

**CHINA SHUANGJI CEMENT, LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008**

<u><b>ASSETS</b></u>	September 30,	December 31,
<b>Current Assets:</b>	<u>2009</u>	<u>2008</u>
	<u>(unaudited)</u>	<u>(audited)</u>
Cash	\$ 556,571	\$ 504,599
Accounts receivables, less allowance for doubtful accounts	4,087,247	3,736,085
Other receivables	7,007,403	9,028,968
Advances to suppliers	2,434	2,433
Inventory	<u>12,580,174</u>	<u>12,968,001</u>
Total current assets	<u>24,233,829</u>	<u>26,240,086</u>
<b>Fixed Assets:</b>		
Land use rights	3,132,643	3,125,056
Mining rights	1,555,175	1,551,408
Buildings	3,880,911	3,880,911
Equipment	9,998,355	8,508,827
Vehicles	48,584	48,584
Construction in progress	<u>4,731,830</u>	<u>197,596</u>
Total fixed assets	23,347,498	17,312,382
Less accumulated depreciation and amortization	<u>5,182,059</u>	<u>4,557,771</u>
Net fixed assets	<u>18,165,439</u>	<u>12,754,611</u>
<b>Other Assets:</b>		
Long term receivable	1,750,399	1,177,166
Loans receivable	<u>1,020,704</u>	<u>1,018,232</u>
Total other assets	<u>2,771,103</u>	<u>2,195,398</u>
<b>Total Assets</b>	<b>\$ <u>45,170,371</u></b>	<b>\$ <u>41,190,095</u></b>
 <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>Current Liabilities:</b>		
Notes payable - banks	\$ 945,718	\$ 1,953,988
Accounts payable	3,583,965	3,578,122
Advances from customers	719,514	717,771
Accrued liabilities	646,828	951,821
Other liabilities	2,341,478	3,032,096
Shareholder loan	2,220	49,220
Non controlling interest	<u>1,549,759</u>	<u>-</u>
Total current liabilities	<u>9,789,482</u>	<u>10,283,018</u>
<b>Stockholders' Equity:</b>		
Preferred stock – authorized, 100,000,000 shares, \$.0001 par value; 0 and 20,250,000 shares issued and outstanding, respectively	-	2025
Common stock – authorized, 100,000,000 shares, \$.0001 par value; 26,983,042 and 6,733,042 shares issued and outstanding, respectively	2,698	6,733
Capital in excess of par value	2,372,821	2,366,761
Retained Earnings	33,487,942	30,736,148
Earnings appropriated for statutory reserves	1,205,931	1,205,931
Accumulated other comprehensive income	<u>(1,688,503)</u>	<u>(3,410,521)</u>
Total Stockholders' equity	<u>35,380,889</u>	<u>30,907,077</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ <u>45,170,371</u></b>	<b>\$ <u>41,190,095</u></b>

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

**CHINA SHUANGJI CEMENT, LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the Three Month Periods Ended September 30,**  
**(unaudited)**

	<u>2009</u>	<u>2008</u>
<b>Sales</b>	\$14,160,489	\$ 13,225,008
Cost of Sales	<u>12,525,294</u>	<u>11,326,923</u>
<b>Gross Profit</b>	1,635,195	1,898,085
Selling and Administrative Expenses	<u>373,002</u>	<u>461,838</u>
<b>Operating Income</b>	1,262,193	1,436,247
<b>Other Income (Expense):</b>		
Subsidy Income	-	69,214
Other Income	(235)	1,924
Interest Expense	(22,006)	(254,893)
Other Expense	<u>-</u>	<u>(103,713)</u>
	<u>(22,241)</u>	<u>(287,468)</u>
Non Controlling Interest	<u>(119,238)</u>	<u>-</u>
<b>Income Before Income Taxes</b>	1,120,714	1,148,779
<b>Provision for Income Taxes:</b>		
Current Provision	<u>312,887</u>	<u>387,379</u>
<b>Net Income for the Period</b>	807,827	761,400
<b>Other Comprehensive Income (Loss)</b>	<u>1,511,736</u>	<u>77,520</u>
<b>Total Comprehensive Income</b>	<u>\$ 2,319,563</u>	<u>\$ 838,920</u>
<b>Earnings Per Share – basic and diluted</b>	\$.03	\$.11
<b>Weighted Average Number of Shares Outstanding</b>	26,983,042	6,733,042

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**CHINA SHUANGJI CEMENT, LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the Nine Month Periods Ended September 30,**  
**(unaudited)**

	<u>2009</u>	<u>2008</u>
<b>Sales</b>	\$39,307,017	\$ 40,415,435
Cost of Sales	<u>34,473,900</u>	<u>34,780,562</u>
<b>Gross Profit</b>	4,833,117	5,634,873
Selling and Administrative Expenses	<u>839,890</u>	<u>917,718</u>
<b>Operating Income</b>	3,993,227	4,717,155
<b>Other Income (Expense):</b>		
Subsidy Income	-	239,119
Other Income	13,023	1,924
Interest Expense	(96,320)	(1,193,251)
Other Expense	<u>-</u>	<u>(104,345)</u>
	<u>(83,297)</u>	<u>(1,056,553)</u>
Non Controlling Interest	<u>(144,509)</u>	<u>-</u>
<b>Income Before Income Taxes</b>	3,765,421	3,660,602
<b>Provision for Income Taxes:</b>		
Current Provision	<u>1,013,638</u>	<u>1,130,616</u>
<b>Net Income for the Period</b>	2,751,783	2,529,986
Other Comprehensive Income Loss		
On foreign currency conversion	<u>1,722,018</u>	<u>(284,503)</u>
<b>Total Comprehensive Income</b>	<u>\$ 4,473,801</u>	<u>\$ 2,245,483</u>
<b>Earnings per share – basic and diluted</b>	\$.19	\$. 38
<b>Weighted Average Number of Shares Outstanding</b>	14,744,031	6,733,042

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**CHINA SHUANGJI CEMENT, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine Month Periods Ended September 30,**  
**(unaudited)**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATIONS:</b>		
Net income (loss)	\$ 2,751,783	\$2,529,986
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Charges and credits not involving the use of cash:		
Depreciation and amortization	1,059,010	1,305,837
Non-controlling interest in net income	144,509	-
Amortization of deferred interest	-	481,112
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,043,534	(857,781)
Decrease in other receivables	2,027,990	91,848
Decrease in advances to suppliers	-	52,716
Decrease (increase) in subsidy receivable	-	(11,001)
Increase in inventory	(110,996)	(1,332,408)
Decrease in accounts payable	(78,133)	(221,402)
Increase (decrease) in advances from customers	-	(67,552)
Increase (decrease) in other payables	(780,963)	(286,562)
Decrease in accrued liabilities	(242,845)	(395,829)
<b>Net Cash Provided (Consumed) By Operating Activities</b>	<u>5,813,889</u>	<u>1,288,964</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cost of acquisition of Longkou	(569,966)	-
Purchases of fixed assets	(1,651,171)	(392,069)
Increase in construction in progress	(4,530,502)	-
Additions to business loans	(563,585)	(18,572)
Returns of business loans	9,642	99,704
Cash proceeds of inventory sale	673,891	-
Cash proceeds of equipment sale	<u>1,877,693</u>	<u>-</u>
<b>Net Cash Consumed By Investing Activities</b>	<u>(4,753,998)</u>	<u>(310,937)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Sales of preferred stock	-	4,250
Shareholder advance	-	30,000
Borrowings under bank loans	-	2,345,491
Repayments of bank loans	(1,012,180)	(3,229,021)
Cash received to move Zhaoyuan plant	-	4,668,057
<b>Net Cash Consumed By Financing Activities</b>	<u>(1,012,180)</u>	<u>3,818,777</u>
Effect on cash of foreign exchange conversion	<u>4,261</u>	<u>(284,503)</u>
<b>Net change in cash</b>	51,972	4,512,301
Cash balance, beginning of period	<u>504,599</u>	<u>802,235</u>
Cash balance, end of period	\$ <u>556,571</u>	\$ <u>5,314,536</u>

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