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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

The board of directors ("Board") of Allied Cement Holdings Limited ("Company") announces that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2014 with the comparative figures for the corresponding period in 2013 are as follows. The interim financial report of the Group for the six months ended 30th June, 2014 has not been audited, but has been reviewed by the audit committee of the Company and by the auditor of the Company, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**364,067**	306,669
Cost of sales		**(320,384)**	(282,427)
Gross profit		**43,683**	24,242
Other income	*(5)*	**2,094**	4,350
Net foreign exchange (loss) gain		**(1,298)**	789
Fair value gains on financial assets designated as at fair value through profit or loss		**4,515**	8,093
Interest income on other principal protected deposits		**7,831**	4,827
Distribution and selling expenses		**(3,108)**	(2,196)
Administrative expenses		**(20,996)**	(19,287)
Reversal of bad and doubtful debts		**–**	21
Finance costs		**(2,870)**	(2,476)
Profit before taxation		**29,851**	18,363
Taxation	*(6)*	**(9,106)**	(2,756)
Profit for the period	*(7)*	**20,745**	15,607
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**–**	14,797
Total comprehensive income for the period		**20,745**	30,404

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**15,214**	10,043
Non-controlling interests		**5,531**	5,564
		20,745	15,607
Total comprehensive income for the period attributable to:			
Owners of the Company		**15,214**	19,678
Non-controlling interests		**5,531**	10,726
		20,745	30,404
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**2.31**	1.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2014

	Notes	At 30th June, 2014 Unaudited HK$'000	At 31st December, 2013 Audited HK$'000
Non-current assets			
Property, plant and equipment		**422,937**	414,669
Deposits for equipment and machineries		**86,418**	86,418
Prepaid lease payments on land use rights		**7,379**	7,477
Mining right		**7,598**	7,694
		524,332	516,258
Current assets			
Properties held for sale		**2,448**	2,448
Inventories		**47,947**	51,506
Trade and bills receivables	*(10)*	**337,395**	339,271
Other receivables, deposits and prepayments		**62,214**	51,983
Loans receivable		**106,419**	34,208
Financial assets designated as at fair value through profit or loss		**39,706**	252,838
Other principal protected deposits		**292,360**	325,326
Prepaid lease payments on land use rights		**198**	198
Amounts due from other related parties		**68,449**	–
Pledged short-term bank deposits		**17,595**	12,446
Time deposits		**–**	1,899
Bank balances and cash		**270,130**	37,615
		1,244,861	1,109,738
Current liabilities			
Trade and bills payables	*(11)*	**86,390**	138,719
Other payables and deposits received		**44,226**	43,403
Amounts due to other related parties		**90**	8,967
Tax liabilities		**96,715**	99,502
Bank and other borrowings due within one year		**114,454**	28,741
		341,875	319,332
Net current assets		**902,986**	790,406
Total assets less current liabilities		**1,427,318**	1,306,664

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30th June, 2014

	At 30th June, 2014 Unaudited *HK$'000*	At 31st December, 2013 Audited *HK$'000*
Capital and reserves		
Share capital	**6,600**	6,600
Share premium and reserves	**788,753**	773,539
Equity attributable to owners of the Company	**795,353**	780,139
Non-controlling interests	**425,345**	430,169
Total equity	**1,220,698**	1,210,308
Non-current liabilities		
Bank and other borrowings due after one year	**185,000**	65,750
Deferred taxation	**21,620**	30,606
	206,620	96,356
	1,427,318	1,306,664

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2014 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

(3) Significant accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

In the current period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new Interpretation and amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(4) Segment information

	Six months ended 30th June,	
	2014	2013
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**357,234**	306,669
Clinker	**6,833**	–
	364,067	306,669

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 condensed 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 period as stated in the condensed consolidated statement of profit or loss and other comprehensive income respectively.

(5) Other income

	Six months ended 30th June,	
	2014	2013
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest income from banks	**216**	2,101
Interest income from loans receivable	**1,005**	1,744
Interest income from a non-controlling shareholder of the Group's subsidiary	**342**	–
Sundry income	**531**	505
	2,094	4,350

(6) Taxation

	Six months ended 30th June,	
	2014	2013
	Unaudited	Unaudited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– The People's Republic of China ("PRC") Enterprise Income Tax	**(19,219)**	(6,995)
Overprovision in prior years		
– PRC Enterprise Income Tax	**1,127**	2,799
Deferred tax	**8,986**	1,440
	(9,106)	(2,756)

(7) Profit for the period

	Six months ended 30th June, **2014**	2013
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**96**	94
Depreciation of property, plant and equipment	**10,814**	10,684
Total amortisation and depreciation	**10,910**	10,778
Cost of inventories recognised as expenses	**320,384**	282,427
Release of prepaid lease payments on land use rights	**98**	98
Net gain on disposal and write-off of property, plant and equipment	**–**	(20)
Operating lease rentals in respect of premises	**457**	449

(8) Earnings per share

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

	Six months ended 30th June, **2014**	2013
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**15,214**	10,043

	Six months ended 30th June, **2014**	2013
	Unaudited	Unaudited
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**660,000,000**	660,000,000

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

(9) Dividend

The Board does not recommend the payment of an interim dividend (2013: Nil).

No dividend was declared or paid by the Company during the current period. The Company declared and paid dividends of HK$13,200,000, representing HK2 cents per share being the final dividend of 2012, during the prior period.

(10) 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:

	At 30th June, 2014 Unaudited ***HK$'000***	At 31st December, 2013 Audited *HK$'000*
0 to 90 days	**195,578**	267,495
91 to 180 days	**84,473**	56,954
181 to 365 days	**51,276**	10,451
Over 1 year	**6,068**	4,371
	337,395	339,271

(11) 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:

	At 30th June, 2014 Unaudited ***HK$'000***	At 31st December, 2013 Audited *HK$'000*
0 to 90 days	**62,733**	64,644
91 to 180 days	**18,825**	68,641
181 to 365 days	**976**	1,419
Over 1 year	**3,856**	4,015
	86,390	138,719

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2014 was HK$364.1 million (2013: HK$306.7 million), representing an increase of 18.7% as compared to the same period of last year. The profit attributable to owners of the Company for the period was HK$15.2 million (2013: HK$10.0 million). The basic earnings per share amounted to HK2.31 cents (2013: HK1.52 cents).

The gross profit and profits of the Group for the six months ended 30th June, 2014 showed a significant increase as compared to the same period of last year. This was mainly attributable to the significant improvement in the results of Shandong Allied Wangchao Cement Limited ("Allied Wangchao") for the period. The average selling prices of cement products of Allied Wangchao for the period increased as compared to that of the first half of 2013, while the average cost of production decreased.

Administrative expenses for the six months ended 30th June, 2014 amounted to HK$21.0 million (2013: HK$19.3 million), which was mainly due to an increase in staff costs.

The taxation of the Group for the six months ended 30th June, 2014 was approximately HK$9.1 million (2013: approximately HK$2.8 million), increased by approximately 2.3 times over the same period of last year. It was mainly attributable to the increase in profit before taxation of Allied Wangchao.

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 1,110,000 tons (2013: cement sales of 1,080,000 tons) for the six months ended 30th June, 2014, increased by 2.8% as compared to the same period of last year.

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

For the six months ended 30th June, 2014, cement distributed by Shanghai SAC amounted to 461,000 tons (2013: 407,000 tons), representing an increase of 13.3% over the same period of last year. Gross profit earned amounted to HK$10.8 million (2013: HK$10.6 million), representing a slight increase of 1.9% over the same period of last year. Gross profit margin decreased to 5.8% for the period from 7.6% of the same period of last year. This was mainly attributable to the impact of cement prices fluctuation in Eastern China and Yangtze River Delta region. During the period, Shanghai SAC continued to invest part of its net proceeds from the compensation of relocation into wealth management products launched by banks. Through such treasury management, Shanghai SAC recorded fair value gains and interest income on financial assets of HK$12.7 million (2013: HK$12.3 million), increased by 3.3% over the same period of last year.

2. *Allied Wangchao*

For the six months ended 30th June, 2014, Allied Wangchao's sales of cement amounted to 617,000 tons (2013: 673,000 tons), decreased by 8.3% as compared to the same period of last year. Gross profit amounted to HK$34.1 million (2013: HK$12.6 million), representing an increase of 170.6% over the same period of last year. Clinker production reached 444,000 tons (2013: 440,000 tons), representing a 0.9% increase over the same period of last year. Cement production was 638,000 tons (2013: 686,000 tons), down by 7.0% from the same period of last year.

It is worth noticed that Allied Wangchao achieved a significant growth in profit before taxation in the first half of 2014, increased by approximately 3.9 times over the same period of last year. This was mainly attributable to three factors, firstly, production costs decreased, among which grade 32.5 and 42.5 cement average production costs per ton represented drops of 7.0% and 4.2% respectively from the same period of last year, and clinker average production costs per ton represented a decrease of 5.2% as compared to the same period of last year. Secondly, cement selling prices recovered in the first half of 2014, among which grade 32.5 and 42.5 cement average selling prices per ton represented increases of 11.3% and 9.5% respectively over the same period of last year. Thirdly, Allied Wangchao reinforced its internal control management and effectively controlled its expenses.

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

The slag production of Shandong SAC during the period reached 29,000 tons, which was mainly used as additives in cement for Allied Wangchao.

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

Bailonggang Project is located at Heqing Town, Pudong New Area, Shanghai. Major construction included the construction of two new dry process cement production lines, each with a capacity of 4,000 ton per day is for the synergetic handling of urban sludge and wastes, ancillary construction of two pure low-temperature waste heat power stations, each with a capacity of 7.5MW, and a dock with annual throughput of approximately 8 million tons. By aiming at treating urban wastes, the project would adopt the new dry process cement technology, dealing with and absorbing various wastage through cement rotary kiln to enable them to become harmless, reduced volume and resource-oriented. This project is a resource-saving and environment-friendly green environmental project.

Bailonggang Project was commenced since the end of 2008 and project feasibility report and project application report were prepared. In 2012, Bailonggang Project was granted the approval on the regulatory plan by Shanghai Municipal People's Government, the "Approval and Reply for Environmental Impact Statement on the Demonstrative Base for Comprehensive Utilisation of Resources in Shanghai" was approved by the Ministry of Environmental Protection of the PRC, and the approval and reply on the "land use permit" for the land retention in the early phase development of the land used for the project was issued by Pudong New Area Planning and Land Authority. In November 2013, the reply on the preliminary review of the land used for construction of the project was issued by the Ministry of Land and Resources of the PRC. In respect of the dock, Bailonggang Project has passed the dock project feasibility report review, with six special reports being approved, and obtained the "Shanghai Port Coastline Use Permit". On 26th January, 2014, Bailonggang Project obtained the approval letter issued by Shanghai Municipal Development & Reform Commission.

The Group will form a joint venture company for the Bailonggang Project. Shanghai Administration for Industry & Commerce has approved "Shanghai Wanhua Allied Eco Materials Co., Ltd." as the name for the joint venture company. The establishment of the joint venture company is currently in progress.

Moreover, as an important demonstrative project in energy-saving key engineering, recycling economy and resources-saving of National Development and Reform Commission, Bailonggang Project has obtained the 2014 central budgeted investment of RMB10 million.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, issuance of loan notes and loans from principal bankers and financial institutions.

During the six months ended 30th June, 2014, the Group issued Hong Kong dollars ("HK$") denominated unsecured loan notes to third parties with aggregate principal amount of HK$185.0 million.

As at 30th June, 2014, the Group maintained bank balances and cash reserves of approximately HK$287.7 million (31st December, 2013: HK$52.0 million), including pledged short-term bank deposits of approximately HK$17.6 million (31st December, 2013: including pledged short-term bank deposits of approximately HK$12.4 million and time deposits of approximately HK$1.9 million). Total borrowings amounted to approximately HK$299.5 million (31st December, 2013: HK$94.5 million). As at 30th June, 2014, the equity attributable to owners of the Company amounted to HK$795.4 million (31st December, 2013: HK$780.1 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was 2% (31st December, 2013: 5%).

As at 30th June, 2014, the Group's outstanding borrowings HK$114.5 million were repayable within one year and HK$185.0 million were repayable after one year (31st December, 2013: HK$28.7 million and HK$65.8 million respectively). Approximately 84.2% of the Group's outstanding borrowings were denominated in HK$ and the remainder were in Renminbi ("RMB"). Around 64.9% of the Group's interest bearing borrowings bore interest at fixed rates while the remainder were at floating rates.

As at 30th June, 2014, the amounts due from other related parties were HK$68.4 million (31st December, 2013: Nil), which represent the provision of an entrusted loan through a bank to 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("Shanghai Building Material") and the related interest receivable. Details of the transaction were set out in the announcement of the Company dated 23rd May, 2014.

Financial Management and Policy

The Group's financial policy aims at minimising the Group's financial risk exposure. Our policy is not to engage in speculative derivative financial transactions and not to invest the current capital in financial products with significant risk.

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$143.8 million (31st December, 2013: HK$95.6 million), prepaid lease payments on land use rights with carrying amount of HK$6.6 million (31st December, 2013: HK$6.6 million), certain bills receivables with carrying amount of HK$9.2 million (31st December, 2013: HK$15.7 million), certain other principal protected deposits with carrying value of HK$15.6 million (31st December, 2013: HK$74.9 million) together with short-term bank deposits of HK$17.6 million (31st December, 2013: HK$12.4 million) were pledged to secure bank loans to the extent of HK$76.5 million (31st December, 2013: HK$82.6 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$46.2 million (31st December, 2013: HK$105.8 million).

Material Capital Commitments and Investments

As announced by the Company on 15th 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 Shanghai Building Material, a state-owned enterprise, for the purpose of setting up a joint venture company ("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 (31st December, 2013: HK$506.3 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 (31st December, 2013: HK$481.0 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 30th June, 2014, Shanghai SAC has settled the respective first payments of the total consideration in an aggregate amount of RMB68.3 million (31st December, 2013: RMB68.3 million) (equivalent to approximately HK$86.5 million (31st December, 2013: HK$86.5 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.

Event after the End of the Reporting Period

On 2nd July, 2014, Shanghai SAC entered into the loan agreement with Shanghai Building Material, pursuant to which the parties entered into the entrusted loan agreement on the same date with a bank for the provision by Shanghai SAC (as lender) of the second entrusted loan in the principal amount of RMB78.0 million (equivalent to approximately HK$98.7 million) to Shanghai Building Material (as borrower) through the bank (as lending agent). Details of the transaction were set out in the announcement of the Company dated 2nd July, 2014.

Key Event: Change of Controlling Shareholders

On 4th Feb, 2014, the controlling shareholder of the Company changed to China Health Management Investment Limited upon completion of a sale and purchase agreement dated 7 December 2013 relating to the sale of 370,000,000 Shares of the Company. On 4th March, 2014, after the close of the mandatory general offer, China Health Management Investment Limited held 370,000,000 shares of the Company, which constituted 56.06% of the total issued shares of the Company as at 30th June, 2014. The details of which were set out in the Company's circular dated 11th February, 2014.

Business Development and Outlook

In the first half of 2014, China's gross domestic products amounted to RMB26,904.4 billion, an increase of 7.4% over the same period of last year[1]. China national investment in fixed assets reached RMB21,277 billion, a nominal increase of 17.3% (actual increase of 16.3% after deducting the price factors) as compared to the same period of last year[2]. The gross domestic products of Shanghai was RMB1,095,264 million, up by 7.1% over the same period of last year[3], and was slightly lower than the national level of 7.4%.

Overall fixed asset investment of Shanghai amounted to RMB240,353 million, representing an increase of 3.8% over the same period of last year, with the growth rate decreased by 8.3 percentage points from the same period of last year[3].

In terms of cement production, total production of cement in China was 1,143.74 million tons in the first half of 2014, up by 3.6% over the same period of last year[4], with the growth rate decreased by 6.1 percentage points from the same period of last year. Cement consumption in Shanghai reached 10,842,900 tons, down by 2.96% from the same period of last year[5].

As the ultimate year of the "Twelfth Five-Year" plan of China, this year is an important phase for the full construction of a well-off society. China's economy will still maintain a stable and fast growth. Industrialisation, urbanisation and new rural community construction will continue to fuel domestic demand, and infrastructure constructions like national housing project, elevated expressways and cross high-speed rail will further drive the sustainable growth of cement demand. In particular, for railway construction, a total of 4 railways had commenced construction simultaneously within China as at 30th June, 2014, together with Hami to Ejina railway project being initiated on 3rd July, with total investment for these 5 railways construction reaching RMB240 billion. Another 13 railways will commence construction in next few months. The total railway investment is expected to be close to or even over RMB1,000 billion during the year. The cement industry is certain to experience market opportunities and an annual average demand increase of 3% to 4% is expected. However, the overall economic situation is not optimistic. This is mainly attributable to lack lustre growth in export, consumption and investment, the three main engines for economic growth in the PRC. In particular, the real estate industry which provides long-term support for economic growth now seems to show signs of reaching its peak. The PRC government has been finding new economic growth point to compensate the negative impact on economic growth brought by the adjustment in real estate market. Recently, the central bank in China has granted the three-year mortgage supplement loan of RMB1 trillion to China Development Bank, illustrating the policymakers of the PRC have adopted a new monetary policy to support economic growth, and the possibility of reducing interest rates in the second half year is increasing.

1 National Bureau of Statistics of China • (17/7/2014) "Preliminary Accounting Results of GDP for the First Half of 2014", <http://www.stats.gov.cn/english/PressRelease/201407/t20140717_582998.html> 25/8/2014

2 National Bureau of Statistics of China • (16/7/2014) "Investment in Fixed Assets for January to June 2014", <http://www.stats.gov.cn/english/PressRelease/201407/t20140717_582822.html> 25/8/2014

3 上海市統計局 • (18/7/2014) "上半年上海市國民經濟運行情況", <http://www.stats-sh.gov.cn/xwdt/201407/271710.html> 25/8/2014

4 National Bureau of Statistics of China • (16/7/2014) "Industrial Production Operation in June 2014", <http://www.stats.gov.cn/english/PressRelease/201407/t20140717_582819.html> 25/8/2014

5 上海市水泥行業協會編印 •《上海水泥技術信息》第290期

The Group has three major missions to achieve in the second half year, firstly, striving to realise that its profit for 2014 will surpass the 2013 level, secondly, proceeding with the construction of the Bailonggang Project, thirdly, further promoting its technology reform.

In terms of the Group's profit, the Group will further promote cement sales and reduce the level of expenditures. Shanghai SAC will further enhance its treasury management yield and actively manage to improve the rental income of the existing properties.

In terms of technology reform, the Group will continue to attach great importance to cement production and the development of storage and transportation technology. In the second half year, Allied Wangchao will continue to reduce production energy consumption and improve production efficiency, thereby reducing production cost continuously and strengthening the core competitive edge of the Group.

Apart from the aforesaid missions, the Group will continue to perform its social responsibilities, contribute to urban environmental protection, and enhance the core value of shareholders in a customer-oriented approach.

The Board has reviewed the businesses of the Group and will explore pharmaceutical and health industry business or investment opportunities, such as hospital management, healthcare and elderly care services, pharmaceutical and so on, in order to enhance the future development and income bases of the Company.

Employees

As at 30th June, 2014, the Group employed 329 (31st December, 2013: 344) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend (2013: Nil).

NON-COMPETITION CONFIRMATION

The Company has complied with the Non-competition Deed during the year ended 31st December, 2013. The Group is principally engaged 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 People's Republic of China whereas Tian An China Investments Company Limited ("Tian An", the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28) and the then controlling shareholder of the Company) is principally engaged in property development and investment. The previous board of directors was not aware of any breach done by Tian An and the Company during the financial year ended 31st December, 2013.

To ensure the compliance with the Non-competition Deed by the Company, the management of the Company was not authorized to do any business which deviates from the Group's principal activities.

There is no amendment made to the Non-competition Deed during the financial year ended 2013. As Tian An and its associates (i) ceased to hold 30% or more of the entire issued share capital of the Company on 4th February, 2014 and (ii) do not have any power to control the board of directors of the Company thereafter, the Non-competition Deed was therefore terminated in accordance with its terms on 4th February, 2014. China Health Management Investment Limited, the new controlling shareholders of the Company, and the Company have not entered into any new non-competition deed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2014, 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. Further, code provisions A.2.2 to A.2.9 of the CG Code stipulate the roles and responsibilities of the chairman. Also, code provision E.1.2 of the 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.

Mr. Ng Qing Hai, being the Managing Director and Executive 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 deviates from the code provisions A.2.1 of the CG Code.

Mr. Huang Yu have been appointed as the Chairman of the Board with effect from 24th July 2014.

(2) 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 were set out in the Corporate Governance Report contained in the 2013 Annual Report. The Board 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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2014. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2014 interim report of the Company will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange and the Company's website (http://www.alliedcement.com.hk) in due course. The 2014 interim financial results set out above does not constitute the Company's statutory financial statements for the six months ended 30th June, 2014 but is extracted from the financial statements for the six months ended 30th June, 2014 to be included in the 2014 interim report.

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

Hong Kong, 25th August, 2014

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Huang Yu (Chairman), Mr. Ng Qing Hai (Managing Director) and Mr. Deng Jin Guang and three Independent Non-Executive Directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Li Shujie.