | <hr/>  | <hr/>                             |
| <b>Balance as of 30 June 2006</b>   | <u>1,140</u>                         | <u>26,657</u>  | <u>3,110</u>                               | <u>24,695</u>  | <u>55,602</u>                     |

(Cont'd)

Company No. LL04433

| <b>The Company</b>                        | <b>Share<br/>Capital<br/>USD'000</b> | <b>Share<br/>Premium<br/>USD'000</b> | <b>Accumulated<br/>Loss<br/>USD'000</b> | <b>Total/<br/>Net<br/>USD'000</b> |
|---|--------------------------------------|--------------------------------------|---|-----------------------------------|
| <b>Balance as at 1 January 2005</b>       | 1                                    | -                                    | (2)                                     | (1)                               |
| Net loss for the period                   | -                                    | -                                    | (2)                                     | (2)                               |
|   | <hr/>                                | <hr/>                                | <hr/>                                   | <hr/>                             |
| <b>Balance as at 30 June 2005</b>         | <u>1</u>                             | <u>-</u>                             | <u>(4)</u>                              | <u>(3)</u>                        |
| <br>                                      |                                      |                                      |   |                                   |
| <b>Balance as at 1 January 2006</b>       | 1,000                                | 6,300                                | (771)                                   | 6,529                             |
| Issue of shares (Note 13)                 | 140                                  | 20,860                               | -                                       | 21,000                            |
| Utilisation of share premium<br>(Note 14) | -                                    | (503)                                | -                                       | (503)                             |
| Net loss for the period                   | -                                    | -                                    | (176)                                   | (176)                             |
|   | <hr/>                                | <hr/>                                | <hr/>                                   | <hr/>                             |
| <b>Balance as of 30 June 2006</b>         | <u>1,140</u>                         | <u>26,657</u>                        | <u>(947)</u>                            | <u>26,850</u>                     |

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

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2006**

|   | <b>The Group</b>      |                | <b>The Company</b>    |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | <b>6 months ended</b> |                | <b>6 months ended</b> |                |
|   | <b>30.6.06</b>        | <b>30.6.05</b> | <b>30.6.06</b>        | <b>30.6.05</b> |
|   | <b>USD'000</b>        | <b>USD'000</b> | <b>USD'000</b>        | <b>USD'000</b> |
| <b>OPERATING ACTIVITIES</b>                                 |                       |                |                       |                |
| Profit/(loss) before tax                                    | 11,505                | (3)            | (176)                 | (2)            |
| Adjustments for:  |                       |                |                       |                |
| Depreciation of property, plant and equipment               | 945                   | -              | -                     | -              |
| Finance costs   | 293                   | -              | -                     | -              |
| Loss on disposal of property, plant and equipment           | 20                    | -              | -                     | -              |
| Operating Profit/ (Loss) Before Movement in Working Capital | 12,763                | (3)            | (176)                 | (2)            |
| (Increase)/ Decrease in:                                    |                       |                |                       |                |
| Inventories   | (137)                 | -              | -                     | -              |
| Trade receivables   | 1,654                 | -              | -                     | -              |
| Amount owing by subsidiary companies                        | -                     | -              | (25)                  | (23)           |
| Other receivable and prepaid expenses                       | (932)                 | -              | (79)                  | -              |
| Increase/ (Decrease) in:                                    |                       |                |                       |                |
| Trade payables  | 1,387                 | -              | -                     | -              |
| Other payables and accrued liabilities                      | 149                   | 2              | 89                    | 2              |
| Amount owing to a corporate shareholder                     | (174)                 | 23             | (174)                 | 23             |
| Cash Generated From/ (Used In) Operations                   | 14,710                | 22             | (365)                 | -              |

(Cont'd)

|   | <b>The Group</b>      |                | <b>The Company</b>    |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | <b>6 months ended</b> |                | <b>6 months ended</b> |                |
|   | <b>30.6.06</b>        | <b>30.6.05</b> | <b>30.6.06</b>        | <b>30.6.05</b> |
|   | <b>USD'000</b>        | <b>USD'000</b> | <b>USD'000</b>        | <b>USD'000</b> |
| Income tax paid   | (3,402)               | -              | -                     | -              |
| Interest paid   | (293)                 | -              | -                     | -              |
| <b>Net Cash From/ (Used In) by<br/>Operating Activities</b>             | <b>11,015</b>         | <b>22</b>      | <b>(365)</b>          | <b>-</b>       |
| <b>INVESTING ACTIVITIES</b>   |                       |                |                       |                |
| Proceeds from disposal of<br>property, plant and equipment              | 2,836                 | -              | -                     | -              |
| Purchase of property, plant and<br>equipment                            | (14,207)              | -              | -                     | -              |
| <b>Net Cash Used In Investing<br/>Activities</b>                        | <b>(11,371)</b>       | <b>-</b>       | <b>-</b>              | <b>-</b>       |
| <b>FINANCING ACTIVITIES</b>   |                       |                |                       |                |
| Proceeds from issuance of shares  | 21,000                | -              | 21,000                | -              |
| Cost of issuance of shares  | (503)                 | -              | (369)                 | -              |
| Interest received   | -                     | -              | -                     | -              |
| Deposits pledged with financial<br>institutions                         | (7,700)               | -              | -                     | -              |
| Repayment of loans  | (7,976)               | -              | -                     | -              |
| Cash outflow from acquisition of<br>subsidiary company (Note 9)         | -                     | -              | (19,500)              | -              |
| <b>Net Cash From by Financing<br/>Activities</b>                        | <b>4,821</b>          | <b>-</b>       | <b>1,131</b>          | <b>-</b>       |
| <b>NET INCREASE IN CASH<br/>AND CASH EQUIVALENTS</b>                    | <b>4,465</b>          | <b>22</b>      | <b>766</b>            | <b>-</b>       |
| <b>EFFECTS OF FOREIGN<br/>EXCHANGE RATE CHANGES</b>                     | <b>100</b>            | <b>-</b>       | <b>-</b>              | <b>-</b>       |
| <b>CASH AND CASH<br/>EQUIVALENTS AT<br/>BEGINNING OF THE<br/>PERIOD</b> | <b>903</b>            | <b>-</b>       | <b>15</b>             | <b>-</b>       |
| <b>CASH AND CASH<br/>EQUIVALENTS AT END<br/>PERIOD</b>                  | <b>5,468</b>          | <b>22</b>      | <b>781</b>            | <b>-</b>       |

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

**STEPPE CEMENT LTD**

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

**AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS**

**Basis of presentation**

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

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. The condensed interim financial statements were authorised for issue by the Board of Directors on 23 August 2006.

**Use of estimates and assumptions**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

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

|                    | <b>USD</b>     |
|--------------------|----------------|
| 1 Ringgit Malaysia | 0.27215        |
| 1 Euro Dollar      | 1.27900        |
| 1 Kazakhstan Tenge | <u>0.00842</u> |

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

The Kazakhstan market has grown by 30% and CAC JSC's revenue have increased by 26% over the first half of the year. The main markets remain Almaty and Astana with high growth expected in the West as well.

4. **SEGMENTAL REPORTING**

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

5. **REVENUE**

|                          | <b>The Group</b>      |                | <b>The Company</b>    |                |
|--------------------------|-----------------------|----------------|-----------------------|----------------|
|                          | <b>6 months ended</b> |                | <b>6 months ended</b> |                |
|                          | <b>30.6.06</b>        | <b>30.6.05</b> | <b>30.6.06</b>        | <b>30.6.05</b> |
|                          | <b>USD'000</b>        | <b>USD'000</b> | <b>USD'000</b>        | <b>USD'000</b> |
| Sales-manufactured goods | 28,060                | -              | -                     | -              |
| Other sales              | 545                   | -              | -                     | -              |
|                          | <u>28,605</u>         | <u>-</u>       | <u>-</u>              | <u>-</u>       |
| Total                    | <u>28,605</u>         | <u>-</u>       | <u>-</u>              | <u>-</u>       |

6. **INCOME TAX EXPENSE**

|                                | <b>The Group</b>      |                | <b>The Company</b>    |                |
|--------------------------------|-----------------------|----------------|-----------------------|----------------|
|                                | <b>6 months ended</b> |                | <b>6 months ended</b> |                |
|                                | <b>30.6.06</b>        | <b>30.6.05</b> | <b>30.6.06</b>        | <b>30.6.05</b> |
|                                | <b>USD'000</b>        | <b>USD'000</b> | <b>USD'000</b>        | <b>USD'000</b> |
| Estimated current tax payable: |                       |                |                       |                |
| - the Company                  | -                     | -              | -                     | -              |
| - subsidiary companies         | 3,473                 | -              | -                     | -              |
|                                | <u>3,473</u>          | <u>-</u>       | <u>-</u>              | <u>-</u>       |

The income tax expense is accrued based on the estimated annual effective tax rate of 3% and 30% for the subsidiary companies, incorporated in Labuan FT, Malaysia and the Republic of Kazakhstan, respectively.

7. **EARNINGS/(LOSS) PER SHARE**

**Basic**

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

|  | <b>The Group</b>                                  |   |
|--|---|---|
|  | <b>6 months<br/>ended<br/>30.6.06<br/>USD'000</b> | <b>6 months<br/>ended<br/>30.6.05<br/>USD'000</b> |
| Net profit/ (loss) attributable to ordinary shareholders | <u>8,032</u>                                      | <u>(3)</u>  |
|  | <b>6 months<br/>ended<br/>30.6.06<br/>'000</b>    | <b>6 months<br/>ended<br/>30.6.05<br/>'000</b>    |
| Number of shares in issue at beginning of period         | 100,000   | 100   |
| Issuance of shares during the period                     | <u>14,000</u>                                     | <u>-</u>  |
| Number of shares in issue at end of period               | <u>114,000</u>                                    | <u>100</u>  |
| Weighted average number of ordinary shares in issue      | <u>111,615</u>                                    | <u>100</u>  |
|  | <b>6 months<br/>ended<br/>30.6.06<br/>USD</b>     | <b>6 months<br/>ended<br/>30.6.05<br/>USD</b>     |
| Basic earnings/(loss) per share (cents)                  | <u>0.07</u>                                       | <u>(0.03)</u>                                     |

8. **PROPERTY, PLANT AND EQUIPMENT, NET**

| <b>The Group</b>                             | <b>Freehold land<br/>and land<br/>improvement<br/>USD'000</b> | <b>Buildings<br/>USD'000</b> | <b>Machinery and<br/>equipment<br/>USD'000</b> | <b>Other<br/>assets<br/>USD'000</b> | <b>Computer<br/>software<br/>USD'000</b> | <b>Construction<br/>in progress<br/>USD'000</b> | <b>Total<br/>USD'000</b> |
|--|---|------------------------------|--|-------------------------------------|--|---|--------------------------|
| <b>Cost (unless otherwise<br/>indicated)</b> |   |                              |  |                                     |  |   |                          |
| At 1 January 2006                            | 3,240   | 24,309                       | 3,684  | 1,637                               | 3  | 1,935   | 34,808                   |
| Additions                                    | 650   | 350                          | 1,421  | 1,453                               | -  | 10,333  | 14,207                   |
| Disposals/Transfers                          | (614)   | (146)                        | (8)  | (127)                               | -  | (2,124)   | (3,019)                  |
| Exchange differences                         | 409   | 1,894                        | 465  | 206                                 | -  | (765)   | 2,209                    |
| At 30 June 2006                              | 3,685   | 26,407                       | 5,562  | 3,169                               | 3  | 9,379   | 48,205                   |
| <b>Accumulated depreciation</b>              |   |                              |  |                                     |  |   |                          |
| At 1 January 2006                            | -   | 3,850                        | 549  | 453                                 | 2  | -   | 4,854                    |
| Additions                                    | -   | 597                          | 107  | 240                                 | -  | -   | 944                      |
| Disposals/Transfers                          | -   | (42)                         | (3)  | (119)                               | -  | -   | (164)                    |
| Exchange differences                         | -   | 315                          | 70   | 57                                  | -  | -   | 442                      |
| At 30 June 2006                              | -   | 4,720                        | 723  | 631                                 | 2  | -   | 6,076                    |
| <b>Net Book Value</b>                        |   |                              |  |                                     |  |   |                          |
| <b>At 30 June 2006</b>                       | 3,685   | 21,687                       | 4,839  | 2,538                               | 1  | 9,379   | 42,129                   |

## 9. INVESTMENT IN SUBSIDIARY COMPANIES

|                          | <b>The Company</b>                   |                                       |
|--------------------------|--------------------------------------|---------------------------------------|
|                          | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Unquoted shares, at cost | <u>26,188</u>                        | <u>7,000</u>                          |

- i) During the period, the Company subscribed for an additional 73,748 ordinary shares of RM1 each in Steppe Cement (M) Sdn Bhd at an issue price of RM1,000 per ordinary share for a total cash consideration of RM73,748,000 (equivalent to USD19.5 Million).
- ii) During the period, its subsidiary company, Steppe Cement (M) Sdn Bhd (“SCM”) acquired an additional 16,386,554 ordinary shares of EUR 1 each in Steppe Cement Holdings B.V. for a total cash consideration of EUR 16,386,554 (equivalent of USD19.5 Million).
- iii) During the period, Steppe Cement Holdings B.V. acquired an additional 51,043 ordinary shares of KZT 50,000 each in Karcement JSC for a total cash consideration of KZT 2,552,150,000 (equivalent of USD19.5 Million).

## 10. INVENTORIES

|  | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|--|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|  | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Work in progress                         | 1,085                                | 1494                                  | -                                    | -                                     |
| Finished goods                           | 750                                  | 961                                   | -                                    | -                                     |
| Raw materials                            | 296                                  | 413                                   | -                                    | -                                     |
| Spare parts                              | 340                                  | 281                                   | -                                    | -                                     |
| Construction materials                   | -                                    | 69                                    | -                                    | -                                     |
| Other material                           | 5,020                                | 3,660                                 | -                                    | -                                     |
|  | 7,491                                | 6,878                                 |                                      |                                       |
| Less: Provision for obsolete inventories | -                                    | (349)                                 | -                                    | -                                     |
| Net                                      | <u>7,491</u>                         | <u>6,529</u>                          | <u>-</u>                             | <u>-</u>                              |

11. **TRADE RECEIVABLE, NET**

|   | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|---|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|   | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Trade receivables from third parties      | 32                                   | 751                                   | -                                    | -                                     |
| Accounts receivables from related parties | -                                    | 73                                    | -                                    | -                                     |
|   | 32                                   | 824                                   | -                                    | -                                     |
| Less: Provision for doubtful receivables  | -                                    | (93)                                  | -                                    | -                                     |
| Net                                       | <u>32</u>                            | <u>731</u>                            | <u>-</u>                             | <u>-</u>                              |

The standard credit period granted to trade receivables ranges from 1 to 30 days. The receivables are denominated in Kazakhstan Tenge.

12. **OTHER RECEIVABLES, ADVANCES AND PREPAID EXPENSES**

|  | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|--|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|  | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Receivable from employees                            | 86                                   | 97                                    | -                                    | -                                     |
| Other receivables                                    | 1,266                                | 268                                   | 81                                   | -                                     |
| Prepaid expenses                                     | 32                                   | 176                                   | -                                    | 1                                     |
|  | 1,384                                | 541                                   | 81                                   | 1                                     |
| Advances paid to third parties – current portion     | <u>2,805</u>                         | <u>1,025</u>                          | <u>-</u>                             | <u>-</u>                              |
|  | 4,189                                | 1,566                                 | 81                                   | 1                                     |
| Advances paid to third parties – non-current portion | -                                    | 131                                   | -                                    | -                                     |
|  | <u>4,189</u>                         | <u>1,697</u>                          | <u>81</u>                            | <u>1</u>                              |

13. **SHARE CAPITAL**

|                                 | <b>The Group and<br/>the Company</b> |                                       |
|---------------------------------|--------------------------------------|---------------------------------------|
|                                 | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| <b>Authorised:</b>              |                                      |                                       |
| Ordinary shares of USD0.01 each |                                      |                                       |
| At beginning of period          | 5,000                                | 10                                    |
| Created during the period       | -                                    | 4,990                                 |
|                                 | <u>5,000</u>                         | <u>5,000</u>                          |
| At end of period                | <u>5,000</u>                         | <u>5,000</u>                          |
| <b>Issued and fully paid:</b>   |                                      |                                       |
| Ordinary shares of USD0.01 each |                                      |                                       |
| At beginning of period          | 1,000                                | 1                                     |
| Issued during the period        | 140                                  | 999                                   |
|                                 | <u>1,140</u>                         | <u>1,000</u>                          |
| At end of period                | <u>1,140</u>                         | <u>1,000</u>                          |

On January 30, 2006, the Company issued 14,000,000 new ordinary shares of USD 0.01 each at a placement price of USD1.50 per share via private placement.

14. **RESERVES**

|                                    | <b>The Group and the Company</b>     |                                       |
|------------------------------------|--------------------------------------|---------------------------------------|
|                                    | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Non-distributable reserves:        |                                      |                                       |
| <b>Share premium</b>               |                                      |                                       |
| Balance at beginning of the period | 6,300                                | -                                     |
| Shares issued at a premium         | 20,860                               | 6,300                                 |
|                                    | <u>27,160</u>                        | <u>6,300</u>                          |
| Less: Utilisation of share premium | (503)                                | -                                     |
| Balance at end of the period       | <u>26,657</u>                        | <u>6,300</u>                          |

(Cont'd)

|   | <b>The Group and the Company</b>     |                                       |
|---|--------------------------------------|---------------------------------------|
|   | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| <b>Translation adjustment<br/>account</b>                                 |                                      |                                       |
| Balance at beginning of the<br>period                                     | (41)                                 | -                                     |
| Exchange differences on<br>translation of foreign<br>subsidiary companies | <u>3,151</u>                         | <u>(41)</u>                           |
| Balance at end of the period  | <u>3,110</u>                         | <u>(41)</u>                           |

### **Share premium**

Share premium arose from the issuance of 14,000,000 ordinary shares of USD0.01 at an issue price of USD1.50 per share via private placement during the financial period.

### **Translation adjustment account**

Exchange differences arising from the translation of assets and liabilities of foreign subsidiary companies, are taken to the translation adjustment account.

15. **TAXES PAYABLE**

|                      | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|----------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|                      | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Corporate income tax | 166                                  | 396                                   | -                                    | -                                     |
| Property tax         | -                                    | 163                                   | -                                    | -                                     |
| Personal income tax  | -                                    | 37                                    | -                                    | -                                     |
| Other taxes          | 1,204                                | 142                                   | -                                    | -                                     |
| <b>Total</b>         | <b>1,370</b>                         | <b>738</b>                            | <b>-</b>                             | <b>-</b>                              |

16. **LOANS**

|                     | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|---------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|                     | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| JSC Kazkommertsbank | -                                    | 7,005                                 | -                                    | -                                     |
| Interest payable    | -                                    | 77                                    | -                                    | -                                     |
| <b>Total</b>        | <b>-</b>                             | <b>7,082</b>                          | <b>-</b>                             | <b>-</b>                              |

The loan provided by JSC Kazkommertsbank was fully paid in March 2006.

17. **RELATED PARTIES.**

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

**Compensation of key management personnel**

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

|                         | <b>The Group</b>                     |                                       | <b>The Company</b>                   |                                       |
|-------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|                         | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>31.12.05<br/>USD'000</b> |
| Remunerations           | 165                                  | 96                                    | 116                                  | 95                                    |
| Short-term benefit      | -                                    | 92                                    | -                                    | -                                     |
| Post-employment benefit | -                                    | 8                                     | -                                    | -                                     |
| <b>Total</b>            | <b>165</b>                           | <b>196</b>                            | <b>116</b>                           | <b>95</b>                             |

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

18. **SIGNIFICANT EVENTS**

The liquidation of Stroy Invest, a subsidiary company of CAC JSC is in the final stages. The liquidation was approved by the Board of Directors on 27 February 2006.

On 1 August 2006, the Kazakhstan Stock Exchange (“KASE”) Council approved the issuance and listing of 5 year 9% KZT 2.7 billion bonds on the KASE due on 1 August 2011. The interest is payable semi-annually and the repayment of principal is one bullet payment.

## APPENDIX

## CENTRAL ASIA CEMENT JSC AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD  
ENDED 30 JUNE 2006 (UNAUDITED)

|                                     | 6 months ended      |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 30.6.06<br>USD'000  | 30.6.05<br>USD'000  |
| Revenue                             | 28,605              | 19,690              |
| Cost of sales                       | <u>(12,689)</u>     | <u>(8,200)</u>      |
| Gross profit                        | 15,916              | 11,490              |
| Selling expenses                    | (1,694)             | (1,029)             |
| General and administrative expenses | <u>(3,162)</u>      | <u>(1,938)</u>      |
| Operating profit                    | 11,060              | 8,523               |
| Investment income                   | -                   | 0                   |
| Finance costs                       | (293)               | (692)               |
| Other income, net                   | <u>786</u>          | <u>(183)</u>        |
| Profit before tax                   | 11,553              | 7,648               |
| Income tax expense                  | <u>(3,466)</u>      | <u>(2,294)</u>      |
| Profit for the period               | <u><u>8,087</u></u> | <u><u>5,354</u></u> |

**APPENDIX**

**CENTRAL ASIA CEMENT JSC AND ITS SUBSIDIARY**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2006 (UNAUDITED)**

|  | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>30.6.05<br/>USD'000</b> |
|--|--------------------------------------|--------------------------------------|
| <b>Assets</b>                                    |                                      |                                      |
| <b>Non-current assets</b>                        |                                      |                                      |
| Property, plant and equipment                    | <u>33,839</u>                        | <u>15,624</u>                        |
|  | <u>33,839</u>                        | <u>15,624</u>                        |
| <b>Current Assets</b>                            |                                      |                                      |
| Inventories, net                                 | 7,491                                | 5,576                                |
| Trade receivable, net                            | 487                                  | 189                                  |
| Other receivables, advances and prepaid expenses | 3,121                                | 1,114                                |
| Cash and bank balances                           | <u>4,745</u>                         | <u>6,222</u>                         |
|  | <u>15,844</u>                        | <u>13,101</u>                        |
| <b>Total assets</b>                              | <u><u>49,683</u></u>                 | <u><u>28,725</u></u>                 |

(Cont'd)

|  | <b>As at<br/>30.6.06<br/>USD'000</b> | <b>As at<br/>30.6.05<br/>USD'000</b> |
|--|--------------------------------------|--------------------------------------|
| <b>Equity and Liabilities</b>          |                                      |                                      |
| <b>Capital and reserves</b>            |                                      |                                      |
| Share capital                          | 587                                  | 587                                  |
| Revaluation Reserve                    | 15,081                               | 11,737                               |
| Foreign Exchange Reserve               | 2,900                                | -                                    |
| Unappropriated profit                  | <u>17,142</u>                        | <u>3,644</u>                         |
| <b>Total equity</b>                    | <u>35,710</u>                        | <u>15,968</u>                        |
| <b>Non-Current Liabilities</b>         |                                      |                                      |
| Deferred tax liabilities, net          | 7,521                                | -                                    |
| Loans                                  | <u>-</u>                             | <u>6,000</u>                         |
|  | <u>7,521</u>                         | <u>6,000</u>                         |
| <b>Current Liabilities</b>             |                                      |                                      |
| Trade payable                          | 1,275                                | 397                                  |
| Other payables and accrued liabilities | 1,543                                | 1,379                                |
| Taxes payable                          | 1,361                                | 981                                  |
| Amount due to related company          | 2,273                                | -                                    |
| Loans                                  | <u>-</u>                             | <u>4,000</u>                         |
|  | <u>6,452</u>                         | <u>6,757</u>                         |
| <b>Total Equity and Liabilities</b>    | <u><u>49,683</u></u>                 | <u><u>28,725</u></u>                 |