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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)

CONTINUING CONNECTED TRANSACTION

SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

The Company entered into the Sharing of Administrative Services and Management Services Agreement with AGL on 8th October, 2012 pursuant to which the Company agreed the terms of the Sharing of Administrative Services and Management Services Agreement in relation to the Administrative Services and Management Services provided by AGL to the Group and the reimbursement of the costs payable to AGL.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is held as to 75% by TACI, which is held as to approximately 46.85% by APL which is in turn held as to approximately 74.97% by AGL. AGL is a connected person of the Company under the Listing Rules.

Accordingly, the entering into of the Sharing of Administrative Services and Management Services Agreement and the transactions contemplated thereunder will constitute a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transaction regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

As it is anticipated that one or more of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees regarding the Management Services payable by the Group to AGL under the Sharing of Administrative Services and Management Services Agreement will, on an annual basis, be less than 5%, the entering into of the Sharing of Administrative Services and Management Services Agreement by the Company, which is on normal commercial terms, and the transaction regarding the sharing of Management Services contemplated under the Sharing of Administrative Services and Management Services Agreement will constitute a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules which will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) but will be exempted from the independent shareholders' approval requirements under the Listing Rules.

Details of the Sharing of Administrative Services and Management Services Agreement and the transactions contemplated thereunder will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

BACKGROUND

The Company entered into the Sharing of Administrative Services and Management Services Agreement with AGL on 8th October, 2012 with effect from 8th October, 2012 up to 31st December, 2013 pursuant to which AGL would provide to the Group the Administrative Services and the Management Staff would provide the Group with the Management Services and the Group would reimburse the relevant costs to AGL. Details of the Sharing of Administrative Services and Management Services Agreement are set out below:

SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

Date	:	8th October, 2012
Parties	:	The Company and AGL
Effective period	:	Period commencing from 8th October, 2012 and expiring on 31st December, 2013
Nature of transaction	:	The Company agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the Group.

Terms : In respect of the Administrative Services provided to the Group, the Group agreed to reimburse the actual costs incurred by AGL which will be payable by the Group on a monthly basis. The fees charged will be determined by reference to the actual use of the Administrative Services by the Group on a cost basis without margin which varies across different types of services. For instance, in respect of sharing of office administrative expenses such as postage, delivery and international telephone calls, AGL will keep a record of such uses and the Company will be charged on its actual use. The Directors consider that such cost allocation of the Administrative Services between the Group and AGL is on a fair and equitable basis and that the fees charged by AGL are comparable to market rates for similar services provided by the Independent Third Parties.

In respect of the Management Services provided to the Group, the Group agreed to reimburse a portion of the actual costs of the services incurred by AGL by reference to a specified percentage of the remuneration of members of the Management Staff providing the Management Services to the Group, which will be payable by the Group on a quarterly basis. Such percentage varies between each member of the Management Staff and would be determined by reference to the percentage of the time currently estimated to be devoted by the individual members of the Management Staff to the affairs of the Group against the amount of time they would otherwise devote to the affairs of AGL as full time employees of AGL.

Annual cap : In respect of the Management Services, HK\$310,000 and HK\$1,465,000 for each of the two financial years ending 31st December, 2012 and 31st December, 2013 respectively.

Basis of determining the annual cap : In determining the annual cap, the Directors have taken into consideration the existing scales of the Group's operations and, for the purpose of determining the annual cap only, the anticipated growth of the Group, the anticipated increase in the remuneration of those Management Staff who are involved in providing the Management Services to the Group, and having done so, for the two financial years ending 31st December, 2012 and 31st December, 2013 respectively, the aggregate annual amount payable by the Group in respect of the Management Services under the Sharing of Administrative Services and Management Services Agreement is expected not to exceed HK\$310,000 and HK\$1,465,000 respectively and accordingly, the above figures have been adopted as the annual cap for the transaction in respect of the Management Services under the Sharing of Administrative Services and Management Services Agreement in respect of the same period.

Reasons for and benefits of the transactions : The Directors consider that the sharing of Administrative Services and Management Services arrangement will benefit the Group in that both AGL and the Group can enjoy economies of scale brought by the sharing of the Administrative Services and Management Services provided by AGL which will maximise cost efficiency and management effectiveness. In addition, since members of the Management Staff will devote part of their time to the affairs of the Group in the course of performance of the Management Services to the Group, the Directors consider that it is reasonable for the Group to be charged for the Management Services so as to allocate the costs borne by AGL in this respect.

LISTING RULES IMPLICATIONS

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Accordingly, the entering into of the Sharing of Administrative Services and Management Services Agreement and the transactions contemplated thereunder will constitute a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transaction regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Details of such transaction regarding the sharing of the Administrative Services between the Company and AGL have been set out in this announcement for the purpose of completeness of disclosure of the material terms of the Sharing of Administrative Services and Management Services Agreement.

As it is anticipated that one or more of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees regarding the Management Services payable by the Group to AGL under the Sharing of Administrative Services and Management Services Agreement will, on an annual basis, be less than 5%, the entering into of the Sharing of Administrative Services and Management Services Agreement by the Company, which is on normal commercial terms, and the transaction regarding the sharing of Management Services contemplated under the Sharing of Administrative Services and Management Services Agreement will constitute a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules which will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) but will be exempted from the independent shareholders' approval requirements under the Listing Rules.

Details of the Sharing of Administrative Services and Management Services Agreement and the transactions contemplated thereunder will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company. 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 People's Republic of China.

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services, the provision of elderly care services, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the service fees paid for the Continuing Connected Transaction exceeds the relevant annual caps, during the two financial years ending 31st December, 2012 and 31st December, 2013, or when the Sharing of Administrative Services and Management Services Agreement is renewed or where there are material changes to the terms of the said agreement. The Company will also comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules.

The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Sharing of Administrative Services and Management Services Agreement was entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sharing of Administrative Services and Management Services Agreement (including the annual caps for the Continuing Connected Transaction) are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Mr. Li Chi Kong (being an Executive Director of the Company is also the group financial controller of AGL and a member of the Management Staff providing the Management Services) is deemed to be materially interested in the Continuing Connected Transaction and has abstained from voting on the relevant board resolutions of the Company.

DEFINITIONS

“Administrative Services”	provision of office space for record-keeping, utilities services including water, electricity, telephone (including international telephone services) and internet services, photocopying services, postal, courier and delivery services and other ancillary office services as stipulated in the Sharing of Administrative Services and Management Services Agreement
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373), is a substantial shareholder of the Company through its interests in APL and TACI

“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 56 and Warrant Code: 1183), is a substantial shareholder of the Company through its interests in TACI and a non wholly-owned subsidiary of AGL
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Allied Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction”	the continuing connected transaction regarding the sharing of Management Services under the Sharing of Administrative Services and Management Services Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries, or their respective associate(s) (as defined in the Listing Rules) or not otherwise a connected person of the Company within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	Main Board of the Stock Exchange (exclude the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM Board of the Stock Exchange
“Management Services”	the management, consultancy, strategic and business advice services provided by the Management Staff to the Group as stipulated in the Sharing of Administrative Services and Management Services Agreement

“Management Staff”	the senior management and the selected staff of AGL
“Shareholder(s)”	the shareholder(s) of the Company
“Sharing of Administrative Services and Management Services Agreement”	the agreement dated 8th October, 2012 entered into between the Company and AGL in respect of the sharing of the Administrative Services and Management Services provided by AGL to the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TACI”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28) and indirectly owns 75% shareholding interest in the Company
“%”	per cent

On behalf of the Board
Allied Cement Holdings Limited
Li Chi Kong
Executive Director

Hong Kong, 8th October, 2012

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.