ALLIED CEMENT HOLDINGS LIMITED
聯合水泥控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 2013

The board of directors ("Board") of Allied Cement Holdings Limited ("Company") announces that the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31st December, 2013 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31st December, 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*(3)*	**703,468**	704,698
Cost of sales		**(632,912)**	(645,867)
Gross profit		**70,556**	58,831
Other income	*(4)*	**14,743**	31,083
Net foreign exchange gain		**1,849**	645
Fair value gains on financial assets designated as at fair value through profit or loss		**14,049**	13,067
Interest income on other principal protected deposits		**13,060**	10,404
Reversal of overprovision on land resumption exercise		**–**	3,128
Distribution and selling expenses		**(4,584)**	(3,856)
Administrative expenses		**(42,164)**	(38,561)
Reversal of (allowance for) bad and doubtful debts		**227**	(23,964)
Finance costs		**(5,118)**	(4,261)
Profit before taxation		**62,618**	46,516
Taxation	*(5)*	**(16,396)**	(9,384)
Profit for the year	*(6)*	**46,222**	37,132
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**29,299**	(845)
Total comprehensive income for the year		**75,521**	36,287

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the year ended 31st December, 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**32,564**	26,834
Non-controlling interests		**13,658**	10,298
		46,222	37,132
Total comprehensive income for the year attributable to:			
Owners of the Company		**51,706**	26,437
Non-controlling interests		**23,815**	9,850
		75,521	36,287
		HK cents	*HK cents*
Earnings per share	*(7)*		
Basic		**4.93**	4.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December, 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**414,669**	414,696
Deposits for equipment and machineries		**86,418**	84,284
Prepaid lease payments on land use rights		**7,477**	7,486
Mining right		**7,694**	7,692
Loan receivable		**–**	33,068
		516,258	547,226
Current assets			
Properties held for sale		**2,448**	2,387
Inventories		**51,506**	68,530
Trade and bills receivables	*(9)*	**339,271**	247,299
Other receivables, deposits and prepayments		**51,983**	49,353
Financial assets designated as at fair value through profit or loss		**252,838**	308,956
Other principal protected deposits		**325,326**	216,613
Loan receivable		**34,208**	–
Prepaid lease payments on land use rights		**198**	193
Pledged short-term bank deposits		**12,446**	79,398
Time deposits		**1,899**	61,729
Bank balances and cash		**37,615**	30,162
		1,109,738	1,064,620
Current liabilities			
Trade and bills payables	*(10)*	**138,719**	138,470
Other payables and deposits received		**43,403**	31,379
Amounts due to other related parties		**8,967**	1,870
Tax liabilities		**99,502**	147,198
Bank borrowings due within one year		**28,741**	59,878
		319,332	378,795
Net current assets		**790,406**	685,825
Total assets less current liabilities		**1,306,664**	1,233,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 31st December, 2013

	2013	2012
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**6,600**	6,600
Share premium and reserves	**773,539**	735,033
Equity attributable to owners of the Company	**780,139**	741,633
Non-controlling interests	**430,169**	419,431
Total equity	**1,210,308**	1,161,064
Non-current liabilities		
Bank borrowings due after one year	**65,750**	42,118
Deferred taxation	**30,606**	29,869
	96,356	71,987
	1,306,664	1,233,051

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements included disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

(2) Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as appropriate.

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st January, 2013. The directors of the Company ("Directors") concluded that the application of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised in 2011) and HKAS 28 (Revised in 2011) do not have material impact on the amounts reported in the consolidated financial statements but result in more extensive disclosures in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1st January, 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

[5] Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 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 liability 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 an entity's risk management activities have also been introduced.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year when HKFRS 9 is mandatory effective and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets.

For other new and revised standards, amendments and interpretation, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

(3) Segment information

The Group operates in one business unit based on its products and service, and has one operating segment: manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services, if any. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group have included all assets and liabilities as stated in the consolidated statement of financial position respectively, and considers the segment revenue and segment results of the Group have represented all revenue and profit for the year as stated in the consolidated statement of profit or loss and other comprehensive income respectively.

Information about major products

The revenue of the major products is analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**700,388**	677,359
Clinker	**3,080**	27,339
	703,468	704,698

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for the year. For the year ended 31st December, 2012, revenue from a customer amounting to HK$73,009,000 individually represented more than 10% of the Group's revenue.

Geographical information

As all the Group's revenue is derived from customers based in the People's Republic of China ("PRC") and all the Group's identifiable assets are principally located in the PRC by location of assets, no geographical segment information is presented.

(4) Other income

	2013	2012
	HK$'000	*HK$'000*
Interest income from banks	**2,495**	6,627
Interest income from loan receivable	**3,532**	8,317
Overprovision of listing expenses	**–**	1,432
Government subsidy – value added tax refunded	**1,556**	7,302
Government subsidy – others	**5,760**	5,629
Sundry income	**1,400**	1,776
	14,743	31,083

(5) Taxation

	2013	2012
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– PRC Enterprise Income Tax	**(19,730)**	(18,326)
– Hong Kong Profits Tax	**(19)**	(19)
	(19,749)	(18,345)
Overprovision in prior years		
– PRC Enterprise Income Tax	**3,335**	3,666
Deferred tax	**18**	5,295
	(16,396)	(9,384)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. The applicable tax rate for subsidiaries established in the PRC is 25% for both years. The PRC Enterprise Income Tax for a subsidiary incorporated in Hong Kong is calculated at the withholding tax rate prevailing in the PRC on the interest income from lendings to a PRC subsidiary.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

(6) Profit for the year

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**193**	187
Depreciation of property, plant and equipment	**21,739**	20,418
Total amortisation and depreciation	**21,932**	20,605
Cost of inventories recognised as expenses	**632,912**	645,867
Release of prepaid lease payments on land use rights	**198**	193
Net (gain) loss on disposal and write-off of property, plant and equipment	**(43)**	28
Operating lease rentals in respect of premises	**819**	381

(7) Earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**32,564**	26,834
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**660,000,000**	652,336,066

No diluted earnings per share has been presented for both years as there was no outstanding potential ordinary share during both years and at the end of the reporting periods.

(8) Dividend

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2013 (2012: Final dividend of HK2 cents per share).

The Company declared and paid dividends of HK$13,200,000 (2012: HK$13,200,000), representing HK2 cents per share being the final dividend of 2012 (2012: HK2 cents per share being the special dividend of 2011), during the year.

(9) Trade and bills receivables

The Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 1 year. The aged analysis of trade and bills receivables, net of allowance for bad and doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**267,495**	161,594
91 to 180 days	**56,954**	58,306
181 to 365 days	**10,451**	25,318
Over 1 year	**4,371**	2,081
	339,271	247,299

(10) Trade and bills payables

An aged analysis of the Group's trade and bills payables, presented based on the invoice date, at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**64,644**	62,076
91 to 180 days	**68,641**	68,941
181 to 365 days	**1,419**	3,330
Over 1 year	**4,015**	4,123
	138,719	138,470

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2013 was HK$703.5 million (2012: HK$704.7 million), representing a decrease of 0.2% compared to the previous year. The profit attributable to owners of the Company was HK$32.6 million (2012: HK$26.8 million), representing an increase of 21.4% compared to 2012. The basic earnings per share amounted to HK4.93 cents (2012: HK4.11 cents).

The Group reported improved business results for 2013. On a macro level, this was attributable to the recovery in the global economy and the bottoming out of China's economy in the second half of the year. On a micro level, it was attributable to the continued improvement in the production efficiency and the reinforcement of effective cost control by Shandong Allied Wangchao Cement Limited ("Allied Wangchao") as a result of its unflinching efforts on technological innovation. This was also attributable to the enhancement of the business quality of Shanghai Allied Cement Co., Ltd. ("Shanghai SAC").

Business Review

The Group is engaged principally in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC.

The Group's cement and clinker sales amounted to 2,370,000 tons (2012: 2,405,000 tons) for the year ended 31st December, 2013, representing a decrease by 1.5% from last year. Cement sales retain a top 78 ranking among key national associated cement enterprises across the PRC[1].

China's cement output in 2013 was 2,414.40 million tons, an increase of 9.6%[2] over the previous year, with a growth rate increased by 2.2% when compared to 2012. This shows that the country remains more focused on fuelling steady growth while adjusting the structure. With economic fine-tuning policies in place in the second half of 2013, the pace of new-type urbanisation will speed up, thus inducing a stronger demand for cement.

Based on cement production in major areas of the PRC in 2013, cement production in North China and Northeast China jumped by 1.95% and 2.98% respectively over the previous year; while the growth rates of cement production in the Northwest China, Southwest China, South China and East China were 17.31%, 12.78%, 10.41% and 10.75% respectively, all of which exceed 10%[1].

According to an analysis of cement prices in China, the average selling price of PO42.5 grade cement of key national associated cement enterprises in 2013 was RMB337.83 per ton, climbing up by RMB3.21 per ton when compared to that at the beginning of the year, representing an increase of 0.96%. As seen from the trend of PO42.5 grade cement prices, except for cement prices in North China and Northeast regions, cement prices in other regions started to go up since the fourth quarter. This shows that the cement industry has gone through a stage of clearing the existing stocks in the first three quarters, and cement prices gradually picked up in the fourth quarter. In particular, cement prices in East China at the end of the year grew by RMB21.28 per ton when compared to those at the beginning of the year. Cement prices in Central and South China increased by RMB28.31 per ton, while cement prices in Southwest and Northwest regions rose by RMB28.21 per ton and RMB4.52 per ton respectively[1].

1 中國建築材料經濟研究會《水泥重點聯繫企業資料分析》

2 National Bureau of Statistics of China • (20/1/2014) "*Industrial Production Operation in December 2013*", <http://www.stats.gov.cn/english/PressRelease/201401/t20140120_502500.html > [14/3/2014]

In 2013, the consumer price index in China increased by 2.6%[3], which was lower than the previously set maximum indicator of 3.5%. China's manufacturing purchasing managers index dropped to 51%[4] in December 2013 for the first time since June 2013 though still exceeding 50%, indicating that there will be a stable yet lower growth in the economy in the future. The 2013 China national investment in fixed assets (excluding rural households) amounted to RMB43,652.8 billion, representing a nominal increase of 19.6%, but a decrease in growth rate by 1.1%[5] when compared to that in 2012. China's gross domestic product in 2013 reached RMB56,884.5 billion, representing an increase of 7.7%[6] on the basis of comparable prices.

As shown from the above macroeconomic data, China's national economic fundamentals are in line with expectations, reflecting that efforts on economic fine-tuning policies are paying off. Benefiting from the country's economic fine-tuning policies, the cement industry should enjoy higher prices and greater corporate economic benefits.

1. *Shanghai SAC*

In 2013, cement distributed by Shanghai SAC amounted to 916,000 tons (2012: 1,001,000 tons), down 8.5% from the previous year, generating a gross profit of HK$23.0 million (2012: HK$27.2 million), a decrease of 15.4% from last year.

During the year, to standardise the management process as well as to enable more advanced and reasonable business processes, Shanghai SAC has rationalised, revised, compiled and re-adopted all of its previous management systems. Given a lesson from an operational loophole in 2012, Shanghai SAC has further strengthened its operations monitoring system. To achieve more steady and healthy business operations, reconciliation is now conducted by both finance and operations departments on a monthly basis and there is zero tolerance for untrustworthy customers. In this regard, an appropriate decrease in sales volume and an appropriate fall in gross profit were justified.

3 National Bureau of Statistics of China • (9/1/2014) "*Consumer Prices for December 2013*", <http://www.stats.gov.cn/english/PressRelease/201401/t20140109_497457.html > [14/3/2014]

4 National Bureau of Statistics of China • (1/1/2014) "*China's PMI Was 51.0 Percent in December*", <http://www.stats.gov.cn/english/PressRelease/201401/t20140102_493515.html > [14/3/2014]

5 National Bureau of Statistics of China • (20/1/2014) "*Investment in Fixed Assets for January to December 2013*", <http://www.stats.gov.cn/english/PressRelease/201401/t20140120_502503.html> [14/3/2014]

6 National Bureau of Statistics of China • (20/1/2014) "*China's Economy Showed Good Momentum of Steady Growth in the Year of 2013*", <http://www.stats.gov.cn/english/PressRelease/201401/t20140120_502079.html> [14/3/2014]

Shanghai SAC cautiously continued to invest part of its net proceeds from the compensation of relocation into wealth management products launched by banks in accordance with the Group's treasury policies and investment guidelines. Through such treasury management, Shanghai SAC recorded fair value gains and interest income on financial assets of HK$26.2 million (2012: HK$28.7 million), representing a decrease of 8.7% from last year. The lower return from treasury management was mainly due to the fall in interest rates and the reduction in the total amount invested in treasury management during the year.

In order to potentially enjoy the benefit from the country's policy where income from compensation of relocation can be deducted before tax, Shanghai SAC also took the opportunity to implement tax clearance in respect of funds generated from relocation compensation with tax authorities in order to minimise its tax burden. The previous overprovision for taxation on the relocation compensation funds, after fulfillment of the recognition criteria, will be reversed in due course. The relevant estimated effect on the profit attributable to owners of the Company will be approximately HK$43.9 million.

2. *Allied Wangchao*

In 2013, Allied Wangchao achieved clinker production of 917,000 tons (2012: 891,000 tons), representing a 2.9% increase over last year. Cement production reached 1,454,000 tons (2012: 1,291,000 tons), increasing by 12.6% over last year. Gross profit increased by 34.4% over last year to HK$44.9 million (2012: HK$33.4 million).

During the year, through technical innovation and reinforced production management, Allied Wangchao achieved historical records in 11 aspects, including hourly production of raw mill, electricity consumption for raw mill, clinker production, integrated electricity consumption for clinker production, 3-day resistance to compression strengths of clinker, grade 42.5 cement production, hourly production of cement mill, electricity consumption for cement mill, integrated electricity consumption for cement production, waste heat power generation capacity and incorporation rate of clinker in grade 42.5 cement. Along with a decrease in consumption as well as an increase in efficiency and quality, the core competitive edge of Allied Wangchao has been strengthened considerably. Despite the average selling price per ton for cement is lower than the previous year, there is a significant increase in profit margin. During the year, we actively made use of various preferential policies and acquired several strategic tax reductions and approvals for rebate, thereby relieving the burden on Allied Wangchao and increasing its income.

3. *Shandong Shanghai Allied Cement Co., Ltd. ("Shandong SAC")*

Slag production of Shandong SAC during the year reached 88,000 tons (2012: 118,000 tons), representing a decrease of 25.4% from last year. Gross profit for the year amounted to HK$2.7 million (2012: gross loss of HK$1.8 million). As Shandong SAC turned around to profit, all three major profit sources of the Group contributed income to the Group.

4. *The development of new cement production facilities at Bailonggang, Pudong, Shanghai ("Bailonggang Project")*

The Bailonggang Project, which was initiated in 2008 for the Shanghai Expo, was reported to the National Development and Reform Commission of the PRC ("NDRC") by Shanghai Municipal Development and Reform Commission ("Shanghai Municipal Development and Reform Commission") in February 2013. The project was granted a preliminary approval by the NDRC in July. In November, the project passed the energy-saving assessment and investigation by the National Energy Conservation Center and the preliminary approval on the use of land by Ministry of Land and Resources of the PRC. In December, the NDRC delegated the authority for project initiation to each province and direct-controlled municipality. According to the response from the NDRC, it was clearly stated that the implementation of the project would be focused on the optimisation of planning, corporate restructuring, the compression of production capacity and the initiation of synergetic handling, which would be an integral boost to the adjustment, enhancement and upgrade of the structure of the cement industry in Shanghai, as well as the development of the recycling economy and the improvement of the environment. In addition, it would be a demonstrative project for the development of cement industry across the country. On 26th January, 2014, efforts over the six years were rewarded as the Shanghai Municipal Development and Reform Commission issued the approval letter. It is expected that the annual treatment capacity of various waste would reach 2,280,000 tons upon the completion of the project.

On 13th February, 2012, Shanghai SAC entered into the《關於建設(白龍港項目)合作協議》(Bailonggang Project Construction Cooperation Agreement) ("Cooperation Agreement") and the《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the Joint Venture Company) ("JV Principle Agreement") with 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("Shanghai Building Material") for the purpose of setting up a joint venture company ("JV Company") to construct, operate and manage the Bailonggang Project. Pursuant to the agreements, the JV Company is held as to 50% respectively by each of Shanghai SAC and Shanghai Building Material. The former will nominate the general manager and the latter will nominate the chairman of the board who will be appointed by the board. The registered capital of the JV Company is RMB800 million, in which each of Shanghai SAC and Shanghai Building Material will inject RMB400 million.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 31st December, 2013, the Group maintained bank balances and cash reserves of approximately HK$52.0 million (2012: HK$171.3 million), including pledged short-term bank deposits of approximately HK$12.4 million (2012: HK$79.4 million) and time deposits of approximately HK$1.9 million (2012: HK$61.7 million). Total borrowings amounted to approximately HK$94.5 million (2012: HK$102.0 million). At 31st December, 2013, the equity attributable to owners of the Company amounted to HK$780.1 million (2012: HK$741.6 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was 5% (2012: negative 9%).

As at 31st December, 2013, the Group's outstanding borrowings HK$28.7 million were repayable within one year and HK$65.8 million were repayable after one year (2012: HK$59.9 million and HK$42.1 million respectively). Approximately 75.4% of the Group's outstanding borrowings were denominated in Hong Kong dollars ("HK$") and the remainders were in Renminbi ("RMB"). Around 12.1% of the Group's interest bearing borrowings bore interest at fixed rates while the remainder was at floating rates.

Risk of Foreign Exchange Fluctuation

The Group's operations are mainly located in Mainland China and its transactions, related working capital and borrowings are primarily denominated in RMB and HK$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure should the need arise. However, since the Group's consolidated financial statements are presented in HK$ which is different from its functional currency, being RMB, it is inevitable that the Group would face foreign exchange exposure in this respect, whether positive or negative, from translating the accounts to its presentation currency.

Pledge of Assets

At the end of the reporting period, certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$95.6 million (2012: HK$92.1 million), prepaid lease payments on land use rights with carrying amount of HK$6.6 million (2012: HK$6.6 million), certain bills receivables with carrying amount of HK$15.7 million (2012: HK$4.0 million), certain other principal protected deposits with carrying value of HK$74.9 million (2012: HK$38.5 million) together with short-term bank deposits of HK$12.4 million (2012: HK$79.4 million) were pledged to secure bank loans to the extent of HK$82.6 million (2012: HK$77.3 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$105.8 million (2012: HK$101.4 million).

Material Capital Commitments and Investments

As announced by the Company on 15th February, 2012, Shanghai SAC entered into the Cooperation Agreement and the JV Principle Agreement with Shanghai Building Material, a state-owned enterprise, for the purpose of setting up a JV Company pursuant to the terms and conditions therein on 13th February, 2012. Pursuant to the Cooperation Agreement, Shanghai Building Material and Shanghai SAC agreed to establish the JV Company to operate and manage the Bailonggang Project under the terms of the JV Principle Agreement within three months after the relevant government approvals for the Bailonggang Project being obtained. Upon establishment, the JV Company will be held as to 50% by Shanghai Building Material and 50% by Shanghai SAC of the Group respectively. The 50% share of registered capital of the JV Company amounting to RMB400 million (equivalent to approximately HK$506.3 million (2012: HK$493.8 million)) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcement and circular of the Company dated 15th February, 2012 and 16th March, 2012 respectively.

As announced by the Company on 3rd October, 2012, Shanghai SAC entered into three purchase agreements on 28th September, 2012 for the purchases of certain equipment and machineries at the aggregate consideration of RMB380 million (equivalent to approximately HK$481.0 million (2012: HK$469.1 million)). The equipment and machineries under the three purchase agreements were purchased for future use in the Bailonggang Project and the Company does not intend to retain such equipment and machineries for its own use. As at 31st December, 2013, Shanghai SAC has settled the respective first payments of the total consideration in an aggregate amount of RMB68.3 million (2012: RMB68.3 million) (equivalent to approximately HK$86.5 million (2012: HK$84.3 million)) under the three purchase agreements. Details of the transaction were set out in the announcement and circular of the Company dated 3rd October, 2012 and 15th November, 2012 respectively.

Corporate Social Responsibility

1. *Strongly supporting regional educational industries*

   Regarding corporate social responsibility, the Group remains committed to actively supporting regional educational industries. Allied Wangchao has offered a number of scholarships to reward its employees' children who have outstanding performance at school and to support college students who are from poor families. Allied Wangchao contributed cement as well as raised funds to help construct a number of new teaching buildings and rebuild the buildings of potential danger. Allied Wangchao has made donations to the "企業助教基金會" of Taierzhuang District and contributed efforts to the smooth operations of the abovementioned foundation with all endeavours. All these initiatives were highly appreciated by teachers and staff as well as students of the local schools, receiving praises from various sectors of the society.

2. *Strengthening green construction in support of ecological civilisation*

The Group remains focused on reinforcing green construction within its factory zone, where there are clear water, weeping willows, green grass as well as flowers. It has set up a garden-like modernised production line. The "three-high" ingredient solutions invented by a technical staff of Allied Wangchao were reputed by Professor Lin Zongshou (a famous cement expert) as "unique in China". This formula has a positive contribution to the resources conservation of limestone in Zaozhuang area, and also a strong support to the steady production of the local cement companies. Allied Wangchao has been actively searching for the best alternate ingredient solution other than existing raw materials that can produce high-quality cement and clinker. The cumulative usage of fly ash, coal gangue, waste matter, slag, desulfurisation gypsum, quartz mud and iron mud through the years reached 5.16 million tons. Allied Wangchao has been constantly upgrading its production equipment. It has established steel structure for raw materials and fuels that helped eliminate dust pollution and optimise production environment. The kiln exhaust gas has gone through denitration process and the electrostatic precipitator has been modified to achieve the national emission standards. Allied Wangchao has invested more than RMB40 million to establish 4.5MW waste heat power generation units to make full use of kiln waste heat, reducing CO_2 emissions by approximately 30,000 tons annually, and reducing dust and other harmful gas emissions correspondingly.

3. *Playing an active part in community affairs*

Allied Wangchao plays an active role in donating to and financing the reconstruction of flooded villages, the support of rural communities, assistance in new establishments, as well as the repair and construction of roads and biogas tanks. It paid water bills and street light charges for some villagers. Funds in the amount of over RMB3 million were provided by Allied Wangchao to finance the construction of a temporary bridge facilitating villagers and vehicles traveling to and from the villages near Caoloucun and Yijia River, Zaozhuang. Allied Wangchao's production line in Zaozhuang, Shandong Province is equipped with its own limestone mine, employing local villagers to be responsible for arranging for the transportation of ores. Preference is given to purchase local raw materials and fuels and to employ local vehicles and boats for transportation. All these initiatives have offered job opportunities for hundreds of people and raised the income level for local people, thus relieving the social burden of the local government.

4. *Providing employees with reinforced trainings on operation skills and promoting broad-minded vision among employees*

Each of Allied Wangchao and Shandong SAC successively offered its core operation skill team with the "Outstanding Teamwork Training Camp" activity in batches. Corporate management experts were invited to offer employees with year-round training in phases. The training has boosted employees' enthusiasm in completing their tasks. In 2013, by cooperation with the University of Jinan, Allied Wangchao and Shandong SAC offered their employees with training on "Cement Techniques". More than RMB400,000 was provided to prepare teaching materials according to the actual situation of different job positions. Professors from the University of Jinan offered 252-hour training on different fields including cement grinding, central control, laboratory examination, machinery and electronic apparatus. Upon passing the acceptance test, employees' skill level has been significantly enhanced.

Shanghai SAC offered a number of operation training sessions annually. Training sessions offered in 2013 are detailed as follows: a lecture on the optimisation of the auditing system by the company's management, a lecture on the nurturing of a comprehensive quality of talents in the 21st century by the company's general manager, a training session for different departments and chief officers of the company on the legal system by the Secretary for duty crime prevention and the investigation division of the People's procuratorate in Huangpu District. These training sessions increased the legal awareness of all employees, and helped to prevent corporate crimes.

Finally, the managing director of the Group has given a comprehensive speech for this new year. In his speech, he summed up the Group's development milestones over the two decades and envisaged new horizons for us. Through a wide variety of training, the comprehensive quality of the Group's employees has been bolstered, so that they can provide better services to the company and the community and can influence each other in a positive way.

A New Phase of Cement Industry Development in China

2014 marks a critical year for the transformation and upgrade of the cement industry in the PRC. In the middle to late January 2014, the market price of cement stood at stable levels throughout various regions across the country, and maintained at levels higher than the corresponding periods of the previous years. It is preliminarily expected that profit from the cement industry is set to hit another new high in 2014. This optimistic anticipation is mainly based on the following four factors:

(a) Increasing urbanisation will fuel a stable market demand for cement. In particular, with the country's focus on investing in project development in mid-west regions, the growth rate of cement production in China is expected to maintain at around 7.5% in 2014.

(b) Effective control over expanded capacity. In 2013, the expanded cement and clinker production in China amounted to approximately 92 million tons. According to the data analysis for projects under construction across the country, the additional cement and clinker production will drop to 65 million tons in 2014. Under the new regulatory environment, the phasing out of outdated cement production facilities will be further accelerated.

(c) Production costs of coal and electricity, which represent 70% of cement production costs, are expected to remain steady in 2014. In particular, as long as there is no significant fluctuation in coal prices, production costs of cement should also be stabilised.

(d) Since January 2014, cement prices have remained at relatively high levels. Amid the steady investment phase in the PRC, when the cement prices are positive at the beginning of the year, the prices for cement are expected to be on an increasing trend over the whole year.

Strategic Business Development

2013 is the twentieth anniversary of the Group. In a time of economic ups and downs, as well as political and social progresses and changes, the Group has managed to demonstrate its strengths so as to maintain a prominent position amid fierce competition in the market.

Over the past two decades, the Group has established its own brand, team, corporate culture and development strategy, which have all become our intangible assets. With the investment and construction of the Bailonggang Project, the Group will realise its vision and mission of taking the initiative in the recycling economy and fulfilling its obligation to make its contribution to the recycling and reuse of resources and the sustainable development for major cities.

Outlook

2014 marks a starting year for the adherence to the spirit of the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China and the implementation of all-round and in-depth reforms, as well as a crucial year for the realisation of the goals under the "Twelfth Five-Year" plan. Looking forward for 2014, advanced urbanisation, modernisation of agricultural industry and construction of infrastructure is expected to create enormous demand for the development of the cement industry. While the prices of coal and electricity tariffs, which make up 70% of cement production costs, are expected to remain stable in 2014, solutions to production capacity surplus and environmental preservation will form a dual mechanism which will phase out obsolescent small-scale production lines in a progressive manner. This will assist quality supplies and ease the oversupply situation, thus creating a favourable supply and demand environment. As such, the prospect of the cement industry is expected to maintain positive momentum in 2014.

In such an optimistic environment, the Group will maintain its previous positioning as a clinker and cement company focusing on premium quality and specialising in the production and sale of quality products. Two specific measures have been proposed: Firstly, attention will be directed to reinforcing internal cost control, with production efficiency and product performance enhanced through technical reform and innovative research and development. Focus will also be placed on promoting energy effectiveness and reduction in emissions as well as putting in place ecological green construction, thus realising clean production. Secondly, effort will be placed on expanding markets and customer value management and customer relationship will be integrated, so as to put in place a more sophisticated marketing system to support our production and sales volume.

The Bailonggang Project at Pudong, Shanghai in the PRC was granted approval by the Shanghai Municipal Development and Reform Commission on 26th January, 2014. The intention is to develop a top international enterprise producing modernised and environmentally-friendly cement. The project will focus on the treatment of sludge and domestic wastes in cities and industrial and harmful wastes by transforming these solid wastes to substitute for raw materials, fuels and additives used in cement production, in order to achieve zero emission of waste in the industrial park along the river in Bailonggang for the industrial chain of the recycling economy through recycling of resources. Annual treatment capacity for various kinds of waste is estimated to be 2,280,000 tons. The project is proposed to be implemented upon the optimisation of network, corporate reorganisation, compression of production capacity and commencement of disposal agreements so as to enable the cement industry in Shanghai to move forward with structural adjustment and optimisation, the development of a recycling economy and environmental improvement, as well as being a demonstration model for the development of the cement industry in China.

Employees

As at 31st December, 2013, the Group employed 344 (2012: 350) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Unconditional Mandatory Cash Offer

The Company was informed by Autobest Holdings Limited ("Autobest"), the then controlling shareholder of the Company, that on 7th December, 2013, Autobest and China Health Management Investment Limited ("China Health") had entered into a sale and purchase agreement, pursuant to which China Health conditionally agreed to acquire and Autobest conditionally agreed to sell 370,000,000 shares ("Sale Shares") of the Company. Following the completion of the sale and purchase of the Sale Shares on 4th February, 2014, China Health has become the controlling shareholder of the Company holding approximately 56.06% of the entire issued share capital of the Company. In accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong ("Takeovers Code"), China Health has made a mandatory unconditional cash offer ("Offer") for all the issued shares of the Company (other than those shares already owned or agreed to be acquired by China Health and its concert parties, and those shares agreed not to be the subject of the Offer) ("Offer Shares") and there were valid acceptances in respect of a total of 80,012,436 Offer Shares under the Offer. Sun Hung Kai International Limited, the exclusive placing agent and underwriter in respect of the Offer, has agreed to take up all the Offer Shares validly tendered for acceptance under the Offer, and place out all such Offer Shares to parties who are not connected persons of the Company as soon as possible. As at the date of this announcement, China Health is interested in 450,012,436 shares of the Company, representing approximately 68.18% of the entire issued share capital of the Company.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31st December, 2013 (2012: HK2 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2014 AGM") is scheduled to be held on Thursday, 22nd May, 2014. For determining the entitlement to attend and vote at the 2014 AGM, the register of members of the Company will be closed on Wednesday, 21st May, 2014 and Thursday, 22nd May, 2014, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company ("Shareholders") to be eligible to attend and vote at the 2014 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20th May, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provisions A.2.1 to A.2.9 and E.1.2

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Also, code provisions A.2.2 to A.2.9 of the CG Code stipulate the roles and responsibilities of the chairman. Further, code provision E.1.2 of CG Code stipulates that, inter alia, the chairman of the board should attend the annual general meeting and be available to answer questions at the annual general meeting.

The Company does not at present have a Chairman of the Board. Mr. Ng Qing Hai, being the Managing Director of the Company, is responsible for the overall management of the Group as well as part of the duties of Chairman of the Board which constitutes a deviation from the code provisions A.2.1 to A.2.9 and E.1.2 of the CG Code.

Reference is made to the composite document dated 11th February, 2014 jointly issued by the Company and China Health, pursuant to which it was stated that the board composition of the Company will change with effect from the later of (i) the earliest date permitted under the Takeovers Code; and (ii) the date of publication of the financial results of the Company for the year ended 31st December, 2013. The identification process of the Chairman of the Board is pending upon the proposed changes in the current Board.

(2) Code Provision A.5.6

Code provision A.5.6 of the CG Code, which came into effect on 1st September, 2013, stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

The Company adopted the Board Diversity Policy on 19th December, 2013 as the Board had taken more time to discuss and formulate the same.

(3) Code Provisions B.1.2 and C.3.3

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2013 ("2013 Annual Report"). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2013 Annual Report which will be sent to the Shareholders around the middle of April 2014.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2013.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

On behalf of the Board
Allied Cement Holdings Limited
Ng Qing Hai
Managing Director

Hong Kong, 14th March, 2014

As at the date of this announcement, the Board comprises Mr. Ng Qing Hai (Managing Director), Mr. Li Chi Kong and Mr. Yu Zhong being the Executive Directors; and Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Doris Yang Yan Tung being the Independent Non-Executive Directors.