

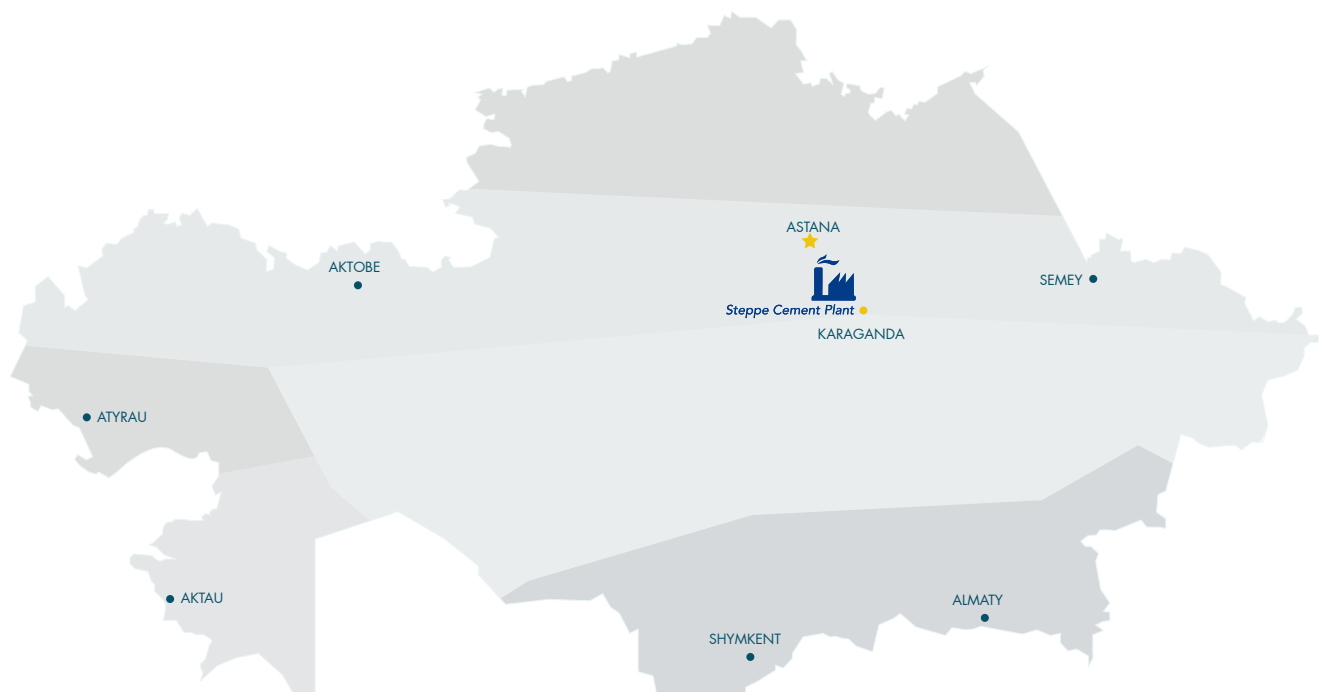


ANNUAL REPORT

2016



Plant Location In Kazakhstan



Contents

04 - Financial Highlights

05 - Operational and Market Data

06 - Financial Ratios

07 - Corporate Information

08 - Chairman's Statement

10 - CEO's Statement

14 - Group Structure

15 - Board Of Directors

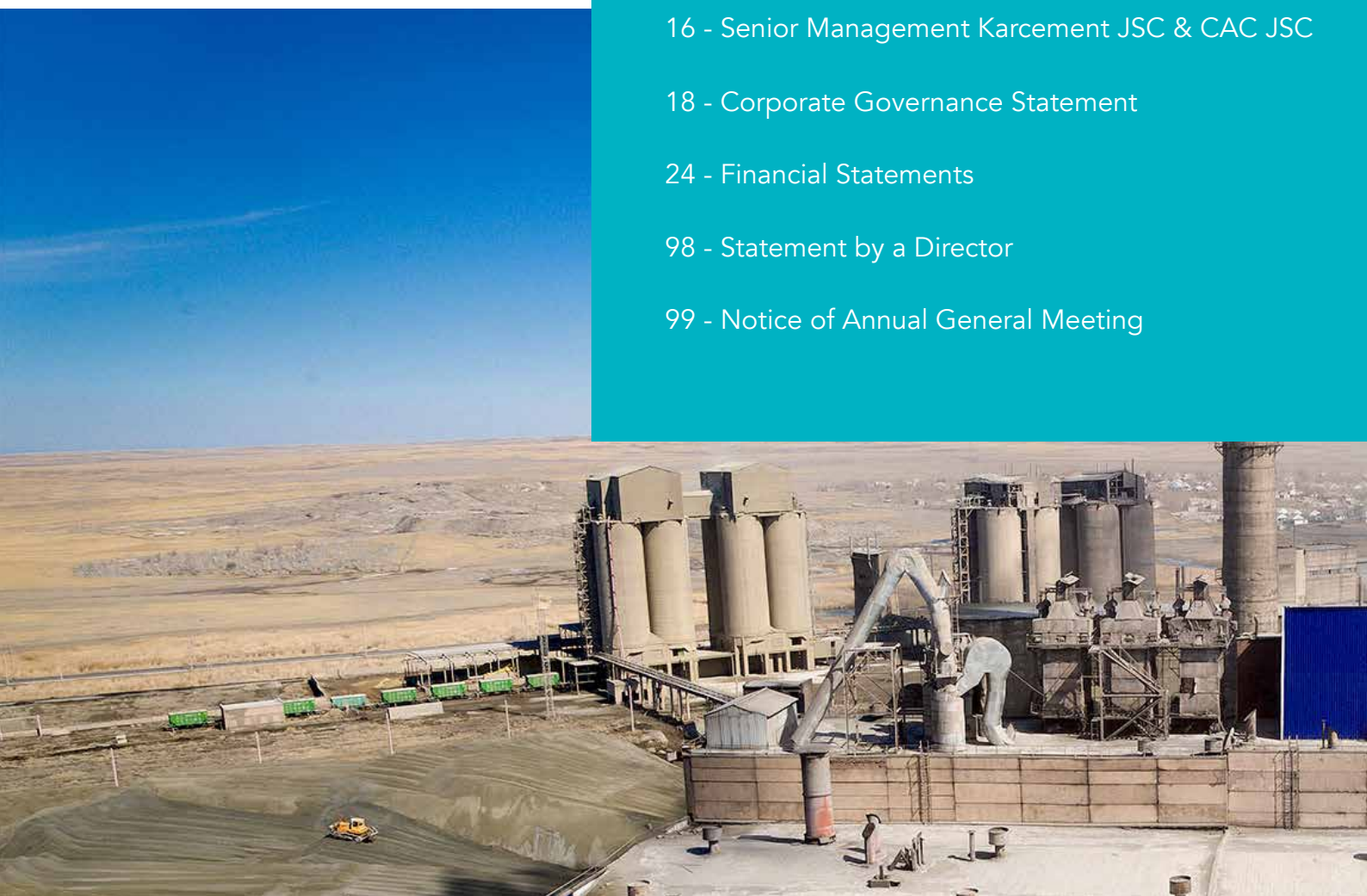
16 - Senior Management Karcement JSC & CAC JSC

18 - Corporate Governance Statement

24 - Financial Statements

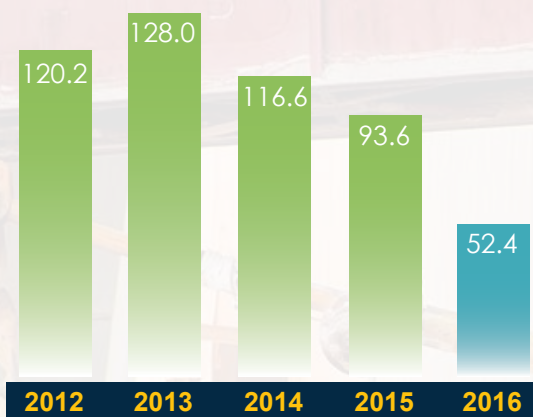
98 - Statement by a Director

99 - Notice of Annual General Meeting

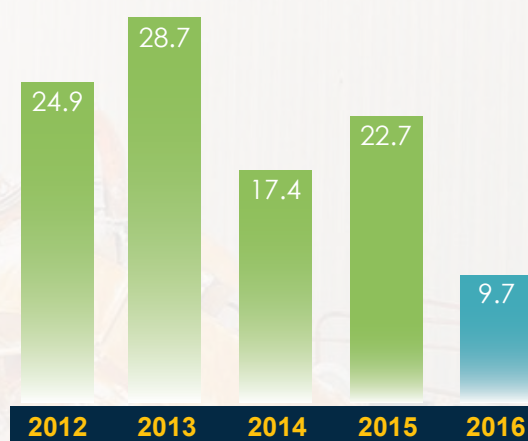


Financial Highlights

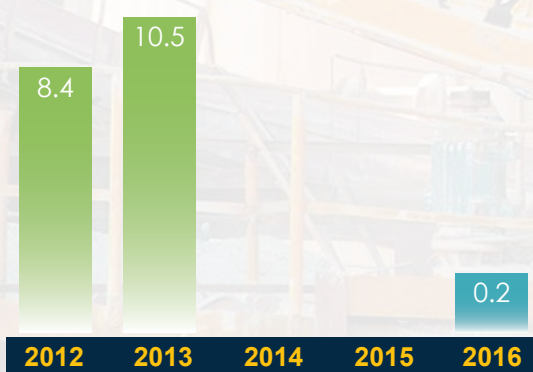
Revenue (USD Million)



EBITDA* (USD Million)

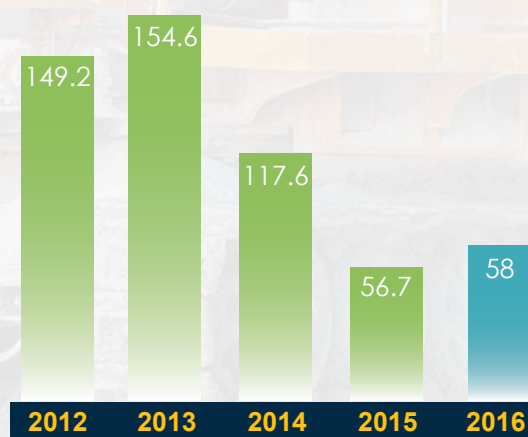


Profit/Loss after Tax (USD Million)

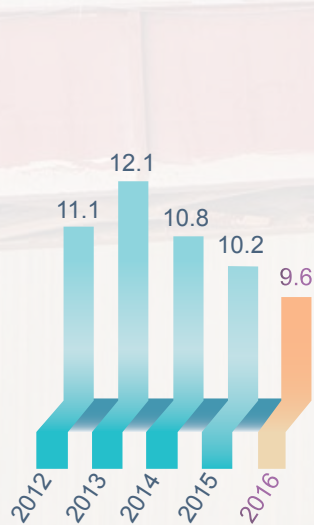


* excluding foreign exchange gain/ losses arising on devaluation of the Tenge.

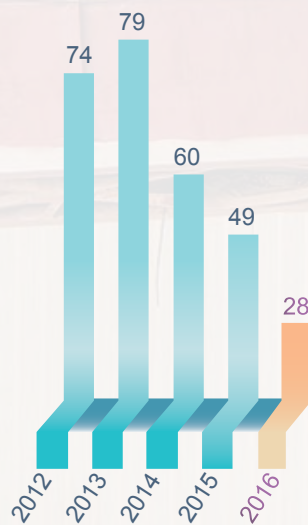
Shareholders Fund (USD Million)



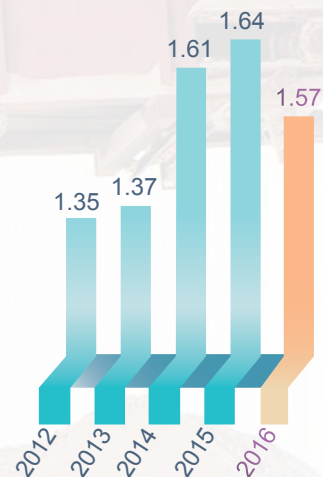
Operational and Market Data



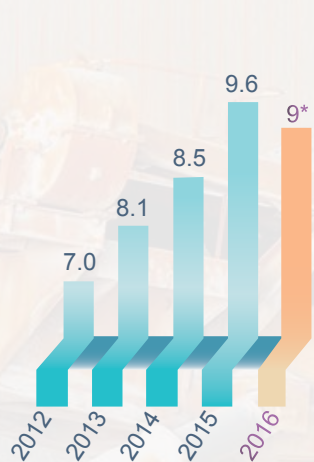
Ex-factory price (KZT'000)



Ex-factory price (USD)



Sales volume (million tonnes)



Market Size (million tonnes)

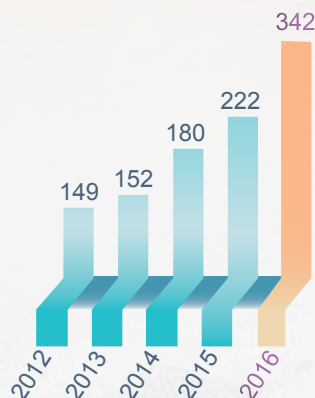
* estimated



Market share (%)



Capacity utilisation (%)



Average exchange rates (USD/KZT)

Financial Ratios



Ratios

	2012	2013	2014	2015	2016
Gross profit margin (%)	40	42	31	36	30
Profit / (Loss) after tax margin (%)	7	8	(7)	(4)	0
Net earnings / (Loss) per share (cents)	5	5	(4)	(2)	0
Return on shareholders funds (%)	6	7	(7)	(6)	0
NTA Per Share (cents per share)	68	71	54	26	27
Shares data					
Number of shares issued (million)	219	219	219	219	219

CORPORATE INFORMATION

Listing
London Stock Exchange AIM Market,
London
Since 15 September 2005

AIM Stock Code
STCM

Bloomberg Ticker
STCM LN

Reuters Ticker
STCM L

Company Registration
LL04433

Country of incorporation
Federal Territory of Labuan, Malaysia

Registered Address
Brumby Centre
Lot 42, Jalan Muhibbah
87000 Federal Territory of Labuan
Malaysia

Head Office Address
Suite 10.1, 10th Floor
Rohas Perkasa, West Wing
No.8, Jalan Perak
50450 Kuala Lumpur
Malaysia

Main Country of Operation
(Operating Subsidiaries' Address)
472380, Aktau Village
Karaganda Region
Republic of Kazakhstan

Company Secretary
TMF Trust Labuan Limited

Nominated Advisor
RFC Ambrian Limited
Level 14, 19-31 Pitt Street
Sydney, NSW 2000
Australia

Level 28, QV1 Building
250 St Georges Tce
Perth, Western Australia 6000

Broker
RFC Ambrian Limited
Level 5, Condor House
10 St Paul's Churchyard
London EC4M 8AL, United Kingdom

Group Auditor
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Unit 3(12) Main Office Tower
Financial Park Labuan Complex
Jalan Merdeka, 87000
Wilayah Persekutuan Labuan
Malaysia

UK Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Bankers
Halyk Bank JSC
Altyn Bank JSC
VTB Bank Kazakhstan JSC

Solicitor
BMF Group LLP
Alatau Business Center
151 Abay Street, Almaty
050009, Republic of Kazakhstan

Adelaida Legal Group, LLP
12/1 Kunayev Street, Block 5B, 4th floor,
Office #1, Astana
010000, Republic of Kazakhstan

Chairman's Statement

"For the first time in the recent years, industry capacity marginally exceeded demand. This situation will most likely persist through 2017. As regards 2018 and beyond, the supply-demand balance will depend on when the last factory currently under construction is commissioned and what market demand will be at that time."



During 2016 and as anticipated in last year's report, Steppe Cement experienced significant adverse impacts from external economic pressures and increased domestic competition, both of which factors were beyond its control. Their effects will be mitigated, however, by the favorable impacts from the multi-year capital investment and maintenance program to enhance the performance of the two dry lines together with the continued streamlining of operations, both of which measures will result in increased internal efficiencies. Also within management's control was the further overall reduction of the Company's bank borrowings and refinancing the balance of the hard currency debt at a lower interest rate while also saving withholding taxes. Spreading lower repayments over a longer period will maximize available cash flow for operational purposes.

The overall growth rate of the Kazakh economy slowed further from 1.2% in 2015 to an anemic low of 1% in 2016 although economic activity appeared to strengthen towards the end of the year. This lackluster performance, the worst in two decades, resulted primarily from the continuing low commodity prices in the oil and minerals sectors. On the positive side, the exchange rate of the Tenge ("KZT") generally stabilized for the year at an average of USD/KZT 342 (despite a significant spike in January) as compared with the USD/KZT 222 average in 2015 – a 54% depreciation. The inflation rate thus subsided from

the double-digit year-on-year levels in 2015 to 8.2% for 2016, marginally above the government targeted band.

As regards to competition, the full-year effect of the two newest competing dry lines in the south (Shymkent, Standard Cement) that had started operating during 2015 was also felt in terms of prices and volumes. For the first time in the recent years, industry capacity marginally exceeded demand. This situation will most likely persist through 2017. As regards 2018 and beyond, the supply-demand balance will depend on when the last factory currently under construction is commissioned and what market demand will be at that time. The current pricing environment is not favorable to further new investments in the sector.

The volume of cement sold by Steppe Cement decreased by 4% to 1,570,140 tonnes in 2016 from 1,643,136 tonne in 2015 although a market share of about 17% was maintained. The resulting decrease of 8% in consolidated turnover in Tenge terms stemmed from the lower volumes and the downwards pressure on the average price for delivered product which averaged 11,426 KZT/tonne in 2016 versus 11,890 KZT/tonne in 2015 (also a 4% decrease). However, because of the full-year effect of the currency's 2015 devaluation, turnover in US Dollar terms was reduced by 44% to USD52.5 million from USD93.6 million.

Prices for raw material inputs were contained at the inflation rate. The reliability of the milling department to handle peak period volumes was significantly improved as were logistical facilities such as silos, loading areas and bagging facilities. With respect to the latter, Steppe Cement is actively expanding its capabilities in the bagging area not only so as to be able to bag up to 30% of its production in the near future but also to expand its offerings to big bags and 25kg bags. In addition, expanded production of M500 is also under implementation in order to compete more effectively in that market. Overall, the disbursement for these investments were mostly completed during the first four months of 2016 although the implementation took most of 2016. In 2017, all but the most essential capital expenditures have been placed on hold due to the present uncertain commercial environment. Line 5 worked at 84% of its 1.1 million tonne capacity. Line 6 only produced at 74% of its 800,000 tonne capacity, mostly due to an extended planned shut-down for maintenance and upgrade to 900,000 tonnes.

2016 EBITDA of USD9.7 million represented a reduction of 57% from the USD22.7 million achieved in 2015 largely due to the devaluation and lower prices. Notwithstanding, a minimal net profit after-tax of USD0.2 million represented a positive trend as compared with the net losses of USD3 and USD8 million sustained in 2015 and 2014, respectively, caused by the progressive devaluation and the existence of borrowings in USD. The 24% increase in the Company's share price over the year to 18p, admittedly from the very low base of 14.5p following the devaluation, represented a recognition of management's strategic moves but is far from the replacement value of the Company.

The Company modified its sales strategy during the fourth quarter of 2016 by opting to maintain higher prices at the expense of its market share. This policy has been continued until the present. The average ex-factory selling price so far in 2017 was therefore 14% higher than last year but, in the first quarter, market share fell to 10% from 16% the previous year. The Company has decided to continue this market strategy into May but subject to a constant review of market conditions. With its substantial inventory of clinker and low operating costs, it will be possible to enter the market decisively during the peak season whatever the competitive conditions might dictate as well as with an eye to the modest increase in country-wide production capacity anticipated to come on line in 2018.

Although the first two months of 2017 witnessed a small increase in construction spending according to the statistics department, overall demand for cement

fell 10% during the first four months of 2017 but was compensated with more than double the volume of exports. Overall, the industry's shipments were only reduced by 3%. Three of the eight cement producers accounted for all this shortfall, including Steppe Cement which suffered a 30% reduction in volume. For the entire year 2017, an approximate reduction of 6% in the overall market size, to 8.5 million tonnes is anticipated while exports will continue to increase as long as the exchange rate is favorable. While a slowdown in construction is expected in Astana due to the EXPO 2017, it is expected that construction in other regions will increase.

I am yet again pleased to report that this year's audit report included no qualifications. The auditors have expressed to me that Steppe Cement appears in a much better financial position at the end of 2016 than 2015 and 2014.

At this point in time, Steppe Cement appears well-positioned with respect to its competition. The two dry lines still constitute the single largest cement plant in Kazakhstan. Technically, needed production improvements have been identified and the ongoing capital investment and maintenance programs are enabling the kilns to approach their anticipated production efficiencies and capacities. The existing core of experienced technical, production and administrative personnel remains largely intact and motivated. Financially, the reduced and restructured debt represents one of the lowest financial gearings in Kazakhstan and the Company's excellent banking relationships will allow the greatest degree of commercial flexibility in the current competitive environment. Steppe Cement should, as a result, be able to make a rapid return to solid profitability when the market dynamics improve.

Having served as an independent non-executive member of your Board since April 2007 and as Chairman for the last two years, I will not be standing for re-election this year. The last ten years have witnessed an exceptional transformation of Steppe Cement to a low-cost dry lines cement producer. None of this would have been possible without the vision, dedication and skill not only of the management team but of the employees themselves. Hats off to all of them! Notwithstanding the difficult economic times, your Company is today better positioned than ever to survive and prosper.

Paul Rodzianko
Non-Executive Chairman

CEO's Statement



"We expect the demand to drop in the Astana region with the completion of the Expo 2017 but grow in infrastructure and smaller cities development. Population continues to concentrate in the cities and population growth is occurring mostly in the southern regions and around Astana."

The 2016 results versus 2015 were conditioned by the sharp devaluation of the Kazakhstan Tenge (KZT) in August 2015 against our reporting currency. The weakness of the KZT against the rouble allowed the market to cut imports down and increase exports significantly. The overall domestic market went down by 6% and our sales volume decreased by 4% while the price in KZT decreased by 4%.

In 2016 we produced exclusively from the dry lines and our cost of production increased in line with official inflation of 8.5%.

Steppe Cement operated Line 5 at 84% of its current capacity (1.1 million tonnes) and Line 6 at 74% of capacity (0.8 million tonnes) as we took an extended repair period to increase its reliability and capacity for 2017. We expect to increase the capacity of Line 6 to 0.9 million tonnes.

Shareholders' funds increased marginally to USD58 million from USD56.7 million over the year. The assets remain many times undervalued compared to their replacement costs due to the devaluation of the local currency.

In 2016 Steppe Cement posted a marginal net profit of USD 0.2 million. Steppe Cement's EBITDA decreased to USD 9.7 million from USD 22.7 million in 2015 mostly due to the devaluation of the KZT against the USD, lower pricing and the reversal of provision of electricity charges.

The overall market volume decreased by 6% in 2016 and we expect the trend to continue in 2017

The Kazakh cement market in 2016 was 9 million tonnes, a decrease of 6% compared to 9.6 million tonnes in 2015. The devaluation made imports decrease by 63% to 0.47 million tonnes and exports increase by 270% to 0.41 million tonnes. The local producers' market share increased to 94%.

Our expectations are that overall market demand in 2017 will decrease by 5 to 10%. The demand depends upon the government investment plans and macroeconomic situation. We expect the demand to drop in the Astana region with the completion of the Expo 2017 but grow in infrastructure and smaller cities development. Population continues to concentrate in the cities and population growth is

Key financials	Year ended 31-Dec-2016	Year ended 31-Dec-2015	Inc/ (Dec)%
Sales (tonnes of cement)	1,570,140	1,643,136	(4%)
Consolidated turnover (KZT million)	17,941	19,537	(8%)
Consolidated turnover (USD Million)	52.5	93.6	(44%)
Consolidated profit/(loss) before tax (USD Million)	0.7	(8.8)	108%
Consolidated profit/(loss) after tax (USD Million)	0.2	(3.4)	106%
Profit/(loss) per share (US cents)	0.1	(1.5)	107%
Shareholders' funds (USD Million)	58.0	56.7	2%
Average exchange rate (USD/KZT)	342	222	(54%)
Exchange rate as at year end (USD/KZT)	333	339.5	1%

occurring mostly in the southern regions and around Astana.

After the sharp devaluation of KZT, exports continue to increase from 0.1 million tonnes in 2015 to 0.4 million in 2016 helping local companies increase slightly their overall volumes. The companies that increased more were Standard Cement and Shymkent Cement both with new commissioned dry kilns.

In 2017, the local cement factories should increase significantly again their export levels to try to compensate the drop in domestic demand while imports will remain contained to regions near the Russian border.

Steppe Cement's average cement selling prices decreased by 4% in KZT and by 39% in USD (equivalent to 33.4 USD per tonne) due to the devaluation of the KZT.

Line 5 produced 923,243 tonnes of cement while Line 6 produced 594,429 tonnes as it was shut down for extended maintenance in the spring.

Capital investment in 2016 took advantage of the availability of subsidized credit line

During 2016 capital investment was increased to USD4.8 million from USD2 million in 2015.

Steppe Cement obtained a credit facility of 1.69 billion denominated in KZT at 6% and repayable over 10 years. The facility was used mostly in the first four months of 2016 to improve the reliability of the milling department and in logistics i.e. silos, loading areas, bagging plant capacity increase and the terminal in Astana.

Cost were increased in line with inflation and were affected but the extended maintenance period of Line 6

Average cash production of cement in KZT increased in line with inflation but was reduced to USD21/tonne from USD30/tonne in 2015.

Selling expenses, reflecting mostly cement delivery costs, were reduced to USD 5/tonne from USD 8/tonne in 2015.



General and administrative expenses

General and administrative expenses decreased by 41% to USD 4.7 million from USD 8 million in 2015 due mostly to management efforts and the effect of devaluation.

The labour count stood at 724 on 31 March 2017 compared with 785 on 31 March 2016. We will continue to optimize the labor count until the end of 2017.

Dry lines' improved operating performance

In 2016, Line 5 contributed 60% of sales and Line 6 the balance. After the repairs in Line 6 that took place in the spring, its capacity has increased and it will be available for the summer 2017.

Line 5's current capacity is 1.1 million tonnes of cement and Line 6 is 0.9 million tonnes.

Financial position: Continuous debt reduction and compliance with ratios

During the year we maintained our non-current portion of borrowings from USD14.9 million to USD15.4 million. We repaid USD 7.3 million in

principal to VTB Bank before we refinanced the balance of long term loans with Halyk Bank to save withholding tax. The effective interest rate in the long term loans in USD went down from 7.8% to 6.3%.

In the first six months of 2016 we completed the draw down of the subsidized investment capital loan of KZT 1.69 billion (equivalent to USD4.9 million) for 10 years at 6%.





The current portion of borrowings was reduced from USD 15.8 million in 2015 to USD11 million in 2016 as we controlled the draw down of the short-term lines and limited the cash position at the end of year to USD1 million from USD2.4 million at 31 December 2015. We consider the risk of further devaluation is now much lower and therefore we have chosen to borrow short term mostly in USD this winter as the interest differential was 10%. Therefore we have been borrowing at 6% in USD during the first quarter of 2017.

In KZT we maintain three short term credit lines available:

- A KZT 3 billion from Halyk Bank that includes a government subsidized program of KZT0.5 billion in KZT at 6%.
- A line of 0.9 billion KZT from Altyn Bank .
- A working capital loan from VTB Bank Kazakhstan for 1 billion at 12.5% signed in March 2017.

In 2016 finance costs decreased to USD2.8 million from USD4.2 million in 2015 due to the continuous repayment of loan principals.

All covenants under the various credit lines have been met comfortably.

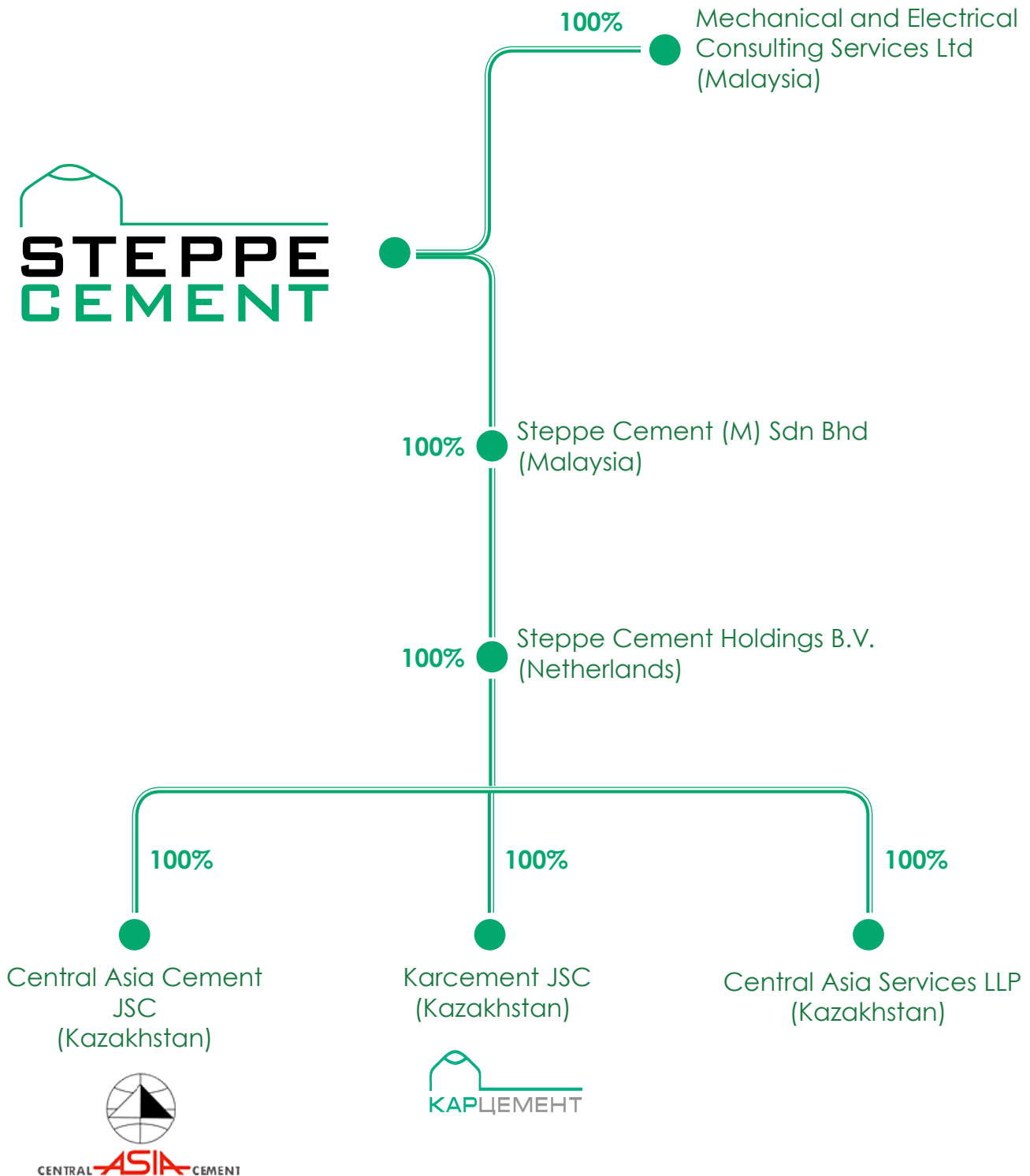
Depreciation decreased to USD6.8 million in 2016 from USD10.7 million in 2015 mostly due to the exchange rate.

The statutory corporate income tax rate remains at 20% in Kazakhstan.



Javier del Ser
Chief Executive Officer

GROUP STRUCTURE



Board of Directors



Paul Rodzianko (Non-Executive Chairman)

Paul Rodzianko, 71, is an international business executive with extensive experience in the energy, infrastructure and green technology sectors. He serves or has served as a senior executive or as Chairman of several companies in the Russian Federation, the Republic of Georgia, Kazakhstan, Sweden and the US. These include Kavkaz Cement, GreenFuel Technologies, Access Industries, CNPC Aktobemunaigas, Bogatyr Access Komir, Tyumen Oil Company, Energibolaget i Sverige, Mt. Hope Hydro, Grace Geothermal, and General Electric. He has represented Access at the President's Foreign Investor Council in Kazakhstan and as Vice-Chairman of the Board of the US-Kazakhstan Business Association. He serves on the boards of the US-Russia Business Council and the Kennan Council. Currently, he volunteers concurrently as Vice-Chairman of the American-Russian Cultural Cooperation Foundation; Chairman Emeritus of the Hermitage Museum Foundation (USA), and Director of the Russian Orthodox Theological Fund. Paul holds a B.A. from Princeton University and an M.A. from the Institute of Critical Languages. He is a Fellow of The Explorers Club and the Royal Geographic Society.

Javier Del Ser Perez (Chief Executive Officer)

Javier del Ser Perez 51, is a Chartered Engineer (Spain), master in Structural Engineering and has a degree in Finance from HEC. Javier has lived in Kazakhstan since 1996, when he was appointed as the Investment Adviser to a large investment fund focused on the country. It was through this role that Javier first became involved with the Group's cement business. He is the Chairman of the Company's operating subsidiaries, Central Asia Cement and Karcement. Javier has other business interests in Kazakhstan, including being a Director and large shareholder in the Chagala Group. Javier is also a Director of Steppe Cement Holding B.V. and Mechanical and Electrical Consulting Services Ltd.

Xavier Blutel (Non-Executive Director)

Xavier Blutel, 62, is currently the Senior Adviser, Wagram Corporate Finance, President and founding partner of SAS Baudrimont and a Conseiller du Commerce Extérieur de la France. Xavier Blutel spent 33 years as an international executive in capital intensive industries such as the cement industry, with Italcementi Group and Ciments Français Group, and the petrochemicals industry. Besides managing various operations in numerous countries, he was actively involved in screening approach, negotiation and integration of new acquisitions, disposals of non-core businesses and potential mergers. He also spent 6 years (2002-2007) in international lobbying and developed and implemented the Sustainable Development approach in Italcementi Group. He was formerly a director of Shymkent JSC and Beton ATA LLP from 2008 to 2013.

Senior Management

MANAGEMENT AND STAFF OF KARCEMENT JSC



MANAGEMENT AND STAFF OF CENTRAL ASIA CEMENT JSC



MANAGEMENT OF KARCEMENT JSC

Gan Chee Leong

General Director

Gan is a Chartered Accountant from England and Wales. He started work in Kuala Lumpur as a senior auditor with a well-known international firm. He has about 23 years of experience in cement industry in various capacities. Before joining CAC and Karcement, he was GM-marketing of a leading cement company in Malaysia and held various directorships within the Group companies. He also held a number of positions in the Cement and Concrete Association Malaysia and was once the Deputy Secretary General of Asian Federation of Cement Manufacturers.

George Ramesh

Operation Director

A Mechanical Engineer by profession with a Master degree in Business Management (Finance & Marketing) from India. He has about 24 years' of vast experience in the Dry process cement industry in various countries (India, Malaysia & Singapore), handled plant improvement projects, operational reliability, methodology development and maintenance. Before joining Karcement in September 2007, he worked as Maintenance & Project Manager for Holcim (Malaysia) and prior to that, with Lafarge (Malaysia). He was the Project Manager of the Line 5 dry line modernization Project in Karcement which was successfully commissioned in 2014.

P. Sampathkumar

Head of Production

He is a Chemistry graduate with a Master degree in Sociology, Post Graduate Diploma holder in Personnel Management & Industrial Relations and also a holder of Technical Diploma in Total Productive Maintenance (Gemba Kaizen).

He has extensive experience of more than 33 years in the operation of all types of kilns right from wet process to modern kilns. He specializes in process stabilization and optimization.

He has worked in India, Iraq, and UAE with companies like ACC Ltd – (Now HOLCIM) and Lafarge.

G. Srinivasa Reddy

Head of Maintenance

A Mechanical Engineer from India and graduated from Prestigious Regional Engineering College, Warangal. He has extensive experience in the cement industry for more than 23 years in projects, maintenance and operation in various capacities. He has worked in The India cements Ltd, Dalmia Cements (B) Ltd., and Holcim India before joining Karcement in 2008. He has very good knowledge about modern dry plant maintenance, operation, process control and optimization.

Veronica Kuznetsova

Legal Department Chief

A graduate from the Legal Academy of Kazakhstan with a Master's Degree in Law. She joined CAC in 2005 as a Lawyer. In 2007 she was transferred to Karcement and from 2010, she was appointed Chief of the Legal Department.

Tkachenko Yulia Vladislavovna

Chief Accountant

In 1998 she graduated from Buketov Karaganda State University where she was trained in the field of "Finance and credit". In 2012 she graduated with a bachelors degree in law from Kunayev University. She has a total work experience of 17 years, of which Yulia worked as chief accountant (chief economist) for more than 11 years. She has worked in Karcement since October, 2014 and as the chief accountant since August 2016. Yulia is a certified professional accountant since January 2016.

Aymakasheva Svetlana Kirillovna

Quality Assurance

Svetlana graduated from Temirtau industrial college in the field of 'Technology of the knitting refractory nonmetallic and silicate products' as process engineer in 1995. She graduated with a bachelor's degree from Karaganda industrial university in the field of 'Technology of organic substances' in 2006. Since July 2000 Svetlana has worked in several positions including QA at the cement plant.

MANAGEMENT OF CENTRAL ASIA CEMENT JSC

PETER DURNEV

General Director

A graduate of Academy Marketing Moscow. He has worked in CAC for about 18 years rising from marketing executive to his present position. He also holds the position of Marketing Director.

DEREK KUAN BOON SAN

Finance Director

Derek Kuan is a member of Malaysian Institute of Certified Public Accountants (MICPA). He started his career as an articled student with a local accounting firm in Kuala Lumpur and presently has over 30 years of audit and commercial working experience. Before joining CAC, he held a position of financial controller based in Liberia, after having spent 9 years in Jakarta. His expertise encompasses audit, financial reporting, internal control procedures, corporate finance and investment evaluation.

ZILYA KHASANOVA

Chief Accountant

She holds a bachelor degree in accounting and audit from the Karagandy Economical University of Kazpotrebsouz and has worked for 25 years in the cement industry.

IRINA POLUYCHIK

Personnel Manager

An economist by qualification. She specializes in human resources matters. She has been with CAC for more than 25 years.

Corporate Governance

The Board of Directors ("Board") is fully committed and strives to take the necessary measures to uphold the best principles and practices of corporate governance in the Group. Good corporate governance is fundamental to the Group's discharge of its corporate responsibilities and accountability to protect and enhance the financial performance and shareholders' value of the Group.

Steppe Cement is not required to comply with the UK Combined Code of Corporate Governance ("Combined Code") published by the UK Financial Reporting Council. The Combined Code applies to companies listed on the Main Board but not AIM companies.

The Quoted Companies Alliance ("QCA") has published a set of corporate governance guidelines for AIM companies as a minimum standard to follow. The QCA guidelines are less rigorous than the Combined Code and recommendations include the following:

- Separation of Chairman and CEO roles – both roles should not be performed by the same individual.
- Independent non-executive directors – at least two independent non-executive directors, one of whom may be the Chairman.
- Establishment of Audit, Remuneration and Nomination Committees and that Audit and Remuneration Committees should comprise at least two independent non-executive directors.
- Re-election of directors – All directors should be submitted to re-election at regular intervals subject to continued satisfactory performance of the directors.
- Dialogue with shareholders – there should be a dialogue with shareholders based on mutual understanding of objectives.
- Matters reserved for the Board – there be a formal schedule of matters specifically reserved for the Board's decision.
- Timely information – the Board should be supplied with timely information to discharge its duties.
- Review of internal controls annually. The review should encompass all material controls including financial, operational and compliance controls and risk management systems.
- Steppe Cement complies with the QCA guidelines. Nonetheless, Steppe Cement adopts the principal requirements of the Combined Code, as far as practicable, to ensure high standards of corporate governance.

BOARD OF DIRECTORS

The Board's primary objective is to protect and enhance long-term shareholders' value. The Board is responsible for:

- formulating the Group's strategic direction and major policies;
- review performance of the Group and monitor the achievement of management's goals;
- approval of the Group's financial statements, annual report and announcements;
- approval of Group's operational and capital budgets;
- approval of major contracts, capital expenditure, acquisitions and disposals;
- setting the remuneration, appointing, removing and creating succession policies for directors and senior executives;
- the effectiveness and integrity of the Group's internal control and management information systems; and
- overall corporate governance of the Group.

BOARD PROCESSES

The Board has established a framework for the management of the Group including a system of internal control, risk management practices and the establishment of appropriate ethical standards. The Board holds regular meetings to discuss strategy, operational matters and any extraordinary meetings at such other times as may be necessary to address any specific and significant matters that may arise. The Board has determined that individual directors have the right qualification and experience to perform their duties and responsibilities as directors.

Board Meetings

During the year ended 31 December 2016, 4 board meetings were held. The table below is the attendance record of the directors.

BOARD COMPOSITION

At least half of the Board comprises of independent non-executive directors. The Board composition reflects the balance of skills and expertise to ensure that these are in line with the Group's strategies.

There is a clear segregation of roles of between the Chairman and Chief Executive Officer. The Chairman is responsible for leadership and management of the Board and ensures that it operates effectively and fully discharges its responsibilities. The Board

has delegated responsibility for the day-to-day management and operations of the Group in accordance with the objectives and strategies established by the Board to the Chief Executive Officer and the senior management.

Independence

The Non-Executive Directors are responsible for providing independent advice and are considered by the Board to be independent of management and free from any business or relationship that would materially interfere with the exercise of independent judgment as a member. No one individual in the Board has unfettered powers of decision and no director or group of directors is able to unduly influence the Board's decision making. This enables the independent directors to debate and constructively challenge the management on the Group's strategy, financial and operational matters.

Selection and appointment of directors

The mix of skills, business and industry experience of the directors is considered to be appropriate for the proper and efficient functioning of the Board. The Board has delegated the functions of selection and appointment of directors to the Nomination Committee including the annual review of the structure, size, composition and balance of the Board.

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Paul Rodzianko (Non-Executive Chairman)	4	4	4	4
Javier Del Ser Perez (Chief Executive Officer)	4	N/A	N/A	4
Xavier Blutel (Non-Executive Director)	4	4	4	4

Committee meetings are held concurrently with the board meetings.

Corporate Governance

Section 87(1) of the Labuan Companies Act provides that every company shall have at least one director who may be a resident director. Section 87(2) states that only an officer of a trust company established in Labuan shall act or be appointed as a resident director. The Company's Articles provide that there shall be at least one and not more than 7 directors. If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company is determined within the limitations imposed by the Company's Articles and as circumstances demand.

Performance evaluation

The Board regularly evaluates its performance and the effectiveness of the Board Committees. The performance of the Chairman and individual directors is continually assessed to ensure that each director continues to contribute effectively and demonstrates commitment to the role.

Re-election of directors

Every year, the directors offer themselves for re-election and their re-election is subject to the shareholders approval at the Company's Annual General Meeting.

Remuneration policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board has delegated the setting of broad remuneration policy to the Remuneration Committee. The purpose of the policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary, independent advice on the appropriateness of remuneration packages is obtained.

Independent advice and insurance

The Board may seek independent consultant's advice at the Company's expense in relation to director's rights and duties and the engagement is subject to prior approval of the Chairman and this will not be withheld unreasonably. The company maintains a Directors' and Officers' Liability Insurance policy that provides appropriate cover in respect of legal action brought against its directors.

BOARD COMMITTEES

The Board has established the Nomination Committee, the Remuneration Committee and the Audit Committee and delegated certain functions to these committees as set out in each Committee's Terms of Reference.

Nomination Committee

The Committee comprises of majority independent Non-Executive Directors. The Terms of Reference of the Nomination Committee was approved by the Board. The Nomination Committee meets at least once a year.

The Nomination Committee's members comprises of:

1. Paul Rodzianko (Chairman)
2. Javier Del Ser Perez
3. Xavier Blutel

The principal objectives of the Committee are to review that the Board structure, size, composition and the mix of skills and expertise to ensure that these are in line with the Group's strategies and to recommend to the Board the potential candidates for directorship. The selection criteria for selection and recruitment of the potential candidates for directorship shall include qualifications of the individual, experience, knowledge and achievements, credibility and background and ability of the candidates to contribute effectively to the Board and Group.

The functions of the Nomination Committee include:

- Review annually the structure, size and composition of the Board taking into account the Group's strategies;
- Identify and nominate the potential candidates to the Board for approval;
- Monitor the appointment process of directors;
- Recommend to the Board for approval on the re-appointment of directors;
- Oversee the succession planning of directors taking into consideration of the Group's strategies;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference at least once a year.

Remuneration Committee

The Remuneration Committee comprises entirely of independent Non-Executive Directors. The functions of the Remuneration Committee are governed by the Terms of Reference which was approved by the Board. The Remuneration Committee meets at least twice (2) a year.

The principal objectives of the Committee are to ensure that the broad remuneration policy and practices of the Group reflect the level of responsibilities, performance, relevant legal requirements and high standards of governance. In determining such policy, the Committee shall ensure that remuneration levels are appropriately and competitively set to attract, retain and motivate people of the highest quality.

The functions of the Remuneration Committee include:

- Determine and review the broad remuneration policy of the Chairman, Chief Executive Officer, Executive Directors and Senior Executives;

- Review the contracts for the Chairman, Chief Executive Officer, Executive Directors and the contractual terms;
- Obtain information on the remuneration of other listed companies of similar size and industry;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference every two (2) years, or more frequently as required to ensure its ongoing relevance and effectiveness.

The Remuneration Committee's members comprises of:

1. Xavier Blutel (Chairman)
2. Paul Rodzianko

Audit Committee

The Audit Committee comprises entirely of independent Non-Executive Directors. The functions of the Audit Committee are governed by the Terms of Reference which was approved by the Board. The Audit Committee meets at least three times (3) a year.

The principal objectives of the Committee are to monitor and review the adequacy, integrity and compliance of the Group's financial reporting and policies, internal controls system and procedures including risk management and compliance and the external audit process. The Committee shall make the necessary recommendations to the Board to achieve its objectives.

The functions of the Audit Committee include:

- Review the Group's financial statements, regulatory announcements relating to the Group's results;
- Review the Group's significant accounting policies and practices;

Corporate Governance

- Review compliance with international financial reporting standards, regulatory and other legal requirements;
- Review and advise the Board on the appointment, nomination and re-appointment of the external auditors;
- Oversee the relationship with the external auditors, including the engagement of auditors, the audit scope, plan, remuneration and objectivity;
- Evaluate and monitor the adequacy and effectiveness of the internal controls system and procedures including risk management and compliance;
- Monitor and review the performance and effectiveness of the internal audit function;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference at least once a year and recommend any changes to the Board for approval.

The Audit Committee's members comprises of:

1. Paul Rodzianko (Chairman)
2. Xavier Blutel

BUSINESS CONDUCT AND ETHICS

In the course of business, the Board acknowledges the need to maintain high standards of business and ethical conduct by all Directors, management and employees of the Group. In this respect, the Group has the responsibility to observe local laws, customs and culture of each country in which it operates in particular Kazakhstan and to adopt the high standards of business practice, procedure and integrity. All Directors and employees are expected

to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Conflict of interest

All Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

INVESTOR RELATIONS

The Board recognises and values the importance of managing its relationship with the investing community. The Board is committed and communicates regularly with shareholders on the Group's strategy, financial performance, developments and prospects via issuance of annual and interim financial statements to shareholders, stock exchange announcements and in meetings.

The Group's management meets regularly with fund managers, analysts and shareholders to convey information about the development of the Group's performance and operations in Kazakhstan.

Annual General Meeting

The Annual General Meeting ("AGM") provides the main forum and opportunity for discussion and interaction between the Board and the shareholders. The Board encourages the active participation of shareholders, both individuals and institutional at the AGM on important and relevant matters. The results of the AGM are announced via Regulatory News Service to the public after the AGM.

INTERNAL CONTROL

The Board places importance on the maintenance of a strong internal control system in the Group, including compliance and risk management practices to ensure good corporate governance. The Board regularly evaluates and monitors the effectiveness of the internal control system.

Purpose

The Group's internal control system is designed to safeguard the Group's assets and enhance the shareholders investments. The Group's internal control system is designed to manage rather than fully eliminate the risk of failure to achieve business objectives. Therefore, that the internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key elements

The key elements of the Group's internal control system are:

Control - an organisational structure is in place with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information and capital expenditure.

Financial Reporting and Budgeting – A financial reporting and budgeting system with an annual budget approved by the directors has been established to monitor the performance of the subsidiaries. The management evaluates the actual against budget to identify and explain the causes of the significant variances for appropriate action. The budgets are revised regularly taking into internal and external variables such as performance, costs, capital expenditure requirements, macro outlook and other relevant factors.

Risk Management and Compliance – Risk management and compliance policies, controls and practices are in place for the Group to identify,

assess, manage and monitor key business risks and exposure and for evaluation of their financial impact and other implications.

Monitoring and review mechanism

The Audit Committee is tasked to monitor and review the adequacy and effectiveness of the internal control system and procedures including risk management and compliance. The Group's internal audit function is responsible for conducting internal audits based on the risk-based audit plan approved annually by the Audit Committee. The internal audit function provides regular reports to the Audit Committee highlighting the observations, recommendations and management action to improve the internal control system. The scope of work, authority and resources of the internal audit function are reviewed by the Audit Committee at annually. The Audit Committee also deliberates on control issues highlighted by the external auditors during the course of statutory audits.

The background of the slide is a photograph of an oil field. In the foreground, there are large, undulating mounds of light-brown sand or soil. To the right, a yellow bulldozer is partially visible, pushing a pile of earth. In the background, a tall, dark metal drilling rig stands against a bright, hazy sky. A white hexagonal graphic with a teal border is centered over the image, containing the text.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(In United States Dollar)



CONTENTS

PAGES

Independent auditors' report	26 - 31
Statements of profit and loss	32
Statements of profit and loss and other comprehensive income	33
Statements of financial position	34 - 35
Statements of changes in equity	36 - 38
Statements of cash flows	39 - 41
Notes to the financial statements	42 - 97
Statement by a director	98

INDEPENDENT AUDITORS' REPORT

REPORT TO THE MEMBERS OF STEPPE CEMENT LTD (Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STEPPE CEMENT LTD (the "Company"), which comprise the statements of financial position of the Company and its subsidiary companies (the "Group") and of the Company as of 31 December 2016, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 32 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Labuan Companies Act, 1990 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of property, plant and equipment</p> <p>The carrying value of property, plant and equipment amounted to USD71.9million, representing 75% of the total assets as of 31 December 2016.</p> <p>During the current financial year, the directors considered the Group's historical performance for two consecutive financial periods as well as the Group's current performance and market outlook of the industry. Consequently, an impairment assessment was performed to determine the recoverable amount of the Group's property, plant and equipment.</p> <p>The recoverable amount determined by the directors based on a value-in-use model includes key assumptions that are judgemental in nature specifically in relation to the forecast cash flows, future sales volume, discount rates and the growth rates applied.</p> <p>No impairment was recorded as the recoverable amount calculated by the directors were in excess of the carrying values as of 31 December 2016.</p> <p>Significant judgements and inputs used in the value-in-use model are disclosed in Note 10 to the financial statements.</p>	<p>We discussed with management the future plans of the manufacturing entities and economic outlook in the coming years.</p> <p>Our audit procedures included physically sighting the property, plant and equipment to assess whether they are operating and in a good condition.</p> <p>We considered the appropriateness of the key assumptions used in the value in use model approved by the management, including those related to forecast and to project future cash flows, future sales volume, discount rates and growth rates applied. In performing our audit procedures, we validated the mathematical accuracy of the forecasts and projections and evaluated the pricing and volumes used in management's considerations taking into account the cement market outlook in Kazakhstan. In addition, sensitivity analysis was performed on the key assumptions to assess the potential impact of a range of possible outcome on the impairment assessment.</p> <p>We reviewed historical financial performance of the subsidiaries involved in the production and sale of cement and compared with previous forecasts to evaluate the accuracy of management's budgeting process.</p>

INDEPENDENT AUDITORS' REPORT

Key audit matters	How our audit addressed the key audit matters
<p>Significant debt repayment obligations within the next 12 months</p> <p>The Group manages liquidity risk, as described in Note 26 to the financial statements by maintaining sufficient and accessible credit lines coupled with active monitoring of forecasts and actual cash flow requirements. The Group's total bank borrowings stood at USD26.4million as of 31 December 2016 of which USD11.0million is repayable within 12 months from the year end.</p> <p>The Group's assessment of forecast cash flow requirements include best estimates related to future sales volume and timing of cash collections which are uncertain. The Group continuously faces competition among local companies in Kazakhstan, putting pressure on its market share and selling price.</p> <p>Details of the Group's bank borrowings and existing credit facilities and financial risk management objectives and policies are disclosed in Notes 20 and 26 to the financial statements respectively.</p>	<p>We reviewed documented evidence of new loans and re-negotiated credit facilities during the current financial year and reviewed the financial covenants required by the credit facilities.</p> <p>Our audit procedures included considering the appropriateness of key assumptions in the manufacturing entities' cash flows forecast and projections for the next 5 years (including sales volume, foreign exchange, and the availability of borrowing facilities) and compared to past collection trend and historical information.</p> <p>We validated the mathematical accuracy of the forecast and projections and compared against the borrowing facilities available to the manufacturing entities taking into account all working capital financing agreements entered with financial institutions at the end of the reporting period.</p> <p>We extended our audit procedures, covering the period from the financial year end to the date of our report, to ascertain whether there any default in the repayment of the matured borrowings and whether any adverse operational events have occurred which may hinder the ability of the Group to meet its maturing loan commitments.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Labuan Companies Act, 1990 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 117(1) of the Labuan Companies Act, 1990 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE & TOUCHE PLT (LLP0010197-LCA)
Chartered Accountants (AAL 0011)

LIM KENG PEO
Partner - 2939/01/18(J/PH)
Chartered Accountant

Labuan
12 May 2017

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	The Group		The Company	
		2016 USD	2015 USD	2016 USD	2015 USD
Revenue	4	52,479,370	93,632,720	100,000	100,000
Cost of sales		(36,870,866)	(60,383,321)	-	-
Gross profit		15,608,504	33,249,399	100,000	100,000
Selling expenses		(8,368,084)	(13,082,506)	-	-
General and administrative expenses		(4,759,148)	(8,037,254)	(290,771)	(383,830)
Interest income		5,205	40,584	-	-
Finance costs	5	(2,783,082)	(4,215,275)	-	-
Net foreign exchange gain/(loss)	6	657,937	(16,376,575)	164,559	72,203
Other income/(loss), net		320,449	(94,795)	-	-
Impairment loss on investment		-	-	-	(4,000,001)
Impairment loss on property, plant and equipment		-	(298,397)	-	-
Profit/(Loss) before income tax	7	681,781	(8,814,819)	(26,212)	(4,211,628)
Income tax (expense)/credit	8	(505,779)	5,433,161	-	-
Profit/(Loss) for the year		176,002	(3,381,658)	(26,212)	(4,211,628)
Attributable to:					
Shareholders of the Company		176,002	(3,381,658)	(26,212)	(4,211,628)
Earnings/(Loss) per share:					
Basic and diluted (cents)	9	0.1	(1.5)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
	Note	2016	2015	2016	2015
		USD	USD	USD	USD
Profit/(Loss) for the year		176,002	(3,381,658)	(26,212)	(4,211,628)
Other comprehensive income/(loss):					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Revaluation gain on property, plant and equipment, net of tax		-	124,531	-	-
Impairment loss on property, plant and equipment, net of tax		-	(142,081)	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising from translation of foreign operations		1,138,811	(57,566,026)	-	-
Total other comprehensive income/(loss)		1,138,811	(57,583,576)	-	-
Total comprehensive income/(loss) for the year		1,314,813	(60,965,234)	(26,212)	(4,211,628)
Attributable to:					
Shareholders of the Company		1,314,813	(60,965,234)	(26,212)	(4,211,628)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
	Note	2016 USD	2015 USD	2016 USD	2015 USD
Assets					
Non-Current Assets					
Property, plant and equipment	10	71,886,844	71,787,157	-	-
Investment in subsidiary companies	11	-	-	26,500,001	26,500,001
Advances	16	458,619	1,270,919	-	-
Other assets	12	1,439,233	2,442,499	-	-
Deferred taxes	13	47,097	549,669	-	-
Total Non-Current Assets		73,831,793	76,050,244	26,500,001	26,500,001
Current Assets					
Inventories	14	16,162,477	13,319,832	-	-
Trade and other receivables	15	3,168,763	2,290,736	-	-
Income tax recoverable		505,359	547,232	-	-
Loans and advances to subsidiary companies	25	-	-	39,710,120	39,845,904
Advances and prepaid expenses	16	1,076,849	1,432,447	9,128	6,582
Cash and cash equivalents	17	1,023,205	2,406,309	73,636	338,124
Total Current Assets		21,936,653	19,996,556	39,792,884	40,190,610
Total Assets		95,768,446	96,046,800	66,292,885	66,690,611

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
	Note	2016 USD	2015 USD	2016 USD	2015 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	18	73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve	19	3,062,343	3,443,582	-	-
Translation reserve	19	(106,985,770)	(108,124,581)	-	-
Retained earnings/ (Accumulated losses)	19	88,203,360	87,646,119	(8,454,098)	(8,427,886)
Total Equity		58,040,857	56,726,044	65,306,826	65,333,038
Non-Current Liabilities					
Borrowings	20	15,453,251	14,857,018	-	-
Deferred income	21	1,525,359	517,778	-	-
Provision for site restoration		59,003	51,265	-	-
Total Non-Current Liabilities		17,037,613	15,426,061	-	-
Current Liabilities					
Trade and other payables	22	7,577,986	4,485,684	-	-
Accrued and other liabilities	23	1,918,230	3,084,812	986,059	1,357,573
Borrowings	20	10,963,824	15,822,258	-	-
Taxes payable	24	229,936	501,941	-	-
Total Current Liabilities		20,689,976	23,894,695	986,059	1,357,573
Total Liabilities		37,727,589	39,320,756	986,059	1,357,573
Total Equity and Liabilities		95,768,446	96,046,800	66,292,885	66,690,611

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	← Non-distributable →			Distributable	
	Share capital USD	Revaluation reserve USD	Translation reserve USD	Retained earnings USD	Total* USD
As of 1 January 2016	73,760,924	3,443,582	(108,124,581)	87,646,119	56,726,044
Profit for the year	-	-	-	176,002	176,002
Other comprehensive income	-	-	1,138,811	-	1,138,811
Total comprehensive income for the year	-	-	1,138,811	176,002	1,314,813
Other transactions impacting equity:					
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(381,239)	-	381,239	-
As of 31 December 2016	73,760,924	3,062,343	(106,985,770)	88,203,360	58,040,857

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	← Non-distributable →			Distributable	
	Share capital USD	Revaluation reserve USD	Translation reserve USD	Retained earnings USD	Total* USD
As of 1 January 2015	73,760,924	3,986,065	(50,558,555)	90,502,844	117,691,278
Loss for the year	-	-	-	(3,381,658)	(3,381,658)
Other comprehensive loss	-	(17,550)	(57,566,026)	-	(57,583,576)
Total comprehensive loss for the year	-	(17,550)	(57,566,026)	(3,381,658)	(60,965,234)
Other transactions impacting equity:					
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(524,933)	-	524,933	-
As of 31 December 2015	73,760,924	3,443,582	(108,124,581)	87,646,119	56,726,044

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

The Company	Share Capital USD	Accumulated losses USD	Total USD
As of 1 January 2016	73,760,924	(8,427,886)	65,333,038
Total comprehensive loss for the year	-	(26,212)	(26,212)
As of 31 December 2016	73,760,924	(8,454,098)	65,306,826
As of 1 January 2015	73,760,924	(4,216,258)	69,544,666
Total comprehensive loss for the year	-	(4,211,628)	(4,211,628)
As of 31 December 2015	73,760,924	(8,427,886)	65,333,038

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before income tax	681,781	(8,814,819)	(26,212)	(4,211,628)
Adjustments for:				
Depreciation of property, plant and equipment	6,834,012	10,685,978	-	-
Amortisation of quarry stripping costs	17,966	-	-	-
Amortisation of site restoration costs	1,580	2,430	-	-
Loss on disposal of property, plant and equipment	65,760	545,175	-	-
Impairment loss on investment	-	-	-	4,000,001
Impairment loss on property, plant and equipment	-	298,397	-	-
Interest income	(5,205)	(40,584)	-	-
Finance costs	2,783,082	4,215,275	-	-
Net foreign exchange (gain)/loss	(657,937)	16,376,575	(164,559)	(68,172)
Provision for obsolete inventories	379,408	395,646	-	-
Provision for doubtful receivables	4,720	33,502	-	-
Provision on advances paid to third parties	2,400	39,347	-	-
Recovery of doubtful receivables	(252)	-	-	-
Reversal of provision on advances paid to third parties	(31,045)	-	-	-
Reversal of accrued unused leaves	-	(6,799)	-	-
Reversal of provision of electricity charges	(613,563)	(1,922,083)	-	-
Deferred income	(5,299)	-	-	-
	9,457,408	21,808,040	(190,771)	(279,799)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(2,923,072)	(2,324,878)	-	-
Trade and other receivables	495,396	1,844,366	-	-
Loans and advances to subsidiary companies	-	-	135,784	531,165
Advances and prepaid expenses	254,623	(909,535)	(2,546)	(851)
Increase/(Decrease) in:				
Trade and other payables	3,016,254	452,420	-	-
Accrued and other liabilities	(655,754)	1,462,067	(206,955)	90,977
Cash Generated From/(Used In) Operations	9,644,855	22,332,480	(264,488)	341,492
Income tax paid	(106,731)	(398,712)	-	(5,480)
Net Cash From/(Used In) Operating Activities	9,538,124	21,933,768	(264,488)	336,012
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,810,425)	(1,831,446)	-	-
Purchase of other assets	(48,749)	(26,002)	-	-
Proceeds from disposal of property, plant and equipment	2,190	-	-	-
Interest received	5,205	40,584	-	-
Net Cash Used In Investing Activities	(4,851,779)	(1,816,864)	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from borrowings	36,522,283	20,184,000	-	-
Repayment of borrowings	(39,840,598)	(38,853,066)	-	-
Interest paid	(2,755,206)	(4,073,196)	-	-
Net Cash Used In Financing Activities	(6,073,521)	(22,742,262)	-	-
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	(1,387,176)	(2,625,358)	(264,488)	336,012
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	4,072	(4,263,772)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,406,309	9,295,439	338,124	2,112
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	1,023,205	2,406,309	73,636	338,124

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Steppe Cement Ltd (the "Company") is a limited liability company incorporated in Malaysia. The Company's registered office is Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan FT, Malaysia. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The Group comprises the Company and the subsidiary companies (collectively the "Group") that are disclosed in Note 11.

The principal place of business of the Company's operating subsidiary companies is located at 472380, Aktau village, Karaganda Region, the Republic of Kazakhstan.

The Company's principal activity is investment holding. The Company's operating subsidiary are principally engaged in the production and sale of cement. The principal activities of the subsidiary companies are disclosed in Note 11.

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on 12 May 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Application of new and amendments to International Financial Reporting Standards (IFRSs)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group and the Company have applied a number of new and amendments to IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of these new and amendments to IFRS did not result in significant changes in the accounting policies of the Group and of the Company and have no material impact on the disclosures in the financial statements of the Group and of the Company.

New and amendments to IFRS and IFRIC Interpretation in issue but not yet effective

IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	Leases ³
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle ^{1 or 2}

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The directors anticipate that the abovementioned new and amendments to IFRS and IFRIC Interpretation will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of these standards and amendments will have no material impact on the financial statements of the Group and of the Company except for the application of IFRS 9 and IFRS 15 which may have impact on the disclosure as described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

IFRS 9 Financial Instruments

IFRS 9 issued by IASB in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments. Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liabilities, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for credit event to have occurred before credit losses are recognised; and

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group and the Company complete a detailed review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of land and building made in accordance with IAS 16 Property, Plant and Equipment (Note 10) and financial assets and financial liabilities that are recognised at amortised cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for the measurement and/or disclosure purposes in these financial statements is determined on such basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses and each component of the other comprehensive income of a subsidiary company are included in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income respectively from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies to be in line with those used by other subsidiary companies of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Changes in the Group's ownership interests in existing subsidiary companies

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiary companies.

When the Group loses control of a subsidiary company, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue of the Group represents sale of cement, transmission and distribution of electricity and interest income. Sale of cement and transmission and distribution of electricity are stated at invoice value net of discounts, rebates, commissions and returns. Revenue of the Company represents management fee.

Sale of goods

Upon shipment/delivery of goods and when the risks and rewards of ownership have passed to the customers, revenue is recognised at gross invoiced value, net of discounts, rebates, commissions and returns.

Transmission and distribution of electricity

Revenue is recognised upon delivery of electricity to the customers.

Interest income

Interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

Management fee income

Management fee is recognised on a straight-line basis over the period of the agreement as the services are provided.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements of the Group, the results and financial position of each entity are expressed in United States Dollars ("USD"), which is the functional currency of the Company, and the presentation currency for the financial statements of the Group and of the Company. The functional currency of the principal subsidiary companies, Karcement JSC and Central Asia Cement JSC ("CAC JSC"), is the Kazakhstan Tenge ("KZT").

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary item and on the retranslation of monetary items are included in the statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of profit or loss for the year except for differences arising on the retranslation of non-monetary item in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

For the purposes of presenting financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in USD using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions. Exchange differences arising, if any, are recorded in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are recognised in the statement of profit or loss in the year in which the foreign operation is disposed of.

Goodwill (if any) and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

	2016	2015
	USD	USD
1 Sterling Pound ("GBP")	1.2340	1.4736
1 Euro ("EUR")	1.0517	1.0862
1 Ringgit Malaysia ("MYR")	0.2229	0.2329
1 Russian Ruble ("RUB")	0.0162	0.0138
	KZT	KZT
1 USD	333.29	339.47

Retirement Benefit Costs

In accordance with the requirements of the legislation of the country in which the Group operates, the Group withholds amounts of pension contributions (a defined contribution plan) equivalent to 10% of each employee's wage, but not more than USD514 per month per employee (2015: USD440) from employee salaries and pays them to the state pension fund. In addition, such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expenses are charged to statements of profit or loss in the period the related salaries are earned. Upon retirement, all retirement benefit payments are made by pension funds selected by the employees. The Group does not have any pension arrangements separate from the state pension system of the countries where its subsidiary companies operate. In addition, the Group has no post-retirement benefits or other significant compensation benefits requiring accrual.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax and is calculated in accordance with tax legislation applicable to the respective jurisdiction and based on the operating results for the year after adjustments for amounts which are non-taxable or non-deductible for tax purposes.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities. Deferred tax is charged or is credited to the statement of profit or loss, except when it is related to items that are recognised outside profit or loss (whether in other comprehensive income or charged or credited directly to equity), in which case the deferred tax is also dealt with outside profit or loss, or where they arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Property, Plant and Equipment

Property, plant and equipment except for land and buildings and construction in progress

Property, plant and equipment except for land and buildings are carried at historical cost less accumulated depreciation and any recognised impairment loss. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable cost to bring the property, plant and equipment to its working condition and location for its intended use.

Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts in the statement of financial position, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on revaluation of such land and buildings is recognised in other comprehensive income and revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of profit or loss, in which case, the increase is credited to the statement of profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation of such land and buildings is recognised in the statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Revaluation surplus is transferred directly to retained earnings as and when the revalued asset is used by the Group. The amount of the surplus transferred is calculated as the difference between depreciation calculated based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in Progress

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impaired loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets will be presented in the appropriate categories of property, plant and equipment when they are completed and ready for intended use.

Depreciation

Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Depreciation on revalued buildings is recognised in the statement of profit or loss. On the subsequent sale or retirement of revalued assets, their remaining revaluation surplus recorded in the revaluation reserve is transferred directly to retained earnings.

Freehold land and land improvement are not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and construction in progress) less their residual values over their useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 years
Machinery and equipment	14 years
Railway wagons	20 years
Stand-by equipment, major spare parts and other assets	5 - 10 years

The estimated useful lives, residual values and depreciation method of assets are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Mining assets

Mining assets comprise quarry stripping costs and site restoration costs relating to quarry used by the Group.

(i) Quarry stripping costs

The cost of removal of the overburden from the quarry is deferred until the commencement of physical extraction of limestone from the site. Such costs are amortised over the expected life of the quarry from the date of commencement of extraction.

(ii) Site restoration costs

Site restoration provisions are made in respect of the estimated discounted costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual material and remediation of disturbed areas). Over time, the discounted obligation is increased for the change in present value based on the discount rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is capitalised where it gives rise to a future benefit and depreciated over the

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

remaining life of the quarry to which it relates on a straight-line basis. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumption will be recognised as additions or charges to the corresponding asset and provision when they occur.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects the current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease (see accounting policy on property, plant and equipment above).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

At each reporting date, the Group evaluates its inventory balances for excess quantities and obsolescence and, if necessary, records a provision to reduce inventory for obsolete, slow-moving raw materials and spare parts. Provision is determined based on inventory ageing as follows:

Not moving more than 1 year	33.3%
Not moving more than 2 years	66.7%
Not moving more than 3 years	100.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Equity

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividend declared on or before the end of the reporting period is recognised as liability. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees, paid or received, which comprise an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, short-term investments, trade and other receivables and loans and advances to subsidiary companies) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The Group does not have financial assets designated as at FVTPL, held-to-maturity investments or AFS financial assets.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with initial maturity period of up to three months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. When cash and cash equivalents are restricted from use, they are disclosed in the notes to the financial statements.

Short-term Investments

Short-term investments represent fixed short-term deposits in banks with original maturity of more than three months.

Trade and Other Receivables

Trade and other receivables are recognised and carried at fair value upon initial recognition. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment.

Impairment of Financial Assets

The Group provides an allowance for impairment of financial assets when there is an objective evidence of impairment of a financial asset. Financial assets are assessed on individual basis. The allowance for impairment of financial assets represents a difference between the carrying value of the assets and present value of estimated future cash inflows, discounted using the original effective interest rate on the financial instrument, which is reflected at amortised value. If in a subsequent period the value of the financial asset increases, and such an increase can be objectively connected with an event which happen after recognition of the impairment then the previously recognised impairment loss is reversed with an adjustment of the allowance account.

The changes in impairment allowances are charged to the statement of profit or loss and the assets are reduced by the amount of the impairment allowances. The factors evaluated in determining whether the evidence of impairment is objective includes information on liquidity of borrowers, solvency and exposure to financial risks, insolvency trends regarding similar financial assets, general economic condition and fair value of security and guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Liabilities and Equity Instruments Issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities (including accrued and other financial liabilities, borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Group does not have financial liabilities designated as FVTPL.

Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and recorded on a net basis in the statement of financial position when the Group is legally entitled to offset certain amounts and the Group intends to either record on a net basis or receive assets and offset liabilities simultaneously.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of liabilities. Due to the inherent uncertainty in making those

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

judgements and estimates, actual results reported in future periods could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revaluation of Property, Plant and Equipment

As stated in Note 10, land and buildings of the Group are measured at fair value at the date of revaluation less accumulated depreciation and impairment losses recognised. The carrying amount of the land and buildings was determined by professional valuers on 31 August 2015. Valuation techniques used by the professional valuers are subjective and involve the use of professional judgement in the estimation of, amongst others, the Group's future cash flows from operations and appropriate discount factors and in the application of relevant market information.

As of 31 December 2016, the directors consider that the carrying amount of the land and buildings is reflective of the fair values of these assets.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is determined based on a large number of factors, such as expected growth in the industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair value are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. The determination of the recoverable amount of a CGU involves the use of estimates by management. These estimates can have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

On 31 August 2015, the Group performed a revaluation of land and buildings based on independent revaluation. As a result of the revaluation, the Group recognised a net loss on revaluation of USD95,551, of which USD251,216 was recognised as impairment loss in profit or loss, while a net revaluation gain of USD124,531 was recognised in revaluation reserve, net of deferred tax of USD31,134.

On 31 August 2015, several buildings which were no longer in use as a result of operational streamlining were identified as unlikely to be re-used. As such, those buildings were subject to full impairment loss on that date. The Group recognised an impairment loss of USD224,780 of which USD47,181 was recognised in profit or loss and USD142,081 was charged to revaluation reserve, net of deferred tax of USD35,518.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Useful Lives of Property, Plant and Equipment

The estimated useful lives and residual values of property, plant and equipment and depreciation method are reviewed at each year end. The useful lives and residual values are estimated based on normal life expectancies and industry factors. Changes in expected level of usage could impact the economic useful lives and the residual values of these assets, hence future depreciation charges on such assets could be revised.

Provisions for Doubtful Receivables, Advances paid to Third Parties and Inventories

The Group makes provisions for doubtful receivables and advances paid to third parties. Significant judgement is used to estimate doubtful receivables. In estimating doubtful receivables, historical and anticipated customer performances are considered. Changes in the economy or specific customer conditions may require adjustments to the provision for doubtful receivables and advances paid to third parties.

As of 31 December 2016, provision for doubtful trade receivables amounted to USD23,960 (2015: USD40,171) (Note 15) and on advances paid to third parties amounted to USD38,984 (2015: USD86,888) (Note 16).

The Group makes provision for obsolete and slow-moving inventories based on information obtained from annual stock count and the results of inventory turnover analysis based upon past experience and the level of write-offs in previous years. As of 31 December 2016, provision for obsolete and slow moving inventories amounted to USD3,223,677 (2015: USD2,805,285) (Note 14).

Provision for Site Restoration

The Company's subsidiary company, CAC JSC, engaged professional consultants with geology and environmental protection expertise to estimate site restoration obligation which may arise from its limestone and clay quarries in accordance with Subsurface Use Contracts and relevant legislations. In arriving at the present value of site restoration obligation, a pre-tax discount rate of 13% (2015:13%) is used as it reflects current market assessment of the time value of money and the risk specific to site restoration obligation.

4. REVENUE

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Sale of manufactured goods	52,467,909	93,606,443	-	-
Transmission and distribution of electricity	11,461	26,277	-	-
Management fee receivable from subsidiary company	-	-	100,000	100,000
Total	52,479,370	93,632,720	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. FINANCE COSTS

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Interest expenses on:				
- Bank loans	2,291,345	3,407,346	-	-
- Bonds issued	435,981	713,191	-	-
Amortisation of discount on bonds issued	41,901	61,497	-	-
Others	13,855	33,241	-	-
Total	2,783,082	4,215,275	-	-

6. NET FOREIGN EXCHANGE GAIN/(LOSS)

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Net foreign exchange gain/(loss)	657,937	(16,376,575)	164,559	72,203

During the previous financial year, foreign exchange losses of the Group of USD16,505,050 arose from the translation of the USD denominated bank loans due to significant decline in the value of KZT against USD. These losses are presented as part of the repayment of bank loans in statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax includes the following income/(expenses):

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Staff costs	(4,691,956)	(5,788,259)	-	-
Depreciation of property, plant and equipment	(6,834,012)	(10,685,978)	-	-
Amortisation of quarry stripping costs	(17,966)	-	-	-
Amortisation of site restoration costs	(1,580)	(2,430)	-	-
Loss on disposal of property, plant and equipment	(65,760)	(545,175)	-	-
Provision for obsolete inventories	(379,408)	(395,646)	-	-
Provision for doubtful receivables	(4,720)	(33,502)	-	-
Provision for doubtful advances paid to third parties	(2,400)	(39,347)	-	-
Recovery of provision on advances paid to third party	31,045	-	-	-
Recovery of doubtful receivables	252	-	-	-
Reversal of accrued unused leaves	-	6,799	-	-
Reversal of provision for electricity charges	613,563	1,922,083	-	-
Impairment loss on property, plant and equipment	-	298,397	-	-
Impairment loss on investment	-	-	-	4,000,001

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8. INCOME TAX (EXPENSE)/CREDIT

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Current tax (expense)/credit:				
- Subsidiary companies	-	(433,764)	-	-
- Overprovision in prior years	-	29,893	-	-
Deferred tax (expense)/credit (Note 13):				
- Subsidiary companies	(505,779)	5,837,032	-	-
Total	(505,779)	5,433,161	-	-

Under the Labuan Business Activity Tax Act, 1990, the Company has to elect annually whether it is to be charged tax at the amount of RM20,000 (USD4,826) or at a tax rate of 3% on the chargeable profits of a Labuan company carrying on Labuan trading activities for the basis period for that year of assessment. No tax is charged on Labuan non-trading activities.

The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to the prevailing statutory tax rate of 20% (2015: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 24% (2015: 25%) and 25% (2015: 25%) respectively.

A reconciliation of income tax expense/(credit) applicable to profit/(loss) before income tax at the applicable statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Profit/(Loss) before income tax	681,781	(8,814,819)	(26,212)	(4,211,628)
Tax expense/ (credit) calculated at domestic tax rates applicable to the respective jurisdictions	369,981	(5,466,622)	(6,291)	(126,349)
Tax effects of expenses not deductible for tax purposes	246,028	531,774	-	120,000
Tax effects of income not assessable for tax purposes	(122,713)	(302,432)	-	-
Effect of previously unrecognised temporary differences	(45,339)	(248,545)	-	-
Effect of unused tax losses not recognised as deferred tax assets	57,822	82,557	6,291	6,349
Overprovision of current tax in prior years	-	(29,893)	-	-
Income tax expense/(credit)	505,779	(5,433,161)	-	-

The tax expense calculated at domestic tax rates represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen. The change from the prior year is due to proportion of income of foreign subsidiaries which are subject to different statutory tax rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. EARNINGS/(LOSS) PER SHARE

Basic and diluted

	The Group	
	2016	2015
	USD	USD
Profit/(Loss) attributable to ordinary shareholders	176,002	(3,381,658)
	2016	2015
Number of ordinary shares in issue at beginning and end of year	219,000,000	219,000,000
Weighted average number of ordinary shares in issue	219,000,000	219,000,000
	2016	2015
Earnings/(Loss) per share, basic and diluted (cents)	0.1	(1.5)

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

There are no dilutive instruments outstanding for the years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Railway wagons	Stand-by equipment and major spare parts	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Cost								
At 1 January 2015	3,412,409	42,519,704	137,831,877	15,073,249	5,399,430	722,116	14,045,516	219,004,301
Additions	6,313	-	35,649	-	-	1,895,082	113,908	2,050,952
Transfers	-	(669,885)	1,544,643	-	(1,660)	(1,798,277)	925,179	-
Disposals	(7,600)	(281,759)	(1,107,667)	-	(9,836)	(3,469)	(2,334,290)	(3,744,621)
Reclassification to inventories	-	-	-	-	(816,355)	-	-	(816,355)
Revaluation gain/(loss)	391,307	(235,642)	-	-	-	-	-	155,665
Exchange differences	(1,696,309)	(19,280,506)	(66,885,999)	(6,976,490)	(2,188,057)	(391,603)	(6,053,577)	(103,472,541)
At 31 December 2015	2,106,120	22,051,912	71,418,503	8,096,759	2,383,522	423,849	6,696,736	113,177,401
Additions	2,759	3,350	391,429	-	119,755	3,949,437	246,981	4,713,711
Transfers	-	92,966	625,483	-	(402,896)	(507,122)	191,569	-
Disposals	-	-	(132,009)	-	-	-	(243,398)	(375,407)
Reclassification from inventories	-	-	-	-	829,049	43,867	-	872,916
Exchange differences	39,123	411,343	1,464,086	150,133	57,058	97,439	129,134	2,348,316
At 31 December 2016	2,148,002	22,559,571	73,767,492	8,246,892	2,986,488	4,007,470	7,021,022	120,736,937

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Railway wagons	Stand-by equipment and major spare parts	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Accumulated depreciation and impairment losses								
At 1 January 2015	-	21,626,353	37,307,553	333,129	-	-	8,041,749	67,308,784
Charge for the year	-	1,314,124	7,795,690	618,358	-	-	957,806	10,685,978
Transfers	-	(95,253)	32,270	-	-	-	62,983	-
Disposals	-	(228,652)	(676,787)	-	-	-	(2,294,007)	(3,199,446)
Impairment losses	-	475,996	-	-	-	-	-	475,996
Exchange differences	-	(10,494,204)	(19,736,716)	(367,706)	-	-	(3,282,442)	(33,881,068)
At 31 December 2015	-	12,598,364	24,722,010	583,781	-	-	3,486,089	41,390,244
Charge for the year	-	810,586	5,041,240	402,126	-	-	580,060	6,834,012
Disposals	-	-	(100,638)	-	-	-	(206,819)	(307,457)
Exchange differences	-	254,198	583,930	21,042	-	-	74,124	933,294
At 31 December 2016	-	13,663,148	30,246,542	1,006,949	-	-	3,933,454	48,850,093
Net Book Value								
At 31 December 2016	2,148,002	8,896,423	43,520,950	7,239,943	2,986,488	4,007,470	3,087,568	71,886,844
At 31 December 2015	2,106,120	9,453,548	46,696,493	7,512,978	2,383,522	423,849	3,210,647	71,787,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Land and buildings were revalued on 31 August 2015 by an independent professional valuer based on depreciated replacement cost and income approach. Valuation of buildings was arrived at by reference to the discounted cash flows method, as the property is a production facility, which is a level [3] measurement in the fair value hierarchy.

The following significant inputs were used in preparing the discounted cash flow:

- the forecast period was from September 2015 to December 2018;
- derivation of a terminal value using a constant growth model; and
- discount rate of 17.31% was applied.

Valuation of land was arrived at by reference to market evidence of transaction prices for comparable properties, which is a level [2] measurement in the fair value hierarchy.

The carrying amount of the land and buildings, which is stated at fair value at the revaluation date less subsequent accumulated depreciation and impairment losses, amounted to USD11,044,425 as of 31 December 2016 (2015: USD11,559,668). In the fair value assessment, the highest and best use of the land and buildings is their current use which is production and sale of cement facility. According to International Accounting Standard 16, Property, Plant and Equipment, for property, plant and equipment that is accounted for under revaluation model, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The directors are of the opinion that the carrying amounts of the land and buildings as of 31 December 2016 do not differ significantly from their fair values.

If the land and buildings are measured using the cost model, the net carrying amounts would be as follows:

	The Group	
	2016	2015
	USD	USD
Land	248,624	241,317
Buildings	1,564,338	1,761,291

During the current financial year, management of the subsidiary companies performed an impairment test on the cement manufacturing facilities and concluded that no further impairment losses were required to be recognised as their recoverable amounts exceed their net book values as of the end of the reporting period.

The following significant inputs were used to determine the recoverable amount of the cement manufacturing facilities:

- the forecast period was from January 2017 to December 2021;
- derivation of terminal value based on nil growth beyond the 5 year forecast period with average annual growth rate in EBITDA across the forecast period at 1.7%; and
- discount rate of 17.31% was applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

As of 31 December 2016, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD19,243,731 and USD9,777,326 respectively is pledged to secure the loan from Halyk Bank JSC. Previously on 31 December 2015, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD32,496,942 and USD23,226,910 respectively, was pledged to secure the loan from VTB Bank (Austria) AG and VTB Bank (France) SA.

As at 31 December 2016, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD7,547,181 and USD5,997,060 (2015:USD7,442,160 and USD6,449,527) respectively are pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2016, the cost of property, plant and equipment that is fully depreciated amounted to USD729,944 (2015: USD614,967).

11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2016	2015
	USD	USD
Unquoted shares, at cost	30,500,002	30,500,002
Less: Accumulated impairment loss	(4,000,001)	(4,000,001)
Net	26,500,001	26,500,001

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The details of subsidiary companies are as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2016 %	2015 %	
Direct Subsidiary Companies				
Steppe Cement (M) Sdn. Bhd.	Malaysia	100	100	Investment holding company
Mechanical & Electrical Consulting Services Ltd. ("MECS Ltd")	Malaysia	100	100	Provision of consultancy services
Indirect Subsidiary Companies				
Held through Steppe Cement (M) Sdn. Bhd.:				
Steppe Cement Holdings B.V. ("SCH BV")	Netherlands	100	100	Investment holding company
Held through SCH BV:				
Central Asia Cement JSC ("CAC JSC")	Republic of Kazakhstan	100	100	Sale of cement
Karcement JSC	Republic of Kazakhstan	100	100	Production and sale of cement
Central Asia Services LLP ("CAS LLP")	Republic of Kazakhstan	100	100	Transmission and distribution of electricity

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. OTHER ASSETS

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
VAT recoverable - non-current	1,132,488	2,170,009	-	-
Quarry stripping costs	180,539	167,214	-	-
Site restoration costs	42,969	43,777	-	-
Site restoration fund	83,237	61,499	-	-
Total	1,439,233	2,442,499	-	-

Quarry stripping costs

Quarry stripping costs comprised of stripping cost and site restoration cost. Stripping cost represented costs removing the overburden related to the expansion of the existing quarry. The overburden removal work began in 2009 and continued as necessary up to 31 December 2016. Amortisation commenced upon physical extraction of limestone and clay from this quarry.

Movement of quarry stripping costs is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	167,214	297,412	-	-
Exchange differences	2,643	(137,654)	-	-
Additions	28,648	7,456	-	-
Amortisation	(17,966)	-	-	-
At end of year	180,539	167,214	-	-

Site restoration costs

Site restoration cost pertains to CAC's use of limestone and clay quarries and is calculated with reference to the scope of rehabilitation work required under the present relevant laws. The expected timing of economic outflow used in arriving at the site restoration provision is at the expiry of the quarry operating agreement on 24 June 2043.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. DEFERRED TAXES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	549,669	(7,399,794)	-	-
Exchange differences	3,207	2,108,047	-	-
(Charged)/Credited to statement of profit or loss (Note 8)	(505,779)	5,837,032	-	-
Credited to other comprehensive income	-	4,384	-	-
At end of year	47,097	549,669	-	-

Movement in net deferred tax assets/(liabilities) of the Group is as follows:

	Opening balance	Exchange rate differences	Recognised in profit or loss	Closing balance
	USD	USD	USD	USD
2016				
Temporary differences:				
Property, plant and equipment	(7,008,236)	(138,754)	(346,535)	(7,493,525)
Inventories	303,505	9,661	73,754	386,920
Trade receivables	7,966	230	3,251	11,447
Accrued unused leaves	14,589	281	418	15,288
Tax losses	7,049,812	126,529	(164,988)	7,011,353
Payables	144,451	5,057	(52,259)	97,249
Others	37,582	203	(19,420)	18,365
Total	549,669	3,207	(505,779)	47,097

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Opening balance	Exchange rate differences	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
	USD	USD	USD	USD	USD
2015					
Temporary differences:					
Property, plant and equipment	(11,925,928)	5,653,127	(739,819)	4,384	(7,008,236)
Inventories	780,697	(385,460)	(91,732)	-	303,505
Trade receivables	96,365	(28,191)	(60,208)	-	7,966
Accrued unused leaves	25,502	(12,299)	1,386	-	14,589
Tax losses	3,439,709	(3,035,464)	6,645,567	-	7,049,812
Payables	183,861	(69,585)	30,175	-	144,451
Others	-	(14,081)	51,663	-	37,582
Total	(7,399,794)	2,108,047	5,837,032	4,384	549,669

The loss of the Group in 2015 was due to the foreign exchange losses as a result from the devaluation of the KZT against the USD. The Group has forecasts that it will have sufficient future taxable profits arising that will enable the reversal of existing temporary differences from unutilised tax losses. Management expects the KZT to recover in the future.

The tax losses for which no deferred tax assets have been recognised are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Tax losses for which no deferred tax assets have been recognised	57,822	138,944	6,291	6,349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. INVENTORIES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Spare parts	8,164,772	9,234,446	-	-
Work-in-progress	6,255,668	4,118,685	-	-
Raw materials	1,840,742	2,335,670	-	-
Finished goods	367,442	52,211	-	-
Packing materials	4,612	61,201	-	-
Fuel	-	12,785	-	-
Goods held for resale	39,011	35,175	-	-
Construction materials	7,393	13,391	-	-
Consumables	1,993,228	-	-	-
Others	713,286	261,553	-	-
Total	19,386,154	16,125,117	-	-
Less: Provision for obsolete inventories	(3,223,677)	(2,805,285)	-	-
Net	16,162,477	13,319,832	-	-

The movements in the provision for obsolete inventories are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	(2,805,285)	(4,485,879)	-	-
Add: Provision for obsolete inventories	(379,408)	(395,646)	-	-
Exchange differences	(38,984)	2,076,240	-	-
At end of year	(3,223,677)	(2,805,285)	-	-

As of 31 December 2016, inventories amounting to USD2,974,593 (2015: USD2,778,944) are pledged to secure the short-term loan obtained from Halyk Bank JSC (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Trade receivables	1,040,430	391,708	-	-
Less: Provision for doubtful receivables	(23,960)	(40,171)	-	-
Net	1,016,470	351,537	-	-
Other receivables:				
VAT recoverable - current	1,610,078	1,495,844	-	-
Receivables from related party	61,237	33,850	-	-
Receivables from employees	78,280	10,690	-	-
Others	402,698	398,815	-	-
Total	3,168,763	2,290,736	-	-

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

Age of trade receivables that are past due but not impaired as of 31 December are as follows:

	The Group	
	2016	2015
	USD	USD
1-90 days	157,271	207,385
91-180 days	27,661	78,266
181-270 days	345,627	10,340
271-360 days	456,602	16,829
> 1 year	29,309	38,717
Total	1,016,470	351,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised a provision for doubtful trade receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of impaired trade receivables as of 31 December are as follows:

The Group		
	2016	2015
	USD	USD
1-2 years	11,591	12,635
> 2 years	12,369	27,536
Total	23,960	40,171

Movement in the provision for doubtful trade receivables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	(40,171)	(481,826)	-	-
Exchange differences	(783)	223,008	-	-
Add: Provision for doubtful receivables	(4,720)	(33,502)	-	-
Less: Write-off of provision for doubtful receivables	21,462	252,149	-	-
Recovery of doubtful receivables	252	-	-	-
At end of year	(23,960)	(40,171)	-	-

The recoverability of trade accounts receivable depends to a large extent on the Group's customers' ability to meet their obligations and other factors which are beyond the Group's control. The recoverability of the Group's trade accounts receivable is determined based on conditions prevailing and information available as at reporting date.

Other receivables mainly comprise VAT recoverable and customs duties that are refundable. VAT recoverable are value added tax credits arising from the purchase of materials, property, plant and equipment and repair and maintenance services made or procured by a subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(Karcement JSC) in relation to the refurbishment of a production line. Refundable customs duties represent customs duties levied on the import of property, plant and equipment for the refurbishment project.

16. ADVANCES AND PREPAID EXPENSES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Advances paid to third parties	1,103,426	2,474,060	-	-
Less: Provision on advances paid to third parties	(38,984)	(86,888)	-	-
	1,064,442	2,387,172	-	-
Less: Non-current portion of advances paid to third parties	(458,619)	(1,270,919)	-	-
Current portion of advances paid to third parties	605,823	1,116,253	-	-
Prepaid expenses	471,026	316,194	9,128	6,582
Total	1,076,849	1,432,447	9,128	6,582

Non-current advances paid to third parties represent advances made to suppliers by subsidiary companies for the purchase of machinery, equipment and construction work at cement production plant, while short-term advances are mainly advance payments for materials.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Movement of provision on advances paid to third parties is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	(86,888)	(1,107,623)	-	-
Exchange differences	(1,612)	512,650	-	-
Add: Provision on advances paid to third parties	(2,400)	(39,347)	-	-
Less: Write-off of provision on advances paid to third parties	20,871	547,432	-	-
Reversal of provision on advances paid to third parties	31,045	-	-	-
At end of year	(38,984)	(86,888)	-	-

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Cash in hand and at banks	997,765	2,369,419	73,636	338,124
Short-term deposit	25,440	36,890	-	-
Total	1,023,205	2,406,309	73,636	338,124

As at 31 December 2016, in accordance with the Law on Labor of the Republic of Kazakhstan, a non-interest bearing deposit of USD25,440 (2015: USD36,890) was placed with Kazkommertsbank JSC as part of work permit requirements for non-resident employees of the Republic of Kazakhstan which include annual renewal of work permit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

18 SHARE CAPITAL

The Group and the Company		
	2016	2015
	USD	USD
Issued and fully paid:		
219,000,000 ordinary shares of no par value each:		
At beginning and end of year	73,760,924	73,760,924

19. RESERVES

Revaluation reserve

Revaluation reserve represents the reserve arising from the revaluation of land and buildings of subsidiary companies (CAC JSC and Karcement JSC) performed by an independent valuation appraiser.

Translation reserve

Exchange differences arising from the translation of assets and liabilities of foreign subsidiary companies are recognised in other comprehensive income and accumulated in the translation reserve.

On 20 August 2015, the National Bank of Kazakhstan adopted the floating rate regime for the Kazakhstan Tenge ("KZT"). With the floating rate mechanism, the exchange rate of the KZT is based on its market demand and supply driven by both internal and external economic factors.

As at 31 December 2015, the KZT closed at 339.47 (2014: 182.35) to the USD. The sharp decline caused a significant loss of USD57,566,026 recorded in the translation reserve due to re-translation of the financial statements of the foreign subsidiaries' financial statements whose functional currency is the KZT.

Retained earnings

Any dividend distributions to be made by foreign subsidiary companies are subject to dividend withholding tax ranging from 15% to 25% which may be reduced to 5% or waived subject to compliance with the relevant tax treaties requirements. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of these subsidiary companies as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

Under the Malaysian tax law, any dividend income received by Malaysian subsidiary companies will be credited into an exempt income account from which tax-exempt dividends can be distributed. There is no withholding tax on dividends distributed by Malaysian subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Under the Labuan Business Activity Tax Act, 1990, any dividends received by the Company from Steppe Cement (M) Sdn. Bhd., a subsidiary company incorporated in Malaysia, will be exempted from tax. There is no withholding tax on dividends distributed to its shareholders.

20. BORROWINGS

	The Group	
	2016	2015
	USD	USD
<i>Unsecured - at amortised cost</i>		
Bonds issued at price of:		
96.2458%	4,470,581	4,389,195
Discount on bonds issued	(42,281)	(83,695)
Accrued interest	48,858	47,969
	4,477,158	4,353,469
<i>Secured - at amortised cost</i>		
Bank loans	21,939,917	26,325,807
Total	26,417,075	30,679,276
<i>Current portion:</i>		
Bonds	4,477,158	47,969
Bank loans	6,486,666	15,774,289
	10,963,824	15,822,258
<i>Non-current portion:</i>		
Bonds	-	4,305,500
Bank loans	15,453,251	10,551,518
	15,453,251	14,857,018
Total	26,417,075	30,679,276

The 5-year KZT1.49 billion bonds issued by CAC JSC in 2012 at a coupon rate of 10% per annum matures in November 2017. The bond coupon is payable semi-annually and the principal is payable on 5 November 2017. The bonds are listed on the Kazakhstan Stock Exchange and all amounts due in relation to the bonds issued are guaranteed by the Company and its subsidiary company (Karcement JSC).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Details of bank loans are as follows:

	Currency	Maturity date	Interest rate	The Group	
				2016 USD	2015 USD
Halyk Bank JSC: Facility A	USD	15 November 2018	6% p.a.	5,500,000	-
Halyk Bank JSC: Facility B	USD	12 November 2021	6.5% p.a.	9,672,252	-
Halyk Bank JSC government subsidised facility for capital expenditure	KZT	June 2025	6% p.a.	781,695	89,410
	KZT	September to November 2025	6% p.a.	2,656,170	1,014,560
Halyk Bank JSC government subsidised facility for working capital	KZT	January 2017	6% p.a.	1,500,195	-
Halyk Bank JSC for working capital	USD	April to November 2017	6% p.a.	1,798,908	-
VTB Bank (Austria) AG and VTB Bank (France) SA	USD	15 November 2016	6.20% p.a.	-	10,970,424
VTB Bank (Austria) AG and VTB Bank (France) SA	USD	11 March 2019	7.20% p.a.	-	11,729,549
Altyn Bank JSC	USD	9 April 2016	7.50% p.a.	-	2,420,500
Accrued interest				30,697	101,364
Total outstanding				21,939,917	26,325,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Halyk Bank JSC facilities

Full repayment of VTB Bank (Austria) AG and VTB Bank (France) SA loan facilities with facility provided by Halyk Bank JSC

On 11 November 2016, both CAC JSC and Karcement JSC entered into a USD16 million credit facility with Halyk Bank JSC. The facility consists of USD5.5 million facility A and USD10.5 million facility B.

On 14 November 2016 and 23 November 2016, the Karcement JSC drawn a total of USD15.3 million under facility A and B, which was used for repaying all loan principal and interest outstanding amounts to VTB Bank (Austria) AG and VTB Bank (France) SA.

Facility A carries an interest rate of 6% per annum. The principal is repayable in 3 instalments; USD1.5 million in July 2017, USD2 million in July 2018 and the final principal of USD2 million in November 2018. Interest is payable monthly from 14 December 2016 until maturity.

Facility B carries an interest rate of 6.5% per annum. The principal is repayable over a 5- year period in 60 equal monthly instalments commencing from 23 December 2016 until the maturity in November 2021. Interest is payable monthly from 23 December 2016 until maturity.

As at 31 December 2016, no further amounts were available for drawdown from this facility.

Halyk Bank JSC government-subsidised facility

On 19 June 2015, both CAC JSC and Karcement JSC signed a loan agreement with Halyk Bank JSC on terms subsidised under government programs. The loan of KZT2.19 billion (or equivalent of USD6,570,854) carries a subsidised fixed interest rate of 6% per annum. The loan is used for the following purpose:

- KZT1.69 billion, approximately USD5,070,659, for capital expenditure with maturity period of 10 years and was available for drawdown until 19 June 2016. KZT1.19 billion (or USD3,570,464) and KZT500 million (or USD1,500,195) loan comes with a 2 year grace period and no grace period with monthly principal repayment, respectively; and
- KZT500 million, approximately USD1,500,195, for 5 years working capital requirement on a revolving basis with interest payable monthly.

This government-subsidised loan is initially recognised at fair value at interest rate of 14% per annum, and subsequently carried at amortised cost effective interest method (Note 21).

As at 31 December 2016, no further amounts were available for drawdown from this facility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Halyk Bank JSC

On 2 February 2016, CAC JSC signed an agreement with Halyk Bank JSC to extend the existing KZT3 billion (or equivalent of USD9 million) working capital credit line from 23 January 2016 to 23 February 2018. The loan from the Halyk Bank JSC is secured by inventories of both CAC JSC and Karcement JSC with a carrying amount of USD2,974,593 (2015: USD2,778,944) (Note 14).

Included in this facility limit of KZT3 billion is the sub-limit of KZT500 million for working capital requirements under the government-subsidised facility.

As of 31 December 2016, CAC JSC's short-term loan of USD5.7 million with Halyk Bank JSC was available for drawdown.

Altyn Bank JSC facility

On 9 April 2015, Karcement JSC signed a credit line agreement for working capital with Altyn Bank JSC with a limit of KZT750 million (or equivalent of USD2.2 million) which matured on 9 April 2016. The line carried an interest rate of 7.5% per annum, subject to discretion of Altyn Bank JSC on prevailing market interest rate.

The facility expired on 9 April 2016. Subsequent to financial year end, the facility was extended in January 2017 until June 2017 with facility limit increased to USD2.7 million at an interest rate of 6% per annum (Note 30).

21. DEFERRED INCOME

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	517,778	-	-	-
Exchange differences	9,466	-	-	-
Additions	1,003,414	517,778	-	-
Credited to statement of profit or loss	(5,299)	-	-	-
At end of year	1,525,359	517,778	-	-

Deferred income represents government grant in the form of interest rate lower than market interest rates on government-subsidised loan for capital investment from Halyk Bank JSC (Note 20). It represents the difference between the initial carrying amount of the loan measured at fair value using interest rate of 14% per annum and the proceeds received, and is amortised to the statement of profit or loss as other income over the useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Pursuant to the government-subsidised loan agreement, CAC JSC and Karcement JSC have jointly drawn a total of USD3,437,865 for capital expenditure. The facility expired on 19 June 2016 and no further amounts were available for drawdown from this facility.

As at 31 December 2016, the related assets in the amount of USD838,849 were put into use (2015: Nil). During financial year, the Group recognised USD5,299 in the statement of profit or loss as other income on a straight-line basis over the useful lives of the related assets.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Trade payables	7,558,408	4,484,161	-	-
Others	19,578	1,523	-	-
Total	7,577,986	4,485,684	-	-

The credit period granted by creditors ranges from 1 to 30 days (2015: 1 to 30 days).

23. ACCRUED AND OTHER LIABILITIES

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Provision for electricity charges	-	617,698	-	-
Accrued directors' fees	957,287	1,324,200	957,287	1,324,200
Advances from customers	525,920	665,959	-	-
Accrued salaries	197,396	197,028	-	-
Accrued unused leaves	76,438	72,937	-	-
Others	161,189	206,990	28,772	33,373
Total	1,918,230	3,084,812	986,059	1,357,573

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The movement in the provision for electricity charges is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
At beginning of year	617,698	3,492,586	-	-
Exchange differences	(4,135)	(952,805)	-	-
Less: Reversal of provision for electricity charges	(613,563)	(1,922,083)	-	-
At end of year	-	617,698	-	-

During the year, the management reversed provision for electricity transportation services of USD613,563 for services provided in the year 2013. This is due to the expiry of the permissible period of 3 years for filing of appeal by Karaganda Zharyk LLP against CAC JSC.

24. TAXES PAYABLE

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Corporate income tax	-	27,873	-	-
Other taxes:				
VAT payable	22,852	230,880	-	-
Emission taxes	165,351	159,917	-	-
Pension fund	9,389	20,809	-	-
Personal income tax	17,252	27,334	-	-
Social	15,092	23,601	-	-
Other taxes	-	11,527	-	-
Total	229,936	501,941	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

25. RELATED PARTIES

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

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

Receivable from/(payable to) related parties and other related parties, which arose mainly from trade transactions and expenses paid on behalf, is unsecured, interest-free and is repayable on demand.

Balances and transactions between the Company and its subsidiary companies, which are related parties of the Company, have been eliminated on consolidation.

Loans and advances to subsidiary companies of the Company are unsecured, interest-free and are repayable on demand.

The transactions between related parties and the Group included in the statement of profit or loss and statement of financial position are as follows:

	Purchase of services	
	2016	2015
	USD	USD
Other related party		
Opera Holding LLP	10,683	16,427

	Receivable from/(Payable to) related parties	
	2016	2015
	USD	USD
Other related parties		
Opera Holding LLP	-	(804)
Others	61,237	33,850

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The following transactions and balances of the Company with subsidiary companies are included in the statement of profit or loss and statement of financial position of the Company:

Subsidiary companies	Nature of transactions	Revenue from services performed	
		2016 USD	2015 USD
MECS Ltd.	Management fees	100,000	100,000

Subsidiary companies	Nature of transactions	Receivable from subsidiary companies	
		2016 USD	2015 USD
Karcement JSC	Intercompany loans	30,220,000	31,920,000
MECS Ltd.	Advances and management fees	6,722,064	5,302,886
Steppe Cement (M) Sdn. Bhd.	Advances	2,768,056	2,623,018
Total		39,710,120	39,845,904

Compensation of key management personnel

The remuneration of directors and other members of key management are as follows:

	The Group		The Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Remuneration	605,691	701,191	100,000	142,341
Short-term benefits	127,664	123,586	-	-
Total	733,355	824,777	100,000	142,341

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors' remuneration in the Company is as follows:

	The Company	
	2016	2015
	USD	USD
Director fees		
Executive director:		
Javier del Ser Perez	30,000	59,667
Non-executive directors:		
Paul Rodzianko	40,000	37,510
Xavier Blutel	30,000	15,288
Malcolm Brown (resigned on 28 May 2015)	-	29,876
Total	100,000	142,341

26. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's capital risk management objectives are to maximise value to shareholders and to ensure that the Group's subsidiary companies will continue to operate as a going concern through optimisation of debt and equity balance.

The Group's capital structure consists of net debt (which comprise of borrowings as detailed in Note 20 offset by cash and cash equivalents) and equity attributable to the shareholders of the Group. Equity attributable to the shareholders of the Group includes share capital, reserves and retained earnings. The Group monitors and reviews its capital structure based on its business and operating requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Risk Management Objectives and Policies

Financial risk management is an essential element of the Group's operations. The Group monitors and manages financial risks relating to the Group's operations through internal reports on risks which analyse the exposure to risk by the degree and size of the risks. The operations of the Group are subject to various financial risks which include foreign currency risk, credit risk, liquidity risk and interest rate risk.

The Group continuously manages its exposures to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign Currency Risk

The Group undertakes trade and non-trade transactions with its trade customers and suppliers which are denominated in foreign currencies. As a result, the amount outstanding is exposed to currency translation risks.

Besides maximising cash at bank in US Dollars, the Group monitors the fluctuations in exchange rate of foreign currencies to limit currency risk. The Group does not use derivative instruments for the purpose of currency risk management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Foreign currency sensitivity analysis

The carrying amounts of the Group's and of the Company's financial assets and financial liabilities in foreign currencies as of 31 December are presented below:

The Group 2016	GBP	EUR	MYR	RUB	USD	Total
Financial Assets						
Cash and cash equivalents	-	65,164	-	22,644	30,520	118,328
Financial Liabilities						
Trade and other payables	-	688,518	-	193,834	839,467	1,721,819
Accrued and other liabilities	842,168	26,068	27,124	-	-	895,360
Borrowings	-	-	-	-	17,001,857	17,001,857
2015	GBP	EUR	MYR	RUB	USD	Total
Financial Assets						
Cash and cash equivalents	-	48,980	-	-	71,889	120,869
Financial Liabilities						
Trade and other payables	-	651,996	-	19,100	969,983	1,641,079
Accrued and other liabilities	1,274,320	28,253	31,564	-	-	1,334,137
Borrowings	-	-	-	-	25,221,837	25,221,837

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Company 2016	GBP	EUR	MYR	Total
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Financial Assets

Cash and cash equivalents	-	123	-	123
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Financial Liabilities

Accrued and other liabilities	842,168	-	27,124	869,292
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2015	GBP	EUR	MYR	Total
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Financial Assets

Cash and cash equivalents	-	123	-	123
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Financial Liabilities

Accrued and other liabilities	1,274,320	1,234	31,564	1,307,118
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The following table displays the Group's and the Company's sensitivity to a 20% increase and decrease of the functional currency of each subsidiary company and the Company against the relevant foreign currencies. A benchmark sensitivity rate of 20% is used to report foreign currency risk internally to key management and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 20% change in foreign currency rates. The sensitivity analysis below indicates the changes in financial assets and liabilities of the effect of a 20% increase in value of the functional currency of each subsidiary company and the Company against the relevant foreign currencies respectively. The positive figure indicates an increase in profit before tax (2015: decrease in loss before tax) for the reporting period. In the case of 20% decrease in value of the functional currency of each subsidiary company and the Company against the relevant foreign currencies, respectively, there would be an equal but opposite impact on the Group's and the Company's profit/(loss) before tax.

	Impact on profit/(loss) before tax	
	2016	2015
The Group		
USD	3,562,161	5,223,986
GBP	168,434	254,864
EUR	129,884	126,254
MYR	5,425	6,313
RUB	34,238	3,820
The Company		
GBP	168,434	254,864
EUR	(25)	222
MYR	5,425	6,313

(ii) Credit Risk

Credit risk arises when the counterparty defaults on its contractual obligation resulting in financial loss to the Group. The Group adopts a policy of trading only with creditworthy counterparties to mitigate risk of financial loss from defaults. The requirement of cash upfront for sales with major customers limits the credit risk of the Group. The maximum exposure to credit risk equals the carrying amount of each financial asset.

Concentration of credit risk can arise when several debts are due from one customer or group of customers with similar borrowing terms for which there is a basis to expect that changes in economic terms or other circumstances can equally affect their capacity to meet their obligations.

Concentration of credit risk on trade receivables is limited as sales to major customers are based on cash prepayment terms before the actual delivery of cement. The Group does not have significant credit risk exposure to any single counterparty.

The Group maintains a stringent credit control policy which includes dealing only with customers with adequate credit history and monitoring of outstanding trade receivables to ensure that customers do not exceed their respective credit limits.

The Group maintains cash balances only with internationally reputable banks and domestic banks of high credit standing.

(iii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines. The Group actively monitors its forecasts, actual cash flows, availability of short-term funding and matches the maturity profiles of financial assets and financial liabilities to determine suitable funding to meet any shortfall in cash requirements.

As of 31 December 2016, CAC JSC's short-term loan of USD5.7 million with Halyk Bank JSC is available for drawdown.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Tables on Liquidity Risk

The following table reflects contractual terms of the financial liabilities of the Group and of the Company. The table is prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The Group 2016	Weighted average interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Interest bearing							
Borrowings							
Bonds	11.15%	-	-	4,917,639	-	-	4,917,639
Bank loans	6.21%	174,749	2,172,561	4,839,920	17,326,901	2,351,602	26,865,733
Non-interest bearing							
Trade and other payables	-	3,418,950	4,159,036	-	-	-	7,577,986
Accrued and other liabilities	-	820,423	54,460	1,043,347	-	-	1,918,230
		4,414,122	6,386,057	10,800,906	17,326,901	2,351,602	41,279,588

2015

Interest bearing

Borrowings							
Bonds	11.15%	-	-	438,919	4,828,114	-	5,267,033
Bank loans	7.26%	270,015	3,186,058	13,852,491	11,867,452	959,614	30,135,630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Weighted average interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Non-interest bearing							
Trade and other payables	-	1,382,803	3,102,884	-	-	-	4,485,687
Accrued and other liabilities	-	373,679	663,224	1,382,225	-	-	2,419,128
		2,026,497	6,952,166	15,673,635	16,695,566	959,614	42,307,478

The Company 2016

Non-interest bearing

Accrued and other liabilities	-	4,275	867	980,917	-	-	986,059
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2015

Non-interest bearing

Accrued and other liabilities	-	6,327	1,808	1,349,438	-	-	1,357,573
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The amounts included above for borrowings represent amounts the Group and the Company expect to repay according to repayment terms in loan agreements. As at financial year end, the Group and the Company are in compliance with the financial covenants of the loan agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The following table reflects expected maturities of non-derivative financial assets of the Group and of the Company. The table was prepared based on undiscounted contractual terms of financial assets, including interest received on these assets, except when the Group and the Company expect the cash flow in a different period.

The Group 2016	Weighted average interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Non-interest bearing							
Cash and cash equivalents	-	1,023,205	-	-	-	-	1,023,205
Trade and other receivables	-	141,270	143,821	1,166,198	53,131	-	1,504,420
		1,164,475	143,821	1,166,198	53,131	-	2,527,625
2015							
Non-interest bearing							
Cash and cash equivalents	-	2,406,309	-	-	-	-	2,406,309
Trade and other receivables	-	286,122	207,730	188,343	78,888	-	761,083
		2,692,431	207,730	188,343	78,888	-	3,167,392
The Company							
2016							
Non-interest bearing							
Cash and cash equivalents	-	73,636	-	-	-	-	73,636
2015							
Non-interest bearing							
Cash and cash equivalents	-	338,124	-	-	-	-	338,124

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(iv) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use derivative instruments for the purpose of interest rate risk management.

As at 31 December 2016 and 2015, the Group does not have any exposure to floating interest rates as the interest rates of the Group's loans are fixed and therefore, the Group is not exposed to variability in cash flows due to interest rate risk.

Fair Values of Financial Assets and Financial Liabilities

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

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosures are required):

Cash and cash equivalents

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

Trade and other receivables, trade and other payables and accrued and other liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Borrowings

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

As of 31 December 2016 and 2015, the fair values of borrowings approximate their carrying values, except for the following:

	Carrying amount		Fair Value	
	2016	2015	2016	2015
	USD	USD	USD	USD
Borrowings	16,276,090	22,890,747	15,984,644	23,291,372

The fair values of the borrowings with Halyk Bank JSC (2015: VTB Bank (Austria) AG and VTB Bank (France) SA) were included in the Level 2 of fair value hierarchy, as the fair values had been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The discount rate used in the fair value calculation was 6.9% per annum (2015: 6.5% and 7.1% per annum).

27. CONTINGENCIES

Commercial legislation of the Kazakhstan where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of provision for taxation and the market pricing of transactions. The management of the Group believes that it has accrued all tax amounts due and therefore no additional allowance has been made in the financial statements of the Group.

28. COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD40,175 as at 31 December 2016 (2015: USD3,121,419).

29. SEGMENTAL REPORTING

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

30. SUBSEQUENT EVENTS

In January and February 2017, Karcement JSC entered into various loan agreements with Altyn Bank JSC to provide USD2.7 million at an interest rate of 6% per annum to finance its working capital requirements. The facility matures on 10 June 2017.

On 31 March 2017, Karcement JSC and CAC JSC entered into a short term credit line with VTB Bank JSC for working capital, maturing on 29 September 2017, for KZT1 billion, or approximately USD3 million, with an interest rate up to 12.5% per annum.

STATEMENT BY A DIRECTOR

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

I, JAVIER DEL SER PEREZ, on behalf of the directors of STEPPE CEMENT LTD, state that, in the opinion of the directors, the accompanying statements of financial position and the related statements of income, changes in equity and cash flows are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the year ended on that date.

Signed in accordance with a
resolution of the Directors,

JAVIER DEL SER PEREZ

Labuan
12 May 2017

NOTICE OF THE 2017 AGM

NOTICE IS HEREBY GIVEN that the 2017 ANNUAL GENERAL MEETING of the Company will be held at the office of Steppe Cement Ltd, Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on Wednesday, 14 June 2017 at 2.30 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTIONS

1. ADOPTION OF AUDITED FINANCIAL STATEMENTS
To receive and adopt the audited financial statements for year ended 31 December 2016 **RESOLUTION 1**
2. RE-ELECTION OF DIRECTORS
To re-elect the following Directors who offered themselves for re-election: **RESOLUTION 2**
 - 2.1 Javier Del Ser Perez
 - 2.2 Xavier Blutel
3. To transact any other business of which due notice shall have been given in accordance with the Labuan Companies Act, 1990.

BY ORDER OF THE BOARD

TMF Secretaries Limited
(f.k.a. Equity Trust Secretaries Ltd.)
Corporate Secretary
Labuan F.T., Malaysia

Notes:

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







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